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Report to Congressional Committees

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PROPERTY MANAGEMENT

Excess and Surplus Personal Property Transfers to Nonfederal Organizations

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The Honorable John Glenn
Chairman, Committee on
Governmental Affairs
United States Senate

The Honorable Jack Brooks
Chairman, Committee on
Government Operations
House of Representatives

This report discusses the impact of Public Law 94-519 during its fourth 2-year period of operation. The law, which became effective on October 17, 1977, significantly altered the government's policies and procedures regarding the transfer of excess and the donation of surplus federal personal property to nonfederal organizations.

This report is the fourth in a series of biennial reports required by section 10 of Public Law 94-519 (40 U.S.C. 493).

We are sending copies of this report to the Director, Office of Management and Budget; and to the federal agencies and State Agencies for Surplus Property mentioned in the report.

Richard L. Fogel

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Executive Summary

Purpose

In fiscal year 1976, $243 million of federal personal property that could have been used by federal agencies was transferred to nonfederal organizations. Because of its concerns about the proper use of personal property released by federal agencies, Congress enacted Public Law 94-519 in 1976.

One provision of the law requires that GAO report to Congress biennially on whether the objectives of the law are being fulfilled.

Background

Personal property is "excess" when it is not needed by the possessing federal agency and becomes "surplus" if it is not needed by any federal agency. Surplus federal property is made available through 56 State Agencies for donation to eligible organizations.

The General Services Administration (GSA) has principal responsibility for maximizing the federal use of excess property. Also, GSA manages the surplus donation program in partnership with the states. Two of Public Law 94-519's objectives are to

- reduce transfers to nonfederal organizations of excess property that might be needed within the federal government and
- encourage the donation of surplus property for a wider range of purposes than previously authorized.

Results in Brief

Since the implementation of Public Law 94-519 the percentage and amounts of excess personal property provided to nonfederal organizations have shown an overall decrease. (See table 2.1.)

While surplus property is being donated for a wider range of purposes than previously authorized, a small number of donees receive a large amount of the donated property. It appears that improved outreach could broaden the distribution patterns. (See pp. 17 to 22.)

The amount of surplus personal property donated by the State Agencies decreased significantly during fiscal year 1985—by $42 million, or 14 percent from the previous year. This decrease in donated property has eroded the financial solvency of some of the State Agencies that depend on service charges to fund their operations. (See table 3.1 and pp. 28 to 31.)

Principal Findings

Effect of Law on Excess Property

Since enactment of Public Law 94-519, a greater proportion of excess property has been acquired by federal agencies rather than nonfederal organizations. Between fiscal years 1976 and 1977, the two fiscal years preceding implementation of the law, the amount of excess property provided nonfederal organizations increased from $243 million to $371 million. Since fiscal year 1979, the first complete year after the law became effective, the amount of excess property provided has not exceeded $54 million. (See table 2.1.)

Property Not Being Reported

GAO reviewed 42 executive agencies' fiscal year 1985 annual reports and found (1) some reports did not contain all the required information, and (2) 24 reports had not been submitted to GSA within the calendar quarter following the close of the fiscal year as required.

For example, the Department of Energy (DOE) did not report excess property furnished to its contractors that operate government-owned facilities because DOE believed the law did not intend for this property to be reported. GAO believes both the law and GSA's regulations require such reporting. Without complete, accurate, and timely information, GSA cannot provide Congress with an accurate and timely summary and analysis of the use of all federal personal property during the fiscal year. (See pp. 14 and 15.)

Wider Range of Recipients

Public Law 94-519 encouraged the donation of surplus property through the State Agencies for a wider range of purposes. The law expanded the purposes for which property can be donated to include conservation, economic development, and parks and recreation as well as the original three purposes of education, public health, and public safety. In fiscal year 1985, $35.6 million in personal property was donated for the three new categories. (See table 3.1.)

Based on responses to GAO's questionnaires, 44 State Agencies donated disproportionate—but not necessarily inappropriate—amounts of surplus property to their 10 largest recipients. During fiscal year 1985, the donation program's benefits were concentrated in 440 of about 29,800 organizations that received property. These 440 organizations received about $79.5 million in property, about 35 percent of the total amount donated by the responding State Agencies. There was an apparent relationship between State Agency efforts to promote the program and the distribution pattern. Thus, the greater the outreach efforts, the broader the distribution of donated property. (See pp. 17 to 22.)

During fiscal years 1983 through 1985, at least 25 State Agencies received less surplus property than they had developed as their entitlement in at least one of the fiscal years. (See p. 19.)

Management of the Donation Program

The amount of surplus property approved for donation decreased substantially between fiscal years 1984 and 1985. This has had a direct impact on the States Agencies' ability to operate their donation programs—to cover salaries, operate warehouses, and maintain equipment. With less property available for donation, there is a corresponding decrease in the amount of operating revenues the State Agencies generate through service charges assessed on donated property. (See table 4.1 and pp. 24 and 25.)

During fiscal years 1983 to 1985, between 30 and 36 of the 55 State Agencies had operating losses each year. These losses are jeopardizing the financial solvency of many of the State Agencies, causing them to seek increasingly larger portions of their funds from sources other than their operating revenues. (See pp. 28 and 29.)

Current GSA regional reviews of State Agency programs do not include information on the financial condition of State Agencies' operations. This information would provide GSA with an overview of the State Agencies' financial conditions and would identify operational problems. (See pp. 31 and 32.)

Recommendations

GAO recommends that the Secretary of Energy, in DOE's annual report to GSA, include information on excess personal property furnished to its contractors who operate government-owned facilities. (See p. 16.)

GAO also recommends that the Administrator of General Services take the following actions:

- Inform the heads of all executive agencies that GSA will issue its summary and analysis report to Congress on a specified date and that this report will (1) include only those executive agency reports that have been submitted on time and (2) identify those executive agencies that have not submitted an annual report on time.

- Encourage the State Agency directors to aggressively promote the benefits of the donation program within their states and advertise the variety of property available through the donation program to those public and private organizations that establish their eligibility. The purpose of this recommendation is to help (1) increase the amount of surplus personal property some State Agencies request from GSA and (2) expand the number of eligible nonfederal organizations that receive donated property. (See pp. 16 and 22.)

Recommendations to GSA for improving the State Agencies' management of the donation program through regional reviews are also contained in this report. (See p. 36.)

Agency Comments and Our Evaluation

DOE did not agree with GAO's recommendation because it believes property furnished to contractors that operate government-owned facilities is not subject to the reporting requirements of the law. (See p. 42.)

GSA agreed with GAO's recommendations and provided specific steps it will take to implement them. (See p. 45.)

GAO also obtained comments from the National Association of State Agencies for Surplus Property. The national officers as a whole did not disagree with the report. (See p. 48.)

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Abbreviations

DOE	Department of Energy
GAO	General Accounting Office
GSA	General Services Administration

Introduction

Federal agencies acquire and use millions of dollars worth of personal property that they eventually no longer need. Such personal property includes paper, typewriters, adding machines, computer equipment, filing cabinets, chairs, desks, footlockers, clothing, automobiles, trucks, and aircraft. This property is reported to the General Services Administration (GSA) as excess when it is not needed by the possessing federal agency. GSA makes excess property available to other federal agencies for their own use, or for transfer[1] to their grantees or to nonfederal organizations with or without reimbursement.

If no federal agency needs the excess property, GSA declares it surplus to federal needs. GSA can transfer surplus personal property to State Agencies for Surplus Property (State Agencies) which, in turn, donate it to eligible organizations within their boundaries. The 56 State Agencies are established by a state plan of operation and operate in the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands. If the property is not requested by any State Agency, it is either sold, abandoned, or destroyed. Figure 1.1 shows the utilization and disposal cycle for personal property.

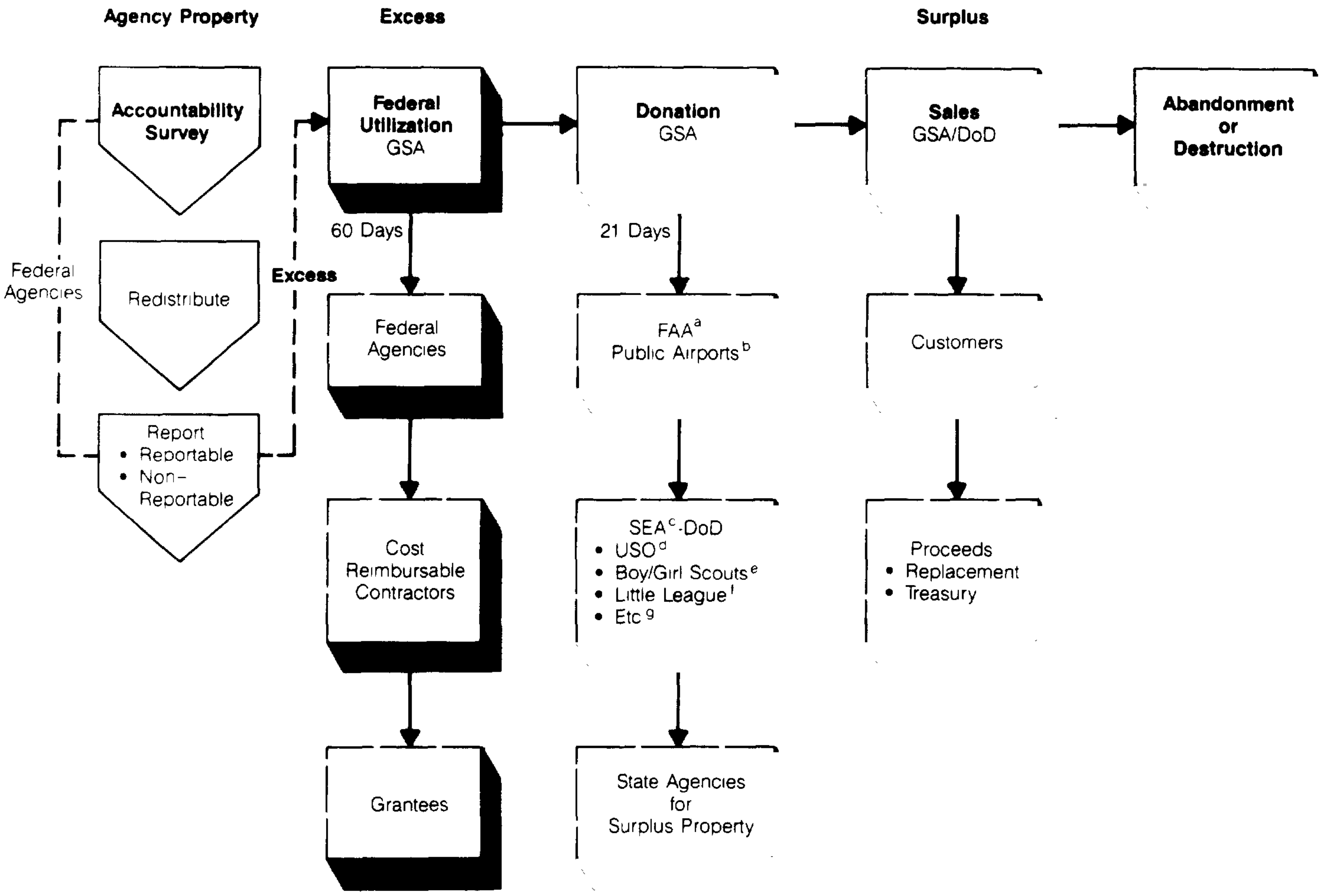
Before 1976, substantial amounts[2] of excess personal property were being transferred to nonfederal organizations. Congress became concerned that much of this excess property might be needed by other federal agencies. Congress was also concerned that much of this property was not being used, being used for unauthorized purposes and by unauthorized parties, or being stockpiled by nonfederal organizations.

To improve this situation, Congress enacted Public Law 94-519. Approved October 17, 1976, and effective 1 year later, the law amended the Federal Property and Administrative Services Act of 1949. The objectives of Public Law 94-519 include (1) reducing transfers to nonfederal organizations of excess personal property that might be needed within the federal government and (2) encouraging the donation of surplus personal property for a wider range of purposes than previously authorized by the 1949 act.

[1] In this report, the term "transfer" means title to the excess personal property passes to the grantee or nonfederal organization, and the term "furnish" means title to the excess personal property is retained by the federal government. In Public Law 94-519 and the legislative history these two terms are used interchangeably. In this report, the term "provided" is used when excess personal property was either transferred or furnished.

[2] In this report, the term "amount" refers to the original acquisition cost of the property.

Figure 1.1: Utilization and Disposal Cycle for Personal Property



[a]Federal Aviation Administration.

[b]The Federal Property Management Regulations provide for the disposal of surplus personal property, with the approval of the Administrator of General Services, as determined by the Administrator of the Federal Aviation Administration to be essential, suitable, or desirable for development, improvement, operation, or maintenance of a public airport.

[c]In the case of surplus personal property under the control of the Department of Defense, the Secretary of Defense determines whether the property is usable and necessary for educational activities that are of special interest to the armed services, such as maritime academies or military, naval, Air Force, or Coast Guard preparatory schools, and are commonly referred to as service education activities.

[d]United Service Organizations, Inc.

[e]Boy Scouts of America and Girl Scouts of the United States of America

[f]Little League Baseball, Inc.

[9]The other service educational activities are the Center for Excellence in Education, which formerly was the Admiral H.G. Rickover Foundation; American National Red Cross; Boys' Clubs of America; Camp Fire, Inc., which formerly was the Camp Fire Girls, Inc.; National Ski Patrol System, Inc.; Naval Sea Cadet Corps; United States Olympic Committee; and Young Marines of the Marine Corps League.

Objectives, Scope, and Methodology

This is our fourth biennial report required to be submitted to Congress under Public Law 94-519. Our objectives were to determine if the law's objectives were fulfilled during fiscal years 1984 and 1985.

We obtained and in some cases verified statistical information reported by federal agencies to GSA, assessed GSA's actions to implement the recommendation in our last report, and reviewed the 42 executive agencies' fiscal year 1985 annual reports submitted to GSA as of June 30, 1986. We obtained statistical information on State Agencies' programs and determined whether external audits and GSA's regional reviews of State Agencies' operations were being done within prescribed time periods.

We developed a data collection instrument to extract information from external audits and GSA's regional reviews of the State Agencies in order to evaluate GSA's and the State Agencies' management of the donation program and to gain insight into the operation of State Agencies. In addition, we used a questionnaire to obtain information from the directors of the 55[3] State Agencies on the overall management and financial condition of their donation programs. To determine the extent to which the State Agencies had, as required by the law, the organizational and operational authority and capability to conduct the donation program, our questionnaire collected information regarding (1) the amount of personal property obtained during fiscal years 1983, 1984, and 1985, including the availability and condition of the property; (2) the extent of nonfederal organization participation in the donation program; and (3) the financial condition of the donation program. In those cases where we had questions about the responses, we made telephone follow-ups to clarify the information with the State Agencies. The questionnaire results are discussed in chapter 4.

Our review was done at the Property Management Division, Office of Customer Support Management, Federal Supply Service, General Services Administration, Crystal City, Virginia. Our questionnaire was

[3]A questionnaire was not sent to the Territory of American Samoa's State Agency for Surplus Property because their permanent plan of operation was accepted by GSA on May 11, 1987, which was after the period covered by our fieldwork (November 1985 to June 1986).

pretested with the Directors of the Massachusetts, South Dakota, Virginia, and West Virginia State Agencies.

Our audit was done between November 1985 and June 1986 and in accordance with generally accepted government auditing standards.

The Law Continues to Affect the Provision of Excess Property as Intended by Congress

Public Law 94-519 continues to have the effect of reducing the amount of excess personal property provided to nonfederal organizations. During fiscal years 1984 and 1985, a smaller proportion of excess personal property went to nonfederal organizations and a larger proportion to federal agencies than before the law was enacted.

GSA implemented one of our prior recommendations to clarify the information that executive agencies must report annually to GSA. As a result, most agencies' fiscal year 1985 annual reports complied with established requirements. However, some agencies' reports did not contain complete information, and 24 of the 42 reports we reviewed had not been submitted to GSA within the required time.

Excess Personal Property Provided to Federal Agencies and Nonfederal Organizations

Since the act was implemented, an average of over 91 percent of total excess property has been provided to federal agencies. In the 2 years preceding the act's implementation, the average was 72 percent.

At the same time, the percentage and amounts of excess property provided to nonfederal organizations have shown an overall decrease. For example, the amount of excess property provided to nonfederal organizations was $243.1 million in fiscal year 1976 and $53.6 million in fiscal year 1985.

Table 2.1 shows a breakdown of excess personal property provided to both federal agencies and to nonfederal organizations, at original acquisition cost, from fiscal year 1976 through 1985. Appendix I shows the amount of excess personal property each federal agency provided to its grantees and other nonfederal organizations.

Table 2.1: Excess Personal Property Provided to Federal Agencies and Nonfederal Organizations

Dollars in millions

	Federal agencies[a]		Nonfederal organizations[b]		Total	
FY	Amount	Percent	Amount	Percent	Amount	Percent
1976	$881.0	78.4	$243.1	21.6	$1,124.1	100
1977	714.8	65.8	370.8	34.2	1,085.6	100
1978	778.6	88.9	97.3	11.1	875.9	100
1979	735.6	93.4	52.2	6.6	787.8	100
1980	426.3	90.8	43.3	9.2	469.6	100
1981	461.4	92.1	39.5	7.9	500.9	100
1982	361.6	88.3	47.8	11.7	409.4	100
1983	559.8	93.0	41.8	7.0	601.6	100
1984	592.4	93.4	42.0	6.6	634.4	100
1985	629.9	92.2	53.6	7.8	683.5	100

[a]Property transferred to federal agencies for their own use.

[b]Includes grantees, section 514 recipients, and recipients of property under both the cooperative forest fire control program and the cooperative extension service program Under Section 514 of the Public Works and Economic Development Act of 1965, recipients received excess personal property for economic development purposes. Section 514 was repealed by Public Law 94-519 Agriculture's cooperative forest fire control program recipients are technically not grantees, but they were included in Public Law 94-519 as an exemption to the general conditions on transfer of excess personal property to federal grantees. Section 1443 of Public Law 97-98 amended the Federal Property and Administrative Services Act of 1949 and provided Agriculture's cooperative extension service recipients, who are also technically not grantees, an exemption to the general conditions on transfer of excess personal property to federal grantees.

Agencies' Management of Excess Personal Property Programs

The executive agencies submit to GSA annual reports that contain information on all federal personal property. Without complete, accurate, and timely submission of these annual reports, GSA cannot provide Congress with an accurate and timely summary and analysis of all federal personal property that according to the law is "furnished in any manner whatsoever within the United States to any recipient other than a Federal agency" during the fiscal year.

Our third report[1] recommended that the Administrator of General Services clarify, for all executive agencies, the information on federal personal property required to be reported to GSA. GSA provided the needed clarification in a GSA bulletin. The bulletin also stated, as a reminder, that annual reports are required to be submitted to GSA during the calendar quarter following the close of the fiscal year.

[1]GAO's Third Biennial Report on the Transfer of Excess and Surplus Federal Personal Property to Nonfederal Organizations (GAO/GGD-85-3, Nov. 9, 1984).

We reviewed the 42 executive agencies' fiscal year 1985 annual reports submitted to GSA as of June 30, 1986.[2] Most of the annual reports reviewed complied with the reporting requirements. However, some reports did not contain all the required information on federal personal property. Further, 24 of the 42 reports were not submitted to GSA within the required calendar quarter. Consequently, because a submission date for GSA's annual report to Congress is not specified in the act, GSA has delayed its reports to Congress until a majority of the executive agencies have submitted their annual reports. For example, GSA's fiscal years 1984 and 1985 reports were submitted to Congress on July 26, 1985, and September 26, 1986, respectively.

Department of Energy Noncompliance With Reporting Requirement

In accordance with its responsibility to encourage research and development in the field of energy, the Department of Energy (DOE) can transfer used DOE-owned laboratory equipment to universities, colleges, and other nonprofit institutions for use in energy-related educational programs. Title to the property passes with such transfers. DOE can also loan property that is temporarily not in use (although not excess to its needs) to agency offices and contractors, other federal agencies, and other organizations for official purposes. According to DOE regulations, loan agreements for property cannot exceed 1 year; however, these agreements can be renewed.

DOE also furnishes excess personal property to its contractors that operate government-owned facilities, but this information was not included in DOE's fiscal year 1985 annual report to GSA. DOE officials have taken the position that this property does not come within the provisions of section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended, because these contractors perform only government work at these facilities, their accounting system is integrated with the DOE financial system, and they are authorized to act as an agent for DOE. We disagree with DOE's interpretation of the act.

As we explained in detail in our third biennial report, the legislative history and language of Public Law 94-519, amending section 202(e), clearly indicate Congress' desire for information concerning the utilization of <u>all</u> excess federal personal property furnished <u>in any manner</u> whatsoever to any nonfederal organization. Furthermore, in that report we recommended that GSA describe the types of property and recipients

[2]Two executive agencies—the Farm Credit Administration and the National Labor Relations Board—submitted their fiscal year 1985 annual reports in July 1986 and were not included in our review.

covered under section 202(e) in more detail. In response to that recommendation, GSA published GSA Bulletin FPMR H-43, "Utilization and Disposal," dated January 2, 1985. This bulletin broadly defines the furnishing of property to a contractor as including any type of transaction, including a transfer or loan of the goods; there is no need for title to pass to the recipient. In addition, the term "non-federal recipients" specifically includes "all contractors," with no exclusion of those operating government-owned facilities. Thus, DOE's retention of title to the property in question here, as well as the recipient-contractor's operation of a government-owned facility, does not exclude this property from coverage by the act.

For these reasons, excess personal property furnished to contractors operating government-owned facilities comes within the reporting requirements of section 202(e) as amended by Public Law 94-519.

Conclusions

Public Law 94-519 continues to have the effect of reducing the amount of excess personal property provided to nonfederal organizations. During fiscal years 1984 and 1985, a smaller proportion of excess personal property was provided to nonfederal organizations and a larger proportion was acquired by federal agencies than before the law was enacted.

Most of the fiscal year 1985 annual reports submitted to GSA by the executive agencies complied with requirements. However, we believe that GSA should require the timely submission of the annual reports and inform the heads of all executive agencies that GSA will issue its summary and analysis report to Congress on a specified date and that this report will (1) include only those executive agency reports that have been submitted on time and (2) identify those executive agencies that have not submitted an annual report on time.

We also believe that DOE should report excess property it furnishes to contractors that operate government-owned facilities. Since DOE's annual report did not include this amount of excess personal property, and other executive agencies did not submit their annual reports within the required time period, GSA cannot provide Congress with an accurate and timely summary and analysis of the utilization of <u>all</u> federal personal property "furnished in any manner whatsoever" to any nonfederal organization.

Recommendations

We recommend the following:

- The Secretary of Energy should include information on excess personal property furnished to DOE contractors who operate government-owned facilities in its annual report submitted to GSA in compliance with section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended.
- The Administrator of General Services should inform the heads of all executive agencies that GSA will issue its summary and analysis report to Congress on a specified date and this report will (1) include only those executive agency reports that have been submitted to GSA during the calendar quarter following the close of the fiscal year as required by section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended; and (2) identify those executive agencies that have not submitted an annual report on time.

Agency Comments and Our Evaluation

In its comments, DOE reiterated its position on reporting excess personal property to its contractors that operate government-owned facilities. We continue to disagree for the reasons cited.

GSA agreed with our recommendation and plans to issue a Federal Property Management Regulations Bulletin to remind heads of executive agencies of the reporting timetable. GSA will advise them that those not submitting an annual report by the due date will be identified in GSA's report to Congress.

Distribution of Surplus Property Under the Donation Program

One objective of Public Law 94-519 is to encourage the donation of surplus personal property for a wider range of purposes than previously authorized by the 1949 act. We addressed the questions of (1) whether experience since the passage of Public Law 94-519 indicates that surplus personal property is being distributed to a wider range of eligible nonfederal organizations under the donation program and (2) how equitably property is being distributed by GSA to the State Agencies and by the State Agencies to their donees. We found that while property continues to be donated for a wider range of purposes, (1) many State Agencies, during fiscal year 1984 and 1985, did not request their full entitlements;[1] and (2) the program's benefits accrue primarily to a small number of donees who receive a large amount of the donated property.

Surplus Property Going for Wider Range of Purposes

Before the implementation of Public Law 94-519, surplus personal property could be donated only for educational, public health, and civil defense purposes or for research related to these purposes. Organizations eligible to receive property donations were limited to tax-supported or nonprofit tax-exempt medical or educational organizations, public libraries, and civil defense organizations established pursuant to state law.

Public Law 94-519 broadened the range of purposes and organizations eligible to receive donations. Donations now can be made to any public agency for use in carrying out or promoting one or more public purposes for the residents of a given political area. Eligible public agencies include any state and the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands; or Indian tribe or community located on a state reservation. Donated property received by nonprofit tax-exempt organizations must still be used only for educational or public health purposes or related research.

A substantial amount of property has been donated to public agencies for purposes that were authorized by Public Law 94-519. The three new purpose categories of conservation, economic development, and parks and recreation have received, since the law's enactment, surplus personal property having an original acquisition cost of $32.8 million, $232.0 million, and $34.7 million, respectively. (See table 3.1.)

[1] An entitlement percentage is developed for each state using allocation factors of population and per capita income.

Table 3.1: Amount of Personal Property Donated by State Agencies for Surplus Property by Category

Dollars in millions

FY	Education	Public health	Conservation	Economic development	Parks and recreation	Public safety[a]	Two or more purposes[b]	For other public purposes[c]	Total[d]
1976	$228.8	$32.9	$ •	$ •	$ •	$37.7	$ •	$ •	$299.5
1977	196.9	31.4	•	•	•	57.1	•	•	285.4
1978	197.1	22.9	2.9	21.6	4.8	49.0	25.6	18.8	342.8
1979	216.0	21.4	3.8	46.3	6.1	45.2	37.6	11.3	387.8
1980	184.2	18.2	3.3	27.2	4.4	38.0	30.3	11.4	316.9
1981	144.9	16.1	7.7	22.4	3.4	31.4	26.8	11.3	263.9
1982	146.4	13.4	2.8	23.2	3.6	32.3	31.6	40.7	294.1
1983	123.8	15.3	4.4	32.6	4.7	32.7	34.0	10.5	258.0
1984	182.6	12.9	4.3	30.4	4.0	27.8	34.5	13.8	310.5
1985	119.5	14.8	3.6	28.3	3.7	28.0	33.8	36.7	268.3
Total	**$1,740.2**	**$199.3**	**$32.8**	**$232.0**	**$34.7**	**$379.2**	**$254.2**	**$154.5**	**$3,027.2**

[a]In fiscal years 1976 and 1977 this category was called civil defense.

[b]This category is listed on GSA Form 3040, the State Agency Monthly (subsequently changed to quarterly) Donation Report of Surplus Personal Property, which was developed by GSA in October 1977 The State Agency would use this category when the donee indicates on the State Agency distribution document that the property will be used equally for two or more public purposes.

[c]The State Agency would use this category when the property will be used for a public purpose other than one of the categories listed on GSA Form 3040, i.e., education, public health, conservation, economic development, parks and recreation, and public safety

[d]Figures do not add across due to rounding.

Questions Raised Regarding the Fair and Equitable Distribution of Property

Public Law 94-519 contained several provisions to ensure the fair and equitable distribution of surplus personal property. The law amended the 1949 act by requiring GSA to "allocate . . . property among the States in a fair and equitable basis . . . " and " . . . give fair consideration . . . to expressions of need and interest on the part of public agencies and other eligible institutions . . ." regarding the transfer of surplus personal property.

Most State Agencies Do Not Request Their Full Entitlement of Surplus Property

To help assure that property is fairly distributed to the State Agencies, GSA developed allocation percentages to determine the amount of surplus property to which each state is entitled. These allocation percentages are referred to as state entitlements.

Our analysis showed that, during fiscal years 1983 through 1985, the number of State Agencies with entitlement shortfalls increased. For example, 25 State Agencies received less than their entitlements in fiscal year 1983, 26 in fiscal year 1984, and 30 in fiscal year 1985. Conversely, we found that 11 State Agencies received 200 percent or more of their property entitlements in 2 or more of these fiscal years. One reason for this is that the GSA regional offices routinely approve a State Agency's request for surplus property when no other State Agency expresses a need or requests the same item of property. We found the allocation process is also influenced by the close proximity of some State Agencies to large Department of Defense (DOD) generating points, the selectiveness of some State Agencies as to the type of the property they request, and the fact that some states are willing to provide financial support for their donation programs. Thus, while GSA's method of property allocation may result in disproportionate distribution, it is not improper under the statute since the State Agencies that are best prepared to make requests for property often emerge as the only requesters for some items of property.

Program Benefits Flow to a Relatively Few Organizations

Public Law 94-519 established the eligibility of all public institutions and those private organizations engaged in education, health, and other specified categories as potential recipients of surplus personal property through the State Agencies. However, these institutions and organizations can receive property only if they establish eligibility with their State Agencies.

In its third report[2] to Congress, GSA estimated that 140,000 donees were eligible. However, our analysis of the State Agencies' responses to our questionnaire showed that at the end of fiscal year 1985, the State Agencies considered about 68,200 organizations as eligible to receive property—less than half of the number GSA reported to Congress. A GSA official told us that the figure of 140,000 was mistakenly reported to Congress as the number of eligible donees, when it should have been reported as the number of potentially eligible donees.

[2]Third Biennial Report to the Congress of the United States from the Administrator of General Services on Excess and Surplus Personal Property Program under Public Law 94-519, April 1984, p. 4.

We also found that establishing eligibility with a State Agency was not necessarily synonymous with receiving property under the donation program. For example, the State Agencies responding to our questionnaire reported that less than half—about 29,800—of the about 68,200 organizations listed as eligible actually received property during fiscal year 1985. We believe some reasons why eligible organizations did not receive property may be that they (1) were not aware of the potential benefits to them from taking advantage of the surplus personal property donation program within the state, (2) were not located near the State Agency's facility and thus could not readily check the property in inventory, or (3) did not have funds available to pay State Agency service charges.

Our analysis of the dollar value of property distributed to donees indicated that much of the program's benefits flowed to relatively few organizations. We asked the State Agencies to estimate the percentage of total donations that went to the 10 donee organizations receiving the largest dollar amount of property. Their responses are shown in table 3.2.

Table 3.2: State Agencies Grouped by Percentage of Property Donated to Their 10 Largest Recipients

Percentage range of property donated to 10 largest donees	Number of State Agencies reporting this range in FY 1983	Percentage of total	Number of State Agencies reporting this range in FY 1984	Percentage of total	Number of State Agencies reporting this range in FY 1985	Percentage of total
1 - 24	17	41	18	42	16[a]	36
25 - 49	14	34	10	23	14	32
50 - 74	8	20	12	28	12	27
75 - 100	2	5	3	7	2	5
Total	**41[b]**	**100**	**43[b]**	**100**	**44[b]**	**100**

[a]One State Agency director reported that the 10 largest donees received between 1-24 percent of the total donations but did not provide us with the dollar amount of the donations during fiscal year 1985. Therefore, this State Agency has not been included in the total

[b]We sent a questionnaire to each of the 55 State Agency directors, and these figures represent the number of directors who answered this question for each fiscal year.

As shown in the table, many State Agencies donate large amounts of surplus property to their 10 largest donee organizations. In each of the 3 fiscal years that we reviewed, over half of the State Agencies that responded to our questionnaire stated that at least 25 percent of all the surplus personal property they donated went to their 10 largest recipients.

Using additional information provided by State Agencies we estimated that 440 donees, representing 0.6 percent of eligible organizations, received about $79.5 million, or about 35 percent of the total surplus property donated by the 44 responding State Agencies in fiscal year 1985.

State Agencies Do Not Consult With Advisory Bodies and Public and Private Groups

State Agencies are required to consult with advisory bodies and public and private groups to make them aware of the availability of donable property. However, 29 out of the 55 State Agencies responding to our questionnaire said that during fiscal year 1985 they either did not meet with or did not have advisory bodies. This lack of consultation with advisory bodies was frequently mentioned in audits and GSA reviews[3] of the State Agencies. For example, of the 51 GSA reviews done between July 1, 1983, and September 30, 1985, 15 State Agencies were cited for failure to consult with advisory bodies. In these instances, the GSA reviews almost always recommended that the State Agencies take appropriate corrective action. GSA's records showed that seven of the State Agencies to which this recommendation was made agreed and took corrective action.

Our analysis of the State Agencies' responses to our questionnaire also indicates that consultation with public and private groups is a problem area. For example, 14 State Agencies reported no contacts with public and private groups during fiscal year 1985, while 21 State Agencies reported between 1 and 5 contacts. Because of the large number of public and private groups potentially eligible to obtain surplus personal property through the donation program, the number of contacts with public and private groups made by the majority of the State Agencies appears small.

Our analysis of the State Agencies' questionnaire responses indicates contacts with public and private groups can result in broadening the distribution of surplus personal property under the donation program. Using regression analysis—a statistical technique for determining if relationships exist between two variables—we analyzed the relationship

[3]GSA regional offices conduct a review of the State Agencies within their areas once every 2 fiscal years. The purpose of the review is to evaluate the operation and effectiveness of the State Agency's program for the donation of surplus personal property and assess the State Agency's conformance with its approved state plan of operation and applicable requirements.

between the percentage of property received by the State Agencies' 10 largest donees and the number of meetings with public and private groups the State Agency reported during fiscal year 1985. The analysis showed those State Agencies that reported the largest number of contacts with public and private groups were more likely to report a smaller percentage of property going to their 10 largest donees. These results indicate that wider distribution of the surplus personal property could be achieved if State Agencies expanded the number of contacts made with public and private groups.

Conclusions

As intended by Congress, Public Law 94-519 has succeeded in broadening the range of purposes to be furthered by the donation of surplus personal property through the State Agencies. Although the amount of surplus personal property donated has fluctuated since Public Law 94-519 was enacted, property is now donated to recipients in six purpose categories as contrasted with three purpose categories before the law was enacted. In fiscal year 1985, $35.6 million, or 13 percent of the total, was donated for the three new categories.

At the end of fiscal year 1985, the directors of the 55 State Agencies responding to our questionnaire considered about 68,200 organizations eligible to receive surplus personal property; about 29,800 organizations actually received property. Also, many of the State Agencies donate large amounts of surplus personal property to their 10 largest donee organizations.

Our analysis of the actual distribution of property donated through the program indicates that such property tends to flow in larger quantities to those State Agencies that are best prepared to make requests for certain property, and then to a limited number of donees that have established their eligibility under the program.

Recommendation

We recommend that the Administrator of General Services encourage the State Agency directors to aggressively promote the benefits of the donation program within their states and advertise the variety of property available through the donation program to those public and private organizations that establish their eligibility. The purpose of this recommendation is to help (1) increase the amount of surplus personal property some State Agencies request from GSA and (2) expand the number of eligible nonfederal organizations that receive donated property.

Agency Comments and Our Evaluation

GSA agreed with the recommendation and listed several actions it is taking to assist State Agency directors, including participating in joint reviews of State Agencies experiencing financial difficulties, conducting seminars and workshops, and issuing news releases for program promotion.

Health of Donation Program Is Declining

Our review of the donation program raises questions about some State Agencies' ability to operate the donation program within specified requirements. These include staff, facilities, means and methods of financing, and procedures to, among other things, maintain accountability for the property and do internal and external audits. We found that the amount of property available for donation and donated by the State Agencies decreased significantly from previous years. In view of this decrease, which results in decreased operating funds, we believe the financial solvency of some of the State Agencies is eroding. This situation could weaken their ability to carry out the management activities required by the law, GSA's regulations, and their state plans of operation.

Donation Program May Again Face Property Shortfall

When the legislation that became Public Law 94-519 was being considered by Congress, the viability of the donation program was in question due to the increasing amount of personal property being made available to nonfederal organizations by individual federal agencies. One purpose of the law was to make more property available for the donation program through the State Agencies. To reflect the long-term trend of surplus personal property under the donation program, figure 4.1 shows the amount of surplus personal property GSA approved for transfer to the State Agencies. Amounts have been adjusted for the effects of inflation.

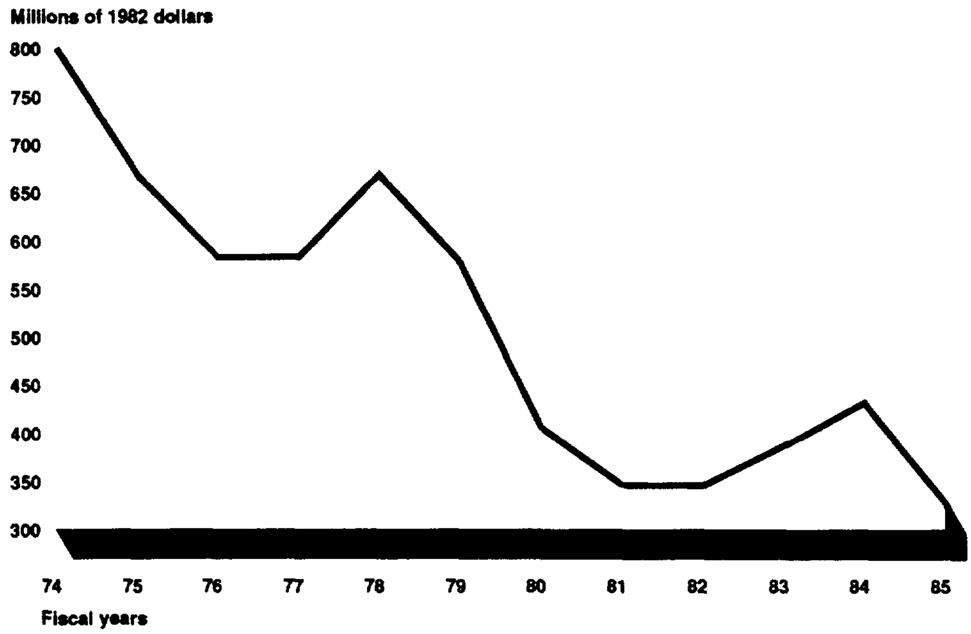
Amount of Property Received Declining

As shown in figure 4.1, the amount of surplus personal property GSA reported approving for donation has steadily declined, in real terms, during fiscal years 1974 through 1985.

Our questionnaire to State Agencies contained a series of questions addressing the quantity and quality of the surplus personal property available during fiscal years 1980 through 1985. Forty-four of the 55 State Agencies reported that the amount of property, measured in original acquisition cost, had decreased during the period. Of these 44 State Agencies, 24 reported the amount of property had greatly decreased. The majority of the respondents also saw a decline in the quality of the property available to them. Thirty-seven State Agencies characterized the condition of the property as worse or much worse than in the past.

The amount of surplus property available is an important factor relative to the continued health and operating capability of the State Agencies. This factor determines the amount of property the State Agencies can receive, donate, and hold in inventory. If the amount of surplus personal

Figure 4.1: Amount of Surplus Personal Property Approved for Donation During Fiscal Years 1974 Through 1985



property available for donation decreases, then the State Agencies' ability to operate the program—to cover salaries, operate warehouses, store property, maintain equipment, and assure property is used in accordance with the law—becomes more difficult. With less property available for donation, there is a corresponding decrease in the amount of property the State Agencies can donate and subsequently a decrease in the amount of operating revenues they can generate from service charges paid by donees for property received.

Table 4.2: Changes in Surplus Personal Property Levels at the State Agencies

Category	Number of State Agencies responding	Increases	No change	Decreases
Comparison of fiscal years 1983 to 1984				
Receipts	52	32	1	19
Donations	53	32	0	21
In inventory	50	24	1	25
Comparison of fiscal years 1984 to 1985				
Receipts	52	17	0	35
Donations	49	16	0	33
In inventory	50	22	0	28

As shown in table 4.2, most State Agencies reported experiencing increases in the amount of surplus personal property received and their subsequent donations between fiscal years 1983 and 1984. However, in fiscal year 1985 about two-thirds experienced decreases in the amount of surplus personal property received and donated. A GSA official said that the amount of surplus personal property available and approved for donation during fiscal year 1986 was about the same as during fiscal year 1985.

Inventories Are Large

To examine whether the State Agencies might be holding more inventory than needed to support their current operations, we obtained information from them on the amount of their inventories and donations. The State Agencies reported their total inventory as of the end of fiscal year 1985 to have been over $185 million at original acquisition cost. The size of individual inventories varied greatly. For example, 5 State Agencies reported no inventory, but 38 reported inventories in excess of $1 million; 4 of these had inventories in excess of $10 million.

One indicator of whether the State Agencies are incurring unnecessary costs by keeping too much property in inventory is the ratio of donations to year-end inventory. To determine this ratio, we computed the ratios of donations to year-end inventory for all State Agencies for fiscal years 1983 through 1985. The results are summarized in table 4.3.

Table 4.3: Ratios of State Agencies' Property Donations to Year-End Inventory

End of FY	Median ratio	Range	State Agencies whose end of fiscal year inventory exceeded annual donations
1983	.78	.15 - 5.04	15
1984	.63	.09 - 3.07	12
1985	.79	.08 - 8.50	17

As shown in table 4.3, during the 3 fiscal years the median[1] ratios of donations to year-end inventory were .78, .63, and .79, respectively. This means that in fiscal year 1985, a hypothetical State Agency having a median ratio would have had $1,000 of property in inventory for every $790 of property donated. The range of ratios is also significant. While the lows for the 3 fiscal years were $80 to $150 in property donated for each $1,000 in inventory, others were as high as $3,000 and $8,500 in property donated for each $1,000 in inventory. Our analysis also showed that at the end of fiscal years 1983, 1984, and 1985 the inventory on hand exceeded annual donations at 15, 12, and 17 State Agencies, respectively, and indicates that the State Agencies' inventories may be too high when compared to their annual donations.

GSA has not developed guidelines for assessing the amount of inventory the State Agencies should maintain, although some GSA reviews of State Agencies recommended that State Agencies dispose of some portion of their inventories.

We recognize that the ready availability of property can be beneficial to donees. However, to the extent State Agencies maintain large inventories, one or both of the following effects can occur: (1) other State Agencies, and consequently their donees, can be denied surplus personal property that they may need; and (2) operating costs of the State Agencies can be higher than necessary, increasing service charges to donees and making the donation program less appealing. For these reasons we believe GSA needs to develop criteria regarding inventory levels and, through its regional reviews, use these criteria to assess and perhaps reduce the amount of property in State Agencies' inventories.

[1]The median is the mathematical value at which point exactly one-half of the values, in this case the ratios of donations to year-end inventory, fall below and one-half are above.

Financial Solvency Eroding

The ability of the State Agencies to maintain financial solvency is crucial to the donation program. Public Law 94-519 authorized the State Agencies to assess and collect a service charge from participating organizations to cover direct and reasonable indirect costs for their activities. The law required that (1) the method of establishing service charges be set out in the state plan and (2) the service charges be fair and equitable and be based on services performed by the State Agency. While the law was not specific as to other options the State Agencies might use to fund their donation program operations, the House Committee report[2] stated ". . . It is obvious that somebody has to pay the bills for costs incurred in the transfer of the property from the Federal Government to another entity. The issue is whether it should be the Federal taxpayer or the benefited recipient . . ."

Table 4.4: Consolidated Profit and Loss Statement for the Donation Program

Dollars in thousands

Category	FY 1983	FY 1984	FY 1985	Total
Operating expenses	$21,102	$21,579	$20,233	$62,914
Income from service charges	19,086	18,681	17,262	55,029
Profit (loss) on operations	(2,016)	(2,898)	(2,971)	(7,885)
Income from other sources (reserves, state funding, or subsidies)	2,801	3,399	3,693	9,893
Total profit (loss)	$785	$501	$722	$2,008

As shown in table 4.4, based on information provided by the State Agencies, collectively the State Agencies incurred operating losses of $2 million to about $3 million in each of the 3 fiscal years. The State Agencies were able to avoid an overall loss by withdrawing funds from reserves or obtaining loans and subsidies from other state government sources.

For these 3 fiscal years, a majority of the State Agencies responding to our questionnaire had operating losses. While as a group the average loss was about $100,000 in each fiscal year, the median loss increased in each fiscal year. The fact that the median loss has increased yearly indicates that in addition to the large number of State Agencies experiencing losses during the period, the size of the losses the individual State Agencies were experiencing was generally increasing. Another indication of the breadth of these financial problems is that during these 3 fiscal

[2]Distribution of Federal Surplus Property to State and Local Organizations, H. Rept. 94-1429, p. 19.

years, only nine State Agencies operated without experiencing an operating loss in at least 1 year. In comparison, 12 State Agencies experienced a loss in only 1 fiscal year, 13 experienced a loss in 2 fiscal years, and 21 had operating losses in all 3 fiscal years.

State Agencies Receive Supplemental Funding but Not All Losses Are Offset

During fiscal years 1983 to 1985, between 30 and 36 State Agencies had operating losses each year, but most were able to avoid net losses by obtaining funds from sources other than service charges. For example, four State Agencies did not levy service charges; rather, the state government paid all operating expenses with appropriated funds. Another State Agency received some appropriated funds in each of the 3 fiscal years.

Some State Agencies used reserves—funds generated from but not needed for prior fiscal years' operations—as a source of supplemental funding. In fiscal year 1983, 11 State Agencies withdrew $283,729 from their reserves; in fiscal year 1984, 12 State Agencies withdrew $275,928; and in fiscal year 1985, 16 State Agencies withdrew $731,193, more than double the amount withdrawn in either of the 2 prior fiscal years.

The ability of the State Agencies to continue funding operating losses from reserves may be less because the amount of reserves required to offset losses in fiscal year 1985 was almost three times the amount required in fiscal year 1983. Another indication of the relatively low ability of some State Agencies to meet operating expenses from reserves is that of the 31 State Agencies with zero reserve balances as of the end of fiscal year 1985, 6 made withdrawals from reserves in 1 or more of the 3 fiscal years reviewed.

The State Agencies also obtained funds from other sources. For example, the State Agencies reported receiving about $2.2 million, about $2.9 million, and about $2.7 million in fiscal years 1983, 1984, and 1985, respectively, in state loans, state subsidies, transfers from other state programs, and from the sale of assets. In spite of these alternative funding sources, three of the State Agencies had net losses totaling $77,868 in fiscal year 1983; six had net losses totaling $324,415 in fiscal year 1984; and six had net losses totaling $90,507 in fiscal year 1985.

The amount of funds obtained from sources other than service charges, as a percentage of State Agencies' total operating funds, has increased during the period. Our analysis showed that these other funds comprised about 13 percent, 15 percent, and 18 percent of State Agencies' total funds for fiscal years 1983, 1984, and 1985, respectively.

Effect of Service Charges on Financial Condition

As previously stated, most of the State Agencies collect service charges on the surplus personal property they donate. There are no guidelines for determining what these service charges should be other than they should be fair and reasonable and reflect the operating costs of the State Agency. On October 2, 1975, the president of the National Association of State Agencies for Surplus Property testified before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations, that the national average service charge was below 5 percent of the original acquisition cost of the property and could be expected to decrease in future years. In spite of the optimism expressed in 1975, our analysis showed service charges were higher in fiscal years 1983 through 1985 than when the law was under consideration.

Despite the fact that during the 3-year period we reviewed service charges averaged 30-percent higher than in 1975, they remained below the level required to recover all operating expenses (see table 4.5).

Table 4.5: Service Charges Received in Fiscal Years 1983 Through 1985

Figures in percentages

	Fiscal years		
Category	**1983**	**1984**	**1985**
Service charges as a percent of donated property value	7.3	6.0	6.3
Service charges as a percent of donated property that would be required to cover all operating expenses	8.1	6.9	7.4
Service charges as a percent of donated property that would be required to cover all operating expenses and generate a profit	8.4	7.0	7.7

As shown in table 4.5, the average service charge State Agencies reported they levied on donated property declined from 7.3 percent in fiscal year 1983 to 6.3 percent in fiscal year 1985. However, if service charges were raised to the level necessary to cover all operating expenses, they would have been about 11 to 17 percent higher in each fiscal year. To recover all operating expenses and yield the profits reported by the State Agencies in these fiscal years, service charges would have had to be from about 15 to 22 percent higher. The net effect of the current service charge policy is that donees are obtaining surplus property for less than the State Agencies' cost of providing it to them.

Audits and Reviews Identified Management Weaknesses

The law requires the state plans to include provisions for an external audit of the donation program. Additionally, GSA's regional offices examine the management of the State Agencies. These audits and reviews have identified extensive management problems at the State Agencies. GSA has informed Congress that the cause of these problems is often a lack of resources at the state level.

External Audits of State Agencies

Each state's plan of operation is required to provide for periodic external audits of donation program operations and financial affairs. External audits should be made at least every 2 years by an appropriate state authority or by an independent certified public accountant or an independent licensed public accountant. They must include a review of the State Agency's compliance with the state plan of operation and other requirements that prescribe the policies and procedures governing the donation of surplus personal property. Forty-eight State Agencies had external audits done during the period we selected for review, July 1, 1983, to September 30, 1985. (See app. II.)

Although the external audits have not always been done as required, we have not made a recommendation concerning this matter because of enactment of the Single Audit Act of 1984 (Public Law 98-502, approved Oct. 19, 1984). This act supersedes the Federal Property Management Regulations' requirement that an external audit of the State Agencies be done at least every 2 years. The act requires state and local governments that receive $100,000 or more in federal financial assistance during a year to have an audit done for that year. The act was effective for the fiscal year beginning after December 31, 1984; for most State Agencies that would have been fiscal year 1986.

Regional Reviews of State Agencies

The purpose of GSA's regional review is to evaluate the operation and effectiveness of a State Agency's donation program. Also, the regional reviews—which are required to be made every 2 fiscal years—are to determine compliance with the state's plan of operation regarding (1) the service charges assessed and (2) whether the accounting system and all supporting activities, billings, and disbursements are "conducted in an acceptable manner." The regional reviews do not include information on the financial condition of the State Agencies, such as the amounts of

(1) service charges collected, (2) operating expenses incurred, (3) operating profit or loss from donation program operations, (4) property donated, and (5) property in inventory.

As of January 31, 1986, Public Law 94-519 had been in effect for more than 8 years, and states with operating plans in effect for this entire period were due their fourth regional review. However, some states did not submit their plans when due in 1977, and some GSA regional offices have not made their reviews on schedule. As shown in appendix II, as of January 31, 1986, 34 State Agencies had 4 regional reviews completed. Most of the others had three regional reviews done since their state plans were accepted by GSA in 1977 or 1978. Some State Agencies had more than the required number of reviews because they requested them or GSA decided to do additional reviews.

Management Problems Identified by External Audits and Regional Reviews

We examined 48 external audits and 51 regional reviews completed during a selected period.[3] In our analysis, we used most of the functional areas shown on the review checklist used by GSA regional offices to assess whether the State Agency operations conformed to the requirements contained in the various state plans. Table 4.6 shows that many State Agencies have problems in 5 of the 19 functional areas GSA considers as important indicators of program management.

[3]For this review, we selected the period July 1, 1983, to September 30, 1985, because several states begin their fiscal years in July, and other states begin their fiscal years in October. External audits and regional reviews done during this period or a part of it were included in our review if the report or a part of it was received by GSA's central office by January 31, 1986.

Table 4.6: Number and Percentage of State Agencies With Problems in the Five Functional Areas Shown in the External Audits and Regional Reviews

	Results of 48 external audits[a]		Results of 51 regional reviews[b]	
Functional areas	Number of State Agencies	Percentage	Number of State Agencies	Percentage
Property and inventory control	28	58	38	75
Eligibility of donee organizations	15	31	37	73
Performance of compliance and utilization reviews	16	33	25	49
Adequacy of the fiscal accounting system	25	52	14	27
Issues outstanding from prior external audits and regional reviews	12	25	24	47

[a]During the period we selected for our review, July 1, 1983, to September 30, 1985, 48 external audits were completed, and the reports were received by GSA's central office by January 31, 1986.

[b]During the period we selected for our review, July 1, 1983, to September 30, 1985, 51 regional reviews were completed, and the reports were received by GSA's central office by January 31, 1986.

Property and Inventory Control

The State Agencies are responsible for surplus property transferred to them, although the property still belongs to the federal government from the time State Agencies receive the property until the donees take possession of it.

The external audits identified 28 and the regional reviews identified 38 State Agencies as having property and inventory control problems. For example, the external audits made during the period we reviewed showed 28 State Agencies experienced one or more problems regarding property and inventory control. The regional reviews cited 11 State Agencies for failure to properly display property, 24 for inventory control problems, and 14 for warehouse receiving problems.

The external audits and regional reviews disclosed problems that could lead to theft and/or misappropriation of federally owned property. Also, the external audits and regional reviews included recommendations for corrective action to improve the State Agencies' control over the inventory. The records we reviewed contained evidence that most of the State Agencies agreed to take corrective action; however, follow-up by GSA to determine if the corrective action had been taken was not always done.

Eligibility of Donee Organizations

The external audits identified 15 and regional reviews identified 37 State Agencies as having problems relating to the eligibility of donee organizations. The most frequently cited problem with eligibility was State Agencies' failure to update eligibility files as required. The eligibility of donee organizations was the second most prevalent problem identified by the regional reviews. Although most of the problems involved a small number of donees, GSA compliance cases showed that four State Agencies had transferred property to nonfederal organizations that had not established their eligibility to receive property.

Compliance and Utilization Reviews

State Agencies are required to return donable property to GSA for further distribution if the property, while still usable, has not been placed in use within a period of 1 year from receipt or ceases to be used for the purpose for which it was acquired by the donee within 1 year of being placed in use. State plans are required to contain provisions for, including the proposed frequency of, compliance and utilization reviews. State Agencies' reviews are important to the integrity of the donation program because they assure donees are properly using and complying with the terms, conditions, reservations, and restrictions on the property. Some of the state plans require the State Agencies to make compliance and utilization visits, while some allow them to obtain written certification by mail from their donees specifying the date the donated property was placed into use and the nature of its continuous use during the period of restriction.

In spite of the importance of the compliance and utilization reviews to the donation program's integrity, our analysis of the external audits and regional reviews showed many of the State Agencies were not meeting the requirements. For example, 16 of the 48 external audits were critical of State Agencies' failure to properly make these reviews. Regional reviews showed that 25 of the 51 State Agencies were not in compliance with their state plans. While most of the criticism in both the audits and reviews cited the failure of the State Agencies to make the required visits, they also indicated that mail confirmations were not being made either.

Adequacy of the Fiscal Accounting System

The external audits were often critical of the adequacy of State Agencies' fiscal accounting systems. The audits made during the period identified 25 State Agencies as having problems; the most frequently identified problems with accounting systems were inadequacies in the accounts receivable and the fiscal accounting system. GSA's regional reviews cited 14 State Agencies as having fiscal accounting system problems. As in the case of the external audits, the most frequently identified problems were with the accounts receivable and the fiscal accounting system.

Recommendations Outstanding From Prior External Audits and Regional Reviews

In its third report to Congress,[4] GSA stated "Generally, State agencies have been cooperative and timely in their efforts to have external audits scheduled by the State and in correcting deficiencies and implementing recommendations resulting from reviews and audits." However, we found that State Agencies frequently did not implement the recommendations from their audits and reviews. For example, the external audits and regional reviews frequently identified problems relating to State Agencies' responses to management shortcomings cited in the audits and reviews. For the most part, these problems have limited the effectiveness of the external audits and regional reviews as management tools.

To show the extent of the problems in this area, 12 of the 48 external audits and 24 of the 51 regional reviews we examined identified the failure to correct problems identified in previous audits and reviews as an area of noncompliance. Our analysis showed that the largest number of State Agencies failed to implement recommendations that were directed toward correcting problems with property and inventory controls, certification of the eligibility of donee organizations, the performance of compliance and utilization reviews, the adequacy of the fiscal accounting system, and resolving issues outstanding from prior external audits and regional reviews.

Conclusions

We believe our review raises serious questions about the ability of some State Agencies to adequately administer the surplus personal property donation program. The decrease in the availability of surplus personal property is one of the causes for the decline in the general health of the donation program. This is illustrated by the fact that 36 of the 55 State Agencies had operating losses during fiscal year 1985. These losses could jeopardize the financial solvency of many of the State Agencies, degrading their ability to carry out the management activities necessary to administer the donation program. Also, the service charges in effect do not reflect the cost of the donation program operations.

[4]Third Biennial Report to the Congress of the United States from the Administrator of General Services on Excess and Surplus Personal Property Programs under Public Law 94-519, April 1984, p. 14.

We believe the GSA regional reviews should be done, as required, once every 2 fiscal years. Furthermore, the regional reviews should be expanded to include information on the financial condition of State Agencies' donation program operations. Such information would provide GSA with an overview of the financial condition and identify State Agencies' operational problems. Also, we believe the regional reviews need to increase the attention placed on resolving the recurring management problems identified by the regional reviews.

Recommendation

We recommend that the Administrator of General Services require that regional reviews

- be conducted once every 2 fiscal years in compliance with the Donation Handbook;
- include information on the amount of State Agencies' (a) service charges, (b) operating expenses, (c) operating profit/loss, and (d) property donated, and use this information to identify and possibly provide assistance to help the State Agencies resolve their operational problems;
- develop and use inventory level criteria to assess and perhaps reduce the amount of property in inventory; and
- increase the coverage of (a) property and inventory control; (b) eligibility of donee organizations; (c) performance of compliance and utilization reviews; (d) the adequacy of the fiscal accounting system; and (e) resolution of the management problems identified, as well as the requirements and recommendations contained in prior regional reviews of the State Agencies.

Agency Comments and Our Evaluation

GSA agreed with the recommendation and will amend its Donation Handbook to incorporate these provisions.

We also obtained comments from the National Association of State Agencies for Surplus Property. The national officers as a whole did not disagree with the report.

Excess Personal Property Provided to Grantees and Nonfederal Organizations

Dollars in thousands

Federal department/agency	Fiscal years 1976[a]	1977	1978	1979	1980	1981	1982	1983	1984	1985
Architect of the Capitol	$0	$0	$0	$0	$0	$27	$0	$0	$0	$0
Executive Office of the President	7,288	589	0	0	0	0	0	0	0	0
Department of Agriculture[b]										
Grantees	26	108	0	4	2	51	43	125	23	0
Forest Service's Cooperative Forest Fire Control Program	13,282	19,095	33,755	14,308	17,938	21,085	30,824	29,190	25,502	34,750
Cooperative Extension Service[c]	0	0	0	0	0	0	0	394	2,373	3,162
Department of Commerce										
Grantees	2,410	8,750	1,489	732	137	1	1	242	3	0
Section 514 recipients	131,376	273,805	28,300	0	0	0	0	0	0	0
Department of the Interior										
Grantees	336	2,089	272	525	375	87	3	0	0	1
Bureau of Indian Affairs (furnished to Indian tribes holding federal grants)	0	0	0	0	0	0	0	0	0	0
Department of Justice	3,908	3,380	196	420	485	282	430	232	181	18
Department of Labor	7,111	10,084	211	132	628	765	81	57	17	0
Department of the Navy	338	71	0	0	5	114	18	0	1	33
Department of State	1	0	0	0	2	0	0	0	0	0
Department of the Army	49	117	0	0	39	0	0	0	0	0
National Mediation Board	0	0	0	0	1	0	0	0	0	0
Tax Court of the United States	0	0	0	0	3	0	0	0	0	0
Smithsonian Institution	1	0	0	0	1	0	1	2	0	0
Veterans Administration	22	0	0	0	0	0	0	0	0	0
Defense Civil Preparedness Agency/Federal Emergency Management Agency[d]	1,136	910	0	0	0	0	0	0	0	0
ACTION	11	24	0	0	0	0	1	0	3	0
General Services Administration	4	0	0	0	0	1	0	0	9	0
National Science Foundation	73,336	42,916	31,826	35,797	22,995	16,587	15,624	11,211	12,945	15,170
Department of the Air Force	69	47	0	0	5	0	81	0	0	0
National Labor Relations Board	0	0	0	0	0	0	0	12	0	0
Environmental Protection Agency	0	0	1,250	84	0	0	0	4	0	0
Department of Transportation	6	197	0	15	0	0	4	0	8	0
Agency for International Development—all other foreign aid programs	0	0	0	138	335	17	124	318	312	462
Small Business Administration	0	0	0	0	0	0	1	0	0	0

(continued)

Federal department/agency	1976[a]	1977	1978	1979	1980	1981	1982	1983	1984	1985
	Fiscal years									
Department of Health, Education, and Welfare/ Department of Health and Human Services	8	25	0	0	5	130	0	0	5	0
Foreign Claims Settlement Commission of the United States	24	0	0	0	2	0	0	0	0	0
National Aeronautics and Space Administration	1,101	477	0	0	8	1	0	2	5	1
Community Services Administration[e]	0	5,041	0	42	76	71	0	0	0	0
Department of Housing and Urban Development	185	370	0	0	0	0	0	0	0	0
Energy, Research and Development Administration/ Department of Energy	1,030	2,711	0	0	321	195	551	85	610	0
Corps of Engineers	0	0	0	0	0	0	0	0	21	0
Department of Defense	0	0	0	0	4	141	0	1	0	0
Total	**$243,058**	**$370,806**	**$97,299**	**$52,197**	**$43,367**	**$39,555**	**$47,787**	**$41,875**	**$42,018**	**$53,597**

[a]The amount of excess personal property transferred to grantees during the transition quarter (July, August, and September 1976) that changed the closing of the fiscal year from June 30 to September 30 was not included in either the fiscal year 1976 or fiscal year 1977 total.

[b]Including organizations that are furnished excess personal property under the Cooperative Forest Fire Control Program.

[c]The Agriculture and Food Act of 1981 (Public Law 97-98, approved December 22, 1981) amended section 202(d)(2) of the Federal Property and Administrative Services Act of 1949. Section 1443 of this act allows the Secretary of Agriculture to furnish excess personal property to any state or county extension service, state experimental station, or other institution engaged in cooperative agricultural extension work or cooperative agricultural research work; however, title to this property is retained by the federal government. In this appendix, we use the term Cooperative Extension Service to refer to those nonfederal organizations that are furnished excess personal property under section 1443 of Public Law 97-98.

[d]The Defense Civil Preparedness Agency became part of the Federal Emergency Management Agency on July 15, 1979.

[e]The Community Services Administration closed on September 30, 1981.

Status of State Agencies' External Audits and Regional Reviews (As of January 31, 1986)[a]

	Date of acceptable external audit report[b, c]					Date of GSA regional review[d]					
State	First	Second	Third	Fourth	Fifth	First	Second	Third	Fourth	Fifth	Sixth
Alabama	04/11/80	03/24/82	02/07/84			02/02/78	02/16/79	09/19/80	08/20/82	08/24/84	
Alaska	03/21/80	01/28/83	03/07/85			01/10/79	09/24/81	10/14/83	09/20/85		
American Samoa[e]											
Arizona	12/18/81	11/06/84				08/11/78	05/02/80	04/09/82	05/11/84		
Arkansas	09/27/79	11/06/81	06/22/83	09/20/85		06/22/78	05/09/80	07/29/82	07/27/84		
California	11/10/81	08/13/85				08/02/79	06/12/81	06/28/83	08/29/85		
Colorado	01/12/79	01/15/82	08/03/84			09/25/78	09/29/80	11/06/81	10/26/83		
Connecticut	06/30/79	06/30/81	05/31/84			08/23/79	01/26/84				
Delaware	11/24/81	11/19/84				08/03/79	04/15/82	08/24/84			
District of Columbia	11/30/82					11/13/81	10/27/83				
Florida	11/06/81	10/27/82	12/19/83			03/31/78	03/16/79	01/30/81	01/25/83	09/19/84	
Georgia	10/05/79	08/31/81	09/30/83			02/16/78	01/26/79	09/11/80	05/20/83	05/31/85	
Guam	11/17/78	10/30/80	12/04/81	02/17/84		09/20/78	09/12/80	05/18/83	04/26/85		
Hawaii	05/19/80	09/30/83	09/30/85			09/13/78	06/06/80	07/28/82	09/26/84		
Idaho	06/15/82					03/14/78	07/24/81	08/05/83	06/14/85		
Illinois	03/31/78	08/27/80	06/25/82	12/19/84		04/28/78	02/07/79	09/29/82	12/14/84		
Indiana	10/15/79	07/14/82	09/24/84			06/16/78	07/24/81	12/03/82	05/03/85		
Iowa	12/07/78	10/15/80	12/16/82	09/20/84		04/13/78	04/11/80	09/24/82	06/29/84		
Kansas	06/23/80	10/25/82	01/23/85			08/11/78	08/15/80	08/13/83	08/23/85		
Kentucky	09/30/80	04/23/81	06/09/83	01/20/84		03/25/78	05/18/79	09/04/81	08/26/83	10/25/85	
Louisiana	05/07/80	03/24/81	03/13/85			03/16/78	12/15/78	05/15/81	05/20/83	05/10/85	
Maine	08/08/80	11/16/82	04/05/85			06/27/78	07/14/83	09/12/85			
Maryland	06/16/80	08/17/82	08/20/85			02/09/79	04/20/83	05/14/85			
Massachusetts	01/09/79	02/21/80	08/01/83	02/01/85		03/14/80	09/24/82	11/09/84			
Michigan	01/10/80	05/27/82	10/04/84			09/15/78	08/15/80	09/17/82			
Minnesota	03/26/79	11/21/80	06/18/84			01/13/78	01/11/80	07/23/82	06/29/84		
Mississippi	10/19/79	05/31/84	04/23/85			02/09/79	06/27/80	04/23/82	12/02/83		
Missouri	08/27/79	01/13/82	01/29/85			06/08/78	07/17/81	09/16/83	05/17/85		
Montana	09/12/79	06/30/81	07/06/84			08/25/78	05/09/80	11/19/82	09/21/84		
Nebraska	08/13/79	06/23/81	05/03/85			11/08/78	06/20/80	08/27/82	02/10/84		
Nevada	12/11/79	10/27/81	06/12/84			09/15/78	08/29/80	08/20/82	09/28/84		
New Hampshire	04/15/81	08/12/83	08/13/85			04/06/79	11/30/82	12/20/84			
New Jersey	12/03/80	06/23/82	03/06/84			05/27/82	[f]				
New Mexico	10/17/80	11/30/82	09/28/84			10/27/78	11/21/80	06/25/82	06/22/84		
New York	07/31/80	01/20/83				10/13/78	05/20/83				
North Carolina	09/05/78	11/24/80	03/23/83	01/16/84	01/18/85	04/13/79	05/23/80	09/25/81	10/26/83	09/26/85	
North Dakota	02/23/81	11/15/83	10/24/84	02/14/85		05/19/78	07/24/80	10/29/82	03/23/84		

(continued)

State	Date of acceptable external audit report[b, c]					Date of GSA regional review[d]					
	First	Second	Third	Fourth	Fifth	First	Second	Third	Fourth	Fifth	Sixth
Northern Mariana Islands						04/30/85					
Ohio	11/14/79	02/03/83	01/03/85			08/23/78	02/08/80	11/06/81	02/09/84		
Oklahoma	03/25/80	09/20/83				05/18/78	02/07/79	10/31/80	11/19/82	11/30/84	
Oregon	09/06/83					09/14/78	04/23/82	05/04/84			
Pennsylvania	04/13/81	12/12/83				10/23/79	02/26/82	06/29/84			
Puerto Rico	06/11/79	05/25/83				11/30/78	03/01/84				
Rhode Island	08/17/79	04/30/81	06/14/83			06/26/79	06/30/83	09/18/85			
South Carolina	06/04/80	09/02/83				12/08/77	12/08/78	08/22/80	06/18/82	05/25/84	
South Dakota	09/03/79	09/09/81	09/16/83	09/10/85		06/16/78	02/16/79	11/06/80	09/15/83	08/15/85	
Tennessee	10/02/80	04/12/83				09/22/78	08/31/79	01/16/81	05/27/83	09/11/85	
Texas	08/31/79	07/11/80	06/12/81	05/27/82	06/25/85	02/16/78	04/13/79	07/24/81	01/28/83	08/07/85	
Utah	05/08/79	07/09/80	10/17/83			03/08/78	12/01/78	12/08/79	05/08/81	05/12/83	04/10/85
Vermont	04/25/80	10/25/82	03/04/85			09/23/79	03/01/84				
Virginia	10/24/80	08/02/82	09/06/84			08/29/79	04/15/83	07/19/85			
Virgin Islands	07/29/80	08/03/82	03/29/85			12/02/78	03/02/84				
Washington	09/09/83					09/21/78	10/22/82	01/02/85			
West Virginia	12/23/80	09/15/83	09/19/85			11/16/79	03/21/82	05/25/84			
Wisconsin	11/16/79	02/27/84				08/18/78	05/21/81	06/08/83			
Wyoming	02/23/81	04/11/83	04/03/85			04/03/78	09/27/79	08/28/81	05/27/83	08/23/85	

[a]For this appendix, we reviewed the external audits and regional reviews done during the period July 1, 1983, to September 30, 1985, and have included those external audits and regional reviews that were received by GSA's central office by January 31, 1986.

[b]Prior to acceptance, each external audit report is reviewed by GSA to determine if the State Agency was operating in general conformance with the state plan of operation.

[c]In this appendix, we have used as the date of the external audit the date of the letter transmitting the audit report to the cognizant state official.

[d]In this appendix, we have used as the date of the regional review the date the exit interview was held or the date the review was completed, whichever was later.

[e]The Territory of American Samoa submitted and GSA accepted a legislatively-developed, permanent state plan of operation on May 11, 1987.

[f]The regional review of the New Jersey State Agency for Surplus Property was done between June 6 and 11, 1985, and the exit interview was held on June 11, 1985. Even though the New Jersey regional review was done during the period included in our review, GSA's central office did not receive the report until April 21, 1986; thus we have not included it in this appendix.

Comments From the Department of Energy

Note GAO comments supplementing those in the report text appear at the end of this appendix.

Department of Energy
Washington, DC 20585

November 25, 1987

Mr. J. Dexter Peach
Assistant Comptroller General
Resources, Community and
Economic Development Division
U. S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Peach:

The Department of Energy (DOE) appreciates the opportunity to review and comment on the General Accounting Office (GAO) draft report entitled "Personal Property: Excess and Surplus Transfers to Nonfederal Organizations" dated October 19, 1987, Report GAO/GGD-88.

See pp. 3 to 5 and 14 to 16.

Public Law 94-519, Section 202(e) requires each executive agency to report annually to GSA with respect to (1) personal property obtained as excess or (2) personal property determined to be no longer required for the purpose of the appropriation for which it was purchased where, in either case, the property is furnished to any recipient other than a Federal agency. The property questioned in the GAO report does not fall in the category of property covered by the above provision. The property in question is excess property which is being used by DOE at its Federally owned laboratories which are managed and operated by contractors. The contractors have no financial interest or ownership in this Government-furnished property which they use to carry out DOE's mission at the laboratories. The contractors are not "recipients other than a Federal agency," as they do not receive any personal property; DOE receives the property, always retains title to it, and it never leaves DOE property records. Therefore, this property is not subject to the reporting requirements of the law. We believe this position is consistent with Congress' concern about the transfer of too much excess personal property to nonfederal organizations that might be needed by other Federal agencies for their use.

See Comment 1.

Page 36 of the draft report contains the statement "The director also informed us that GSA does not have "the authority" to require that the annual reports be submitted during the calendar quarter following the close of each fiscal year." The director referred to, namely, the Director,

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Property and Equipment Management/Review Division, contends that there must have been a misunderstanding during the discussion. The statement does not reflect his position. He is aware of the requirement in the law to report this information during the calendar quarter following the close of each fiscal year. Because this statement does not reflect Departmental opinion, we request that it be deleted from the report.

DOE hopes that these comments will be helpful to GAO in their preparation of the final report.

Sincerely,

for Lawrence F. Davenport
Assistant Secretary
Management and Administration

The following are GAO's comments on the Department of Energy's letter dated November 25, 1987.

GAO Comment

1. The third paragraph of DOE's comments refers to material contained in the draft report DOE reviewed. This is not discussed in this report.

Comments from the Administrator of General Services

Administrator
General Services Administration
Washington, DC 20405

November 20, 1987

Dear Mr. Bowsher:

The General Services Administration (GSA) has reviewed the GAO draft report entitled "Personal Property, Excess and Surplus Transfers to Nonfederal Organizations", assignment code 014008, dated October 19, 1987, and concurs with the report recommendations. Specific comments on each of the recommendations addressed to GSA on the actions taken or planned are provided in the enclosed statement.

Thank you for the opportunity to comment on this comprehensive draft report.

Sincerely,

T C Golden

Terence C. Golden

The Honorable
Charles Bowsher
Comptroller General
of the United States
General Accounting Office
Washington, DC 20540

Enclosure

Enclosure

GSA COMMENTS ON THE GAO DRAFT REPORT, "PERSONAL PROPERTY, EXCESS AND SURPLUS TRANSFERS TO NONFEDERAL ORGANIZATIONS", DATED OCTOBER 19, 1987

Recommendation 1

See pp. 4, 5, and 16.

That the Administrator of General Services inform the heads of all executive agencies that GSA will issue its summary and analysis report to Congress on a specified date and this report will (1) include only those executive agency reports that have been submitted to GSA during the calendar quarter following the close of the fiscal year as required by section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended, and (2) identify those executive agencies that have not submitted an annual report on time.

Comment

GSA concurs. A Federal Property Management Regulations Bulletin will be issued reminding the heads of executive agencies of the requirement that agencies' annual reports be submitted to GSA within 90 calendar days after the close of the fiscal year; the bulletin will also advise that GSA's report to Congress will be issued during the second quarter of the fiscal year and will specify those agencies which did not submit an annual report by the required due date. The report to Congress will include only those executive agency reports received by the due date as recommended.

Recommendation 2

See pp. 4, 5, 22, and 23.

That the Administrator of General Services assist the State agency directors to aggressively promote the benefits of the donation program within their States and advertise the variety of property available through the donation program to those public and private organizations that establish their eligibility. The purpose of this recommendation is to help (1) increase the amount of surplus personal property some State agencies request from GSA and (2) expand the number of eligible nonfederal organizations that receive donated property.

Comment

GSA concurs. To assist the State agencies, GSA will participate in joint reviews of the State agencies experiencing financial difficulties, conduct regional seminars/workshops, participate in

See pp 5 and 36.

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the preparation of newsletters published by the National Association of State Agencies for Surplus Property, and implement the relevant provisions of the Stewart B. McKinney Homeless Assistance Act (P.L. 100-77). Additionally, GSA will continue to participate in national/regional State Agencies for Surplus Property meetings and conferences, support the program for foreign excess property, assist in promoting "Donee Awareness Week", and issue periodic news releases for program promotion.

Recommendation 3

That the Administrator of General Services require that regional reviews be conducted at a minimum of once every two fiscal years in compliance with the donation handbook; include information on the amount of State agencies' (a) service charges, (b) operating expenses, (c) operating profit/loss, and (d) property donated and use this information to identify and possibly provide assistance to help the State agencies resolve their operational problems; use the inventory level criteria to assess and perhaps reduce the amount of property in inventory; and increase the coverage of (a) property and inventory control; (b) eligibility of donee organizations; (c) performance of compliance and utilization reviews; and (d) the adequacy of the fiscal accounting system; and (e) resolution of the management problems identified, as well as the requirements and recommendations contained in prior regional reviews of the State agencies.

Comment

GSA concurs. Regional reviews will be conducted at a minimum of once every 2 fiscal years, and seminars will be conducted to ensure that these reviews are uniformly treated. Action will be taken to amend the Donation Handbook, FSS P 4025.5, to incorporate the applicable provisions of this recommendation.

Comments from the National Association of State Agencies for Surplus Property

Note GAO comments supplementing those in the report text appear at the end of this appendix.

NATIONAL ASSOCIATION OF STATE AGENCIES FOR SURPLUS PROPERTY

PRESIDENT	VICE PRESIDENT	SECRETARY-TREASURER
Wallace R Sherron North Carolina Federal Property Agency P O Box 26567 Raleigh, NC 27611 (919) 733-3885	William A Arseneau Utah State Agency for Surplus Property 522 South 700 West Salt Lake City, UT 84104 (801) 533-5885	George A Terry Personal Property Division Federal Property Section 6500 Centennial Boulevard Nashville, TN 37209-1199 (615) 741-1711

November 17,1987

Mr. William J. Anderson
Assistant Comptroller General
U. S. General Accounting Office
General Government Division
Washington, D.C. 20548

Dear Mr. Anderson:

We appreciate you offering the National Association of State Agencies for Surplus Property an opportunity to offer comments on your draft report required by Section 10 of Public Law 94-519.

Although the report does not present the State Agencies in a very positive way, the National Officers as a whole do not disagree with the report. It should be noticed that at the end of Fiscal Year 87, over 60% of the State Agencies reported that they had operated in the black for that year.

See comment 1.

Attached is a letter from Mr. Daryl Haeder, Director of South Dakota, expressing his concern about your report. The NASASP concur with Mr. Haeder in his concern that GSA and DOD appear to be more aggressive with selling property than support of the Donation Program.

The Donation Program provides the greatest benefit to the tax payers of any program presently in effect and the NASASP would urge for continued support by all.

Sincerely yours,

Wallace R. Sherron
President NASASP

Attachment

The following is GAO's comment on the National Association of State Agencies for Surplus Property's letter dated November 17, 1987.

GAO Comment

1. We did not reproduce the attachment.

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