Report to the House and Senate Committees on Appropriations by the Comptroller General of the United States

SUMMARIES OF CONCLUSIONS AND RECOMMENDATIONS ON THE OPERATIONS OF CIVIL DEPARTMENTS AND AGENCIES

This is a summary of GAO's conclusions and recommendations resulting from its audits and other review work in the Operations of Civil Departments and Agencies on which satisfactory legislative or administrative actions have not been taken. These summaries are compiled to assist congressional committees in their review of budget requests for fiscal year 1985. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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The Honorable Jamie L. Whitten
Chairman
Committee on Appropriations
House of Representatives

The Honorable Mark O. Hatfield
Chairman
Committee on Appropriations
United States Senate

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in the federal civil departments and agencies on which satisfactory legislative or administrative actions have not been taken. To encourage prompt, responsive action on its audit findings and recommendations, GAO systematically follows up on these recommendations until some final disposition is reached. This report contains abstracts of GAO reports with recommendations open as of October 1, 1983. The status of these recommendations was recently updated.

Our reports have previously brought these matters to the attention of the Congress and departmental officials. However, the summaries will be of interest to your Committees in their review of budget requests for fiscal year 1985. We have not included suggested questions to be asked in appropriations hearings; however, please contact our Office of Congressional Relations if you wish us to suggest specific questions on the items summarized or if you need additional information about any of the specific reports.

To enhance its usefulness, in addition to a table of contents, this report contains three reference indexes. The Congressional index lists the titles of reports under the congressional appropriations, authorizing, or budget committees to which they are related. The Budget Function index lists the titles of reports under function categories by which federal funds are appropriated and identified in the Federal Budget. Finally, the Agency/Organization index lists the titles of reports which relate to the activities of a particular department, agency, bureau, or organization. The indexes also include page numbers where the reader may find summaries of the reports.

A report of conclusions and recommendations concerning the Department of Defense and the military departments and agencies (GAO/OADPS-84-2) is being submitted separately.

We are sending copies of this report to the federal civil departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings. Copies are also being provided to other interested congressional committees and members.

Charles A. Bowsher

Comptroller General
of the United States

SUMMARIES OF CONCLUSIONS AND RECOMMENDATIONS ON THE OPERATIONS OF CIVIL DEPARTMENTS AND AGENCIES

U.S. General Accounting Office

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VARIOUS DEPARTMENTS AND AGENCIES

Recommendation Target Departments/Agencies

DEPARTMENT OF JUSTICE
JUDICIAL CONFERENCE OF THE UNITED STATES

Title: ***U.S. Marshals Can Serve Civil Process and Transport Prisoners More Efficiently***

Report Number/Document Date: *(GGD-82-8, 4-22-82)*

Budget Function: Administration of Justice Federal Law Enforcement Activities (751.0) — Budget Function

Legislative Authority — **Legislative Authority:** Judiciary Act (1 Stat. 73) P L 87-621 Fed. R Civ P. 4. Fed R. Civ. P. 45. H.R 3580 (97th Cong.) S. 951 (97th Cong.). S 2377 (96th Cong). H.R 4272 (96th Cong) 28 U.S.C 1921 28 U S.C 569(b). 1 Stat. 87.

Abstract — GAO examined the operations of the U S Marshals Service and evaluated the Marshals Service's efforts to serve civil process for private litigants and to transport Federal prisoners between judicial districts.

Findings/Conclusions — **Findings/Conclusions:** Marshals have been required by law to serve civil process when directed by the courts. Civil process is served and fees are charged in accordance with judicial rules and Federal statute which are causing the process-serving function to be uneconomical and inefficient. Rule 4 of the Federal Rules of Civil Procedure governs the service of process and causes marshals to be excessively involved with the performance of this function It also restricts the use of an efficient method of service for summonses and complaints, certified mail Although recent changes have been made to Rule 4 to broaden the range of people with blanket authorization to serve civil process and the ability of courts to specifically appoint persons to service civil process, these changes have not had a significant impact. Rule 4 allows the use of certified mail to serve summonses and complaints to individuals, business concerns, and unincorporated associations However, most States do not specifically allow the routine use of certified mail to serve civil summonses and complaints GAO found that certified mail was an effective and efficient method of service and did not hamper court operations. In an effort to reduce the cost of transporting Federal prisoners across Federal judicial district boundaries, the National Prisoner Transportation System was developed However, it is not being used to its full potential which results in unnecessary transportation costs and danger to the public.

Recommendations to Congress — **Recommendations to Congress:** Congress should revise 28 U.S C 1921 to give the Attorney General authority to periodically revise the fees that marshals charge for serving civil process for private litigants in Federal court.

Recommendation Status — ***Status:*** Action in process.

Congress should require that the established fees provide full recovery of marshals actual operating costs to serve private civil process exclusive of the costs incurred to serve process for indigents.

Status: Action in process.

Recommendations to Agencies — **Recommendations to Agencies:** The Attorney General should. (1) implement a definitive and detailed prisoner-movement priority system for trip coordinators to use when scheduling trips; (2) gather more specific deadline information for each prisoner movement; (3) require U S Attorneys' Offices to provide marshal personnel more timely information in order that the maximum amount of lead times are provided trip coordinators when scheduling trips, and (4) direct trip coordinators to critically evaluate each proposed prisoner movement for cost-effectiveness

Status: Action completed.

The Judicial Conference should develop amendments to Rule 4 of the Federal Rules of Civil Procedure which would require that civil process be served by persons specially appointed or approved by the courts to perform this function, except in those situations when service of process by marshals is specifically required by law or is deemed necessary by the courts.

Status: Action completed.

The Judicial Conference should develop amendments to Rule 4 of the Federal Rules of Civil Procedure which would authorize all Federal judicial districts to use certified mail as one of the methods of serving summonses and complaints except when service is to be made to an infant or an incompetent and complaints should designate the person who may properly sign for the receipt of such process.

Status: Recommendation no longer valid/action not intended. — Recommendation Status

In passing P.L. 97-462, Congress has designated that first class mail be used rather than certified mail as the primary means of serving civil summonses and complaints The use of first class is now authorized in every district regardless of whether a State's laws authorize it. This effort is consistent with the recommendation. — Non-Action Text

Agency Comments/Action — Agency Comments/Action

The Judicial Conference has passed amendments which would achieve the purpose of the GAO recommendations. The implementation date of these amendments, however, has been delayed until October 1, 1983. In the interim, congressional hearings may be held to discuss refinements to the amendments. Justice has taken specific actions to accomplish the intent of the recommendations relating to prisoner transportation. These actions were verified and an accomplishment report issued.

CONTENTS

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The Davis-Bacon Act Should Be Repealed

(HRD-79-18, 4-27-79)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)

Legislative Authority: Davis-Bacon Act (Wage Rates) (40 U.S.C. 276a; P.L. 91-129; 83 Stat. 269). Walsh-Healey Act (Government Contracts) (41 U.S.C. 35 et seq.). Miller Act (Public Building Contracts) (40 U.S.C. 270). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Contract Work Hours and Safety Standards Act (40 U.S.C. 327). Service Contract Act of 1965 (41 U.S.C. 351). Administrative Procedure Act (5 U.S.C. 55 et seq.). P.L. 95-585. OMB Circular A-102. 40 U.S.C. 276(c).

The Davis-Bacon Act requires that each contract for the construction, alteration, or repair of public buildings in excess of $2,000 to which the United States is a party or shares the financing must state the minimum wages to be paid to various classes of laborers and mechanics. The minimum wages are those determined by the Secretary of Labor to be prevailing for laborers employed on projects of a similar character in the area in which the work is to be performed. The Act was intended to discourage nonlocal contractors from successfully bidding on Government projects by hiring cheap labor from outside the project area, thus disrupting the prevailing local wage structure. In 1977 about $172.5 billion was spent on new public and private construction projects, but only $37.8 billion was for direct Federal or federally assisted construction spent by State and local agencies and involved about 22 percent of the Nation's 3.8 million construction workers. The remaining $134.7 billion was for privately financed projects without the prevailing wage protection of the Davis-Bacon Act.

Findings/Conclusions: The significant changes in the Nation's economic conditions and the economic character of the construction industry since 1931, plus the passage of other wage laws, make the Davis-Bacon Act unnecessary. After nearly 50 years of administering the Davis- Bacon Act, the Department of Labor has not developed an effective system to plan, control, or manage the data collection, compilation, and wage determination functions. A review of the wage determination activities in five regions and headquarters showed continued inadequacies, problems, and obstacles in the attempt by Labor to develop and issue wage rates based on prevailing rates. The review of 30 Federal or federally assisted projects, costing an estimated $25.9 million, showed that the majority of the rates issued by Labor were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where the Labor's rates were lower than those prevailing locally, local contractors were generally awarded the contracts and paid workers the prevailing rates in the community. When the Labor's rates were higher than those prevailing locally, it was found that nonlocal contractors worked on most of the projects, indicating that the higher rates may have discouraged local contractors from bidding. In addition, the weekly payroll reporting requirement resulted in unnecessary contractor costs estimated at $189.1 million for 1977.

Recommendations to Congress: Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act because of: (1) significant increased costs to the Federal Government; (2) the impact excessive wage determination rates have on inflating construction costs and disturbing local wage scales; and (3) the fact that contractors tend to pay prevailing rates, which is the intent of the act, when determinations are too low.

Status: Action in process.

Congress should also repeal the provisions in the 77 related statutes which involve federally assisted construction projects and which require that wages paid to contractor employees should not be less than those determined by the Secretary of Labor to be prevailing in the locality in accordance with or pursuant to the Davis-Bacon Act.

Status: Action in process.

Agency Comments/Action

OMB and Labor generally disagreed with the report and the recommendation that Congress repeal the Davis-Bacon Act. OMB said the problems in implementation could be resolved by administrative actions, including modifying Labor's regulations. In the 97th and 98th Congresses, numerous bills were introduced to repeal or amend the act. Except for removing the Davis-Bacon Act requirements from the Head Start Program, the proposed legislation has not been enacted. On June 28, 1983, Labor issued regulations eliminating the 30-percent wage rule and changing the wage determination to a majority or weighted average rate rule. The major provisions of the remaining regulations were upheld by a January 16, 1984, Supreme Court ruling and Labor plans to issue them shortly. Labor's proposed changes are far short of the repeal action GAO recommended in April 1979, but the proposed revisions will correct some of the significant program administration problems GAO identified and, if properly implemented, will result in substantial savings.

AGENCY-WIDE MATTERS AFFECTING THE APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Funding of State and Local Government Pension Plans: A National Problem
(HRD-79-66, 8-30-79)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001). National League of Cities v. Usery, 426 U.S. 833 (1976).

Congress is considering establishing Federal standards for State and local government pension plans similar to those imposed on private plans by the Employee Retirement Income Security Act of 1974. The act generally provides that the minimum standard for pension funding by private employers be an annual contribution for normal costs plus the amount needed to amortize current unfunded liabilities in 40 equal annual installments. Public pensions are becoming a large financial burden on State and local governments, and that burden will increase in the future. Many jurisdictions do not systematically fund retirement benefits accruing to their employees.

Findings/Conclusions: Adopting a pension plan funding standard similar to that required by the Act would have serious initial impact on some jurisdictions. During the years the plans are on a pay-as-you-go basis, their unfunded liabilities will continue to grow. At the end of the amortization period of 40 years required for private plans, their unfunded liabilities will more than triple and yearly pay-as-you-go contributions will increase several fold. To protect the pension benefits earned by public employees and to avert fiscal disaster, State and local governments need to fund the normal or current cost of their pension plans on an annual basis and amortize the plans' unfunded liabilities. Although sponsoring governments are responsible for sound funding of State and local government plans, the Federal Government has substantial interest in these pension plans. Many jurisdictions have increasingly relied on Federal grant funds and revenue sharing to help meet pension plan costs. These plans directly affect the continued well-being and security of millions of State and local government employees and their dependents.

Recommendations to Congress: Congress should closely monitor actions taken by State and local governments to improve the funding of their pension plans to determine whether and at what point congressional action may be necessary in the national interest to prevent fiscal disaster and to protect the rights of employees and their dependents.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The Director, Human Resources Division, delivered a statement on this issue September 30, 1980, before the House Committee on Education and Labor, Subcommittee on Labor-Management Relations.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Agencies Should Encourage Greater Computer Use on Federal Design Projects
(LCD-81-7, 10-15-80)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: P.L. 92-582.

Federal agencies are not actively seeking or encouraging the use of computers on Federal design projects. As a result, they are missing opportunities to achieve significant savings and to improve the quality of Federal building designs.

Findings/Conclusions: GAO found that Federal officials and agency procedures and practices often limit and hamper the use of computers on Federal projects. Agencies generally have not created an environment wherein the efficient use of computers is possible. Fee proposal forms used by most engineering services do not recognize the possible use of computers or provide a place for computer service costs to be included as direct costs in proposals. During contract negotiations, agency personnel rarely discuss the planned use of computers on a project. Even during the architect-engineer selection process, most agencies ignore computer capability.

Recommendations to Agencies: The heads of departments and agencies procuring architect-engineer services should encourage employees to stay current on new and improved uses of computers in their individual areas of expertise.
Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should provide appropriate training--courses, seminars, newsletters, etc.-- on the capabilities and uses of computers in design to their employees. Employees receiving this training should include those involved in selecting design firms, negotiating contracts, managing projects, and reviewing designs.
Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should require that architect-engineer contract negotiators routinely discuss and evaluate planned use of computers when negotiating design contracts.
Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should revise the criteria used in evaluating the overall qualifications of firms for design contracts to include computer capability and expertise.
Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should provide sufficient technical support to contract negotiating teams. This support should include personnel with sufficient knowledge about computer use and the related costs to enable teams to realistically evaluate the planned use of computer methods and negotiate a fair and reasonable fee for the services to be provided.
Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should: (1) direct that computer use be required for those analyses and design functions which can be done more efficiently and accurately by computer-aided methods and which are critical to the end product, in terms of safety, energy consumption, and life-cycle costs; and (2) encourage computer use in all areas when the quality of the design or the structure to be built can be improved when computer aids are used.
Status: Action completed.

The heads of departments and agencies procuring architect-engineer services should require computer capabilities and expertise to be considered and evaluated when selecting architects and engineers for projects on which computer-aided design methods, such as energy analyses, can be used.
Status: Action completed.

The Administrator of the Office of Federal Procurement Policy with the concurrence of the Director of the Office of Management and Budget should require the Department of Defense and the General Services Administration to implement the new policy by revising the Defense Acquisition Regulations and the Federal Procurement Regulations, respectively, and jointly insuring that this policy is incorporated into the new Federal Acquisition Regulations currently being developed.
Status: Action in process.

The Administrator of the Office of Federal Procurement Policy with the concurrence of the Director of the Office of Management and Budget should promulgate an architect-engineer policy which establishes that: (1) fee negotiations will be based on proposals which clearly identify tasks which will be performed by firms providing architect-engineer services and, when applicable, indicate how computers will be used on the project; (2) procedures for pricing computer services will be flexible, as long as the method used is the same as the firm uses for all its clients, both public and private, and conforms with existing Federal procurement regulations; and (3) a structured task-oriented fee proposal format will be developed and the use of preprinted fee proposal forms will be discontinued, permitting architect-engineer firms to submit their fee proposals in the prescribed structured format on their own stationery.
Status: Action in process.

The Executive Secretary, Federal Construction Council, Building Research Advisory Board, should direct the Council to take an active role in the training of the appropriate Federal personnel about the capabilities and uses of computers by: (1) pulling together the diverse information available on the general use of computers in design, existing computer-aided design tools and methods, and advances

in the state of the art of computer-aided design; (2) developing the information into specific educational sessions for presentation to Federal personnel; and (3) actively sponsoring these special educational sessions and other conferences.
Status: Action completed.

Agency Comments/Action

This report covers multiple agencies. In general, the agencies have taken actions to implement the recommendations or the intent of the recommendations directed to agency heads. The Federal Construction Council has implemented the recommendation made to it. The Office of Federal Procurement Policy has initiated action to revise Federal procurement regulations as recommended.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Increased Productivity in Processing Travel Claims Can Cut Administrative Costs Significantly
(AFMD-81-18, 1-19-81)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Subsistence Expense Act (44 Stat. 688). 5 U.S.C. 57. 37 U.S.C. 7.

GAO examined the productivity in processing travel claims in response to a congressional request.

Findings/Conclusions: The processing of claims for travel expenses incurred by Federal employees is costing several million dollars more than necessary annually. This amount could be cut significantly by: (1) replacing the reimbursement method used for high cost areas with the method of reimbursing for lodging, plus a flat fee for meals and miscellaneous expenses; (2) eliminating redundant, overly detailed supervisory reviews and unnecessary typing of vouchers; and (3) improving voucher auditing activities at payment centers. The processing of vouchers is expensive and not offset by savings. The presently used high rate (actual cost) method of reimbursing travel provides payment of actual expenses up to a predetermined ceiling. Because it requires detailed itemization, it costs nearly twice as much to process by this method as the lodgings-plus method. Travel voucher processing productivity is also low due to unnecessarily detailed reviews by supervisors and unnecessary typing. Productivity in auditing vouchers at payment centers was impeded by an overconcern for accuracy and by poor processing practices. The General Services Administration has proposed to change lodgings-plus reimbursement for domestic travel to make it compatible with its proposed worldwide reimbursement system. The method, as presently proposed, will be very difficult and expensive to administer. Agency payment center officials contacted felt the proposed method would double the processing costs for lodgings-plus vouchers.

Recommendations to Agencies: The heads of departments and agencies should examine each payment center to determine what actions can be taken to increase productivity.
Status: Recommendation no longer valid/action not intended.

The Administrator of the General Services Administration should include the following in the Federal Travel Regulations: a statement of the responsibilities of payment center examiners in auditing vouchers
Status: Action in process.

The Secretary of Defense should direct the Defense Per Diem Committee to adopt the two-tier, lodgings-plus method for reimbursing military travel and in conjunction with the General Services Administration propose legislation to replace the high rate method with a two-tier, lodgings-plus method.
Status: Action completed.

The Administrator of the General Services Administration should direct that the proposal to add en route reimbursement to the lodgings-plus method be revised as we have suggested.
Status: Recommendation no longer valid/action not intended.

The Administrator of the General Services Administration should include the following in the Federal Travel Regulations: a requirement for supervisory review of travel vouchers and an explanation of the purpose of such reviews, of which one level is sufficient.
Status: Recommendation no longer valid/action not intended.

The Administrator of the General Services Administration should include the following in the Federal Travel Regulations: instructions that typing of vouchers is not required and should not be done when travelers prepare legible, handwritten vouchers.
Status: Recommendation no longer valid/action not intended.

The heads of departments and agencies should establish productivity measures for travel voucher processing as part of their payment center productivity measures, which GAO recommended in a prior report.
Status: Recommendation no longer valid/action not intended.

The Administrator of General Services should propose legislation to replace the high rate geographic area method with a two-tier, lodgings-plus method and increase the maximum amount reimbursable for lodgings-plus to such a level to allow for cost growth without getting congressional approval for each new ceiling.
Status: Action completed.

Agency Comments/Action

The Office of Management and Budget has included travel in its "Reform 88" initiative. The agencies have taken some action. For example, the Department of Commerce has consolidated its payment centers along with other support services into four regional centers.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Funding Gaps Jeopardize Federal Government Operations
(PAD-81-31, 3-3-81)

Budget Function: General Government (800.0)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344). Antideficiency Act (31 U.S.C. 665(a)). P.L. 96-86. P.L. 96-123. P.L. 96-369. U.S. Const. art. I, §9. H. Res. 470 (96th Cong.). H. Res. 446 (96th Cong.). H.R. 5720 (96th Cong.). H.R. 5995 (96th Cong.). H.R. 5955 (96th Cong.). H.R. 5704 (96th Cong.). H.R. 2289 (96th Cong.). S. 337 (96th Cong.). S. 1884 (96th Cong.). S. 2124 (96th Cong.). B-197841 (1980).

Interruptions in Federal agency funding at the beginning of the fiscal year and operating on continuing resolutions have become the norm rather than the exception. During the normal deliberations process on appropriations for fiscal year 1981, it became clear that a funding gap might develop. In response to the President's request for an opinion on the Antideficiency Act, the Attorney General ruled that the Act requires agencies to terminate all operations when their current appropriations expire. In addition, the Attorney General stated that the Department of Justice would strictly enforce the criminal provisions of the Act in cases of future willful violations.

Findings/Conclusions: Agencies were uncertain how to respond to the Attorney General's opinion and what activities they would be able to continue if appropriations expired. In addition, guidance from Justice and the Office of Management and Budget was inconsistent, and neither provided clear instructions for agencies to follow. There are many approaches to the problem of funding gaps: (1) Congress could enact permanent legislation authorizing agencies to incur obligations but not expend funds for continued operations during periods of expired appropriations; (2) the Antideficiency Act could be amended to allow agencies to incur obligations for continued operations when appropriations expire; (3) the rules of both Houses could be amended to require all appropriations acts to include language conferring authority to continue to incur but not liquidate obligations at the level authorized until superseded by another funding measure; (4) limitation and legislative riders on appropriations bills and continuing resolutions could be forbidden or made to require a two-thirds vote for passage; or (5) continuation of the pay of Federal civilian and military employees could be provided for in periods of expired appropriations.

Recommendations to Congress: Congress should consider shifting more programs to authorization and appropriations cycles of 2 or more years.

Status: Action in process.

Congress should consider establishing and adhering to a reserve for fall and spring adjustments for emergencies and uncontrollable cost growth.

Status: No action initiated. Date action planned not known.

Congress should enact permanent legislation to allow all agencies to incur obligations, but not expend funds, when appropriations expire (except where program authorization has expired or Congress has expressly stated that a program should be suspended during a funding hiatus pending further legislative action).

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The House Rules Committee has initiated action on the issue to which the second and third recommendations are directed. The Committee has requested GAO to assess the effectiveness of various forms of permanent continuing resolutions to meet this problem and to explore the history of continuing resolutions and their implications. The use of permanent continuing resolutions in States and foreign countries is to be researched as well as the impact of such a device on the balance of power at the Federal level. This work is currently underway.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Budget Concepts and Procedures Can Be Further Strengthened
(PAD-81-36, 3-3-81)

Budget Function: Impoundment Control Act of 1974 (990.2)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (31 U.S.C. 1400; 88 Stat. 297; 88 Stat. 327). Antideficiency Act (31 U.S.C. 665).

Although the basic institutional and conceptual budget framework laid out in 1967 and 1974 is serving the Nation well, several recent developments have placed strains on the capacity of existing budget concepts and procedures to serve the budget information and control needs of Congress, the executive branch, and the public. Legislation has been enacted removing important Federal programs from the budget, resulting in incomplete budget coverage and totals that do not reflect the true level of Federal activities. GAO believes that it is essential to recognize the extent of the erosion which has taken place and to begin taking action to overcome the resulting inadequacies in the process. In the opinion of GAO, the Government's budgeting system must be improved to deal adequately with the serious economic conditions facing the Nation in this decade.
Findings/Conclusions: Five basic kinds of changes are needed in the budget process: (1) to place most off-budget Federal activities back onto the budget, early legislative action is needed; (2) to better control short- and long-term budget levels, a wide range of management, financing, and legislative actions are needed; (3) to strengthen program and policy level accountability, steps are needed to improve the budget's categories and related information; (4) to streamline the process in order to reduce paperwork and superficial reviews and increase the time for careful analyses and informed debate, changes are needed in scheduling and reporting requirements; and (5) to increase the reliability, consistency, and comparability of budget figures, action is required on several measurement concepts and practices.
Recommendations to Congress: Congress should exercise leadership in bringing about certain other budget reforms concerning matters that have been studied extensively, but which require congressional leadership for bringing about the changes.
Status: Action completed.

Congress should act early on legislation to effect the budget reform changes identified in this report and in appendix I as the changes on which Congress should "take early legislative action."
Status: Action in process.

Congress should encourage further analyses on budget system problems that involve complex interrelationships and trade-offs, and that have not been extensively studied before. Congress should also take steps to establish a study group or commission comprised of high elected and appointed officials, and other senior experts, to conduct such further research.
Status: Action in process.

Agency Comments/Action

Budget reform issues have been prominent during the 97th and 98th Congresses and many points raised in this report have been addressed. The Comptroller General testified on budget reform before the Senate Budget Committee on September 21, 1982, and the House Rules Committee on September 29, 1982. The Chairman of the House Budget Process Task Force introduced H.R. 7240 in the 97th Congress which adopts some of the proposals. The House Rules Committee's Task Force on the Budget Process held hearings on February 8, 1984, and heard testimony from the Assistant Comptroller General on the reforms proposed by the Task Force.

AGENCY-WIDE MATTERS AFFECTING APPROPIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Pay-Setting Surveys Could Be Performed More Efficiently
(FPCD-81-50, 6-23-81)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Pay Comparability Act of 1970 (Federal) (5 U.S.C. 5305). Prevailing Rate Systems Act of 1972.

GAO was requested to review certain aspects of Federal wage and salary surveys and to identify more efficient alternatives.

Findings/Conclusions: The Federal Government spends a great deal of time and money surveying the non-Federal sector for wage and salary information. Some of this effort is repetitious and unnecessary. Of the many surveys done each year, GAO identified three that could be combined with other surveys, could be done less frequently, or could be replaced with other satisfactory information: (1) the Federal Wage System Appropriated Fund Survey; (2) the Federal Wage System Nonappropriated Fund Survey; and (3) the Bureau of Labor Statistics (BLS) Professional, Administrative, Technical, and Clerical Survey. Presently, the BLS annual survey to set Federal white collar pay costs $2.3 million a year and is used to determine the comparability of the current salaries of private sector jobs with the salaries of comparable Federal jobs. However, the survey is largely an unproductive effort since Presidents have seldom used its results. Thus, GAO believes that the BLS white collar survey can be done less often.

Recommendations to Congress: Congress should direct the Office of Personnel Management, in coordination with the Department of Defense, to study the feasibility of having BLS do the nonappropriated fund surveys or linking or indexing nonappropriated fund wages to the Federal Wage System appropriated fund pay system.

Status: Recomendation no longer valid/action not intended. *The agency believes that the differences in the industrial, occupational, and geographic coverage between the nonappropriated fund survey and the Federal Wage System survey are too dissimilar to derive a valid linkage between the two pay systems. Also, this method would result in increased costs to the Government for higher wage increases for nonappropriated fund employees.*

Congress should amend the Federal Pay Comparability Act of 1970 (5 U.S.C. 5305) to eliminate the requirement to conduct the comparability survey each year and to provide for interim-year pay adjustments by using the BLS Employment Cost Index.
Status: Action in process.

Congress should amend the Prevailing Rate Systems Act of 1972 making BLS responsible for conducting the blue-collar appropriated fund surveys as part of its area wage survey programs.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

In January 1984, the Office of Personnel Management announced that it planned to award a contract for a technical assessment of various approaches for setting white-collar pay, including the use of an index that measures changes in private sector pay.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Improving COBOL Application Can Recover Significant Computer Resources
(AFMD-82-4, 4-1-82)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Circular A-71. FIPS Pub. 21-1.

GAO examined: (1) the management implications and economics of reducing the machine resources consumed by Common Business Oriented Language (COBOL) applications in the Federal Government; and (2) the applicability of these findings to different brands of computers.

Findings/Conclusions: Federal use of computers is extensive, with COBOL being the most widely used computer language. Significant benefits have been achieved at some Federal installations by modifying COBOL applications to reduce the machine resources consumed. Work can be done to reduce the machine costs of COBOL applications on any brand of computer using COBOL. Despite the potential for improvement, some installations have done little or nothing to examine the machine resource consumption of their COBOL applications. Officials indicated that many programmers are ignorant of techniques, receive little formal training, and have little concern for machine costs. Measurement and verification of benefits can be seen in terms of reduced machine resources and expressed in dollar equivalents. A systematic approach will help efforts to improve COBOL applications. Automated tools can be used to reduce the labor costs involved in reducing COBOL machine costs. Other considerations besides machine costs are important in software management and should not be sacrificed. Efforts to reduce machine resource consumption must offset labor and machine costs to be cost effective. Agencies with Government-wide data processing responsibilities should publish guides for reducing machine resources consumed by COBOL, and efforts are needed to raise concern with application costs and to raise programmer efficiency. The potential benefits of reducing consumption by COBOL applications are large.

Recommendations to Agencies: The Secretary of Commerce should direct the National Bureau of Standards (NBS) to publish guidance on the effective and efficient use of COBOL for applications; guidance should include examples taken from real-life applications. A possible starting point would be to use a table of contents similar to that of the already published "Using ANSI FORTRAN" and the GAO provisional checklist. The General Services Administration Office of Software Development and Federal Computer Performance Evaluation and Simulation Center could work with NBS in constructing such guidance.
Status: Action in process.

Heads of Federal agencies should require periodic review of the machine resource consumption of COBOL applications at their installations and, where feasible, require action to reduce the consumption of expensive applications.
Status: Action in process.

Agency Comments/Action

NBS has completed a study of the impact of the proposed revision of the COBOL standard. It plans several guidance documents with special attention to improving Federal COBOL usage. Informal discussion with NBS staff indicates that COBOL will be incorporated in planned guidance documents by using it as a language for demonstrating examples, rather than by publishing a separate COBOL-specific document as GAO recommended. In December 1983, NBS issued Special Publication 500-106, Guidance on Software Maintenance, which includes guidance applicable to COBOL.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Information Systems Remain Highly Vulnerable to Fraudulent, Wasteful, Abusive, and Illegal Practices (MASAD-82-18, 4-21-82)

Budget Function: Security of ADP Systems (990.6)
Legislative Authority: Paperwork Reduction Act of 1980. Automatic Data Processing Equipment Act (P.L. 89-306). P.L. 87-847. OMB Circular A-71.

GAO was requested to evaluate the information security programs in the executive agencies. Specifically, GAO was asked to address: (1) whether the Office of Management and Budget (OMB) guidelines, if fully implemented by the executive agencies, provide an acceptable level of protection over information systems; (2) whether the central agencies fulfill their Government-wide information security program responsibilities; (3) what the executive agencies are doing to implement Government-wide information security program policy and guidance; and (4) what the executive agencies must do to achieve a reasonable level of protection over their automated information systems, particularly those using telecommunications networks. An examination was made of the vulnerability of automated information systems in the executive agencies to abusive and unauthorized practices.

Findings/Conclusions: GAO found that: (1) OMB Circular A-71 was not sufficiently comprehensive to provide needed policy and guidance to executive agencies for establishing reasonable levels of protection; (2) the central agencies have not fulfilled their automated information security program responsibilities; (3) executive agencies are doing little to implement information security program policy and guidance; (4) executive agencies have not developed and maintained a total system of controls to eliminate the fraudulent, wasteful, abusive, and illegal practices to which their automated information systems have been and are being subjected. These conditions have precluded the establishment and maintenance of a reasonable level of protection over automated information systems used by executive agencies. GAO noted the following specific problems: (1) deficiencies in OMB Circular A-71 have left some executive agencies confused as to the nature and extent to which it should be implemented and its application to the automated systems; (2) the ineffective information security programs of the central agencies have been a primary contributing factor to the continuing vulnerability of the automated information systems in the executive agencies; and (3) the increasing Federal investments in automated information systems have resulted in growing vulnerability to fraudulent, wasteful, abusive, and illegal practices because greater concentrations of information are accessible from remote terminals.

Recommendations to Agencies: The Director of OMB should monitor the effectiveness of and agencies' compliance with Public Law 87-847, the Federal Telecommunications Fund; and Public Law 89-306, often called the Brooks Act.
Status: No action initiated. Date action planned not known.

The Administrator of General Services should completely cross reference OMB, National Bureau of Standards, and Office of Personnel Management information security policies, principles, standards, and guidelines in the Federal Property Management Regulations to eliminate the confusion that presently exists with their use.
Status: Action completed.

The Director of OMB should, through a review of budget proposals, inform the President and Congress of the progress made to develop and maintain a reasonable level of protection over personal, proprietary, and other sensitive information in the executive agencies.
Status: No action initiated. Date action planned not known.

The Director of OMB should initiate and review proposals for changes in legislative regulations, and agency procedures to improve automated data processing and telecommunications practices to ensure a reasonable level of protection over personal, proprietary, and other sensitive information as developed and maintained by the executive agencies.
Status: No action initiated. Date action planned not known.

The central agencies must work together more cooperatively to coordinate policies, principles, standards, and guidelines for information protection to substantially reduce the vulnerabilities and risks presently associated with executive agencies' automated information systems.
Status: Action in process.

The heads of executive departments and agencies should establish internal review audit programs which will periodically evaluate and report on the level of protection actually provided over automated information systems.
Status: Action in process.

The Director of OMB should provide advice and guidance on the acquisition and use of automated data processing and telecommunications equipment and coordinate, through the review of budget proposals and other methods, agency proposals for acquisition and use of such equipment. Implementation of this responsibility combined with a review of agencies' plans for establishing and maintaining a reasonable level of protection over their automated information systems will help ensure implementation of such plans.
Status: No action initiated. Date action planned not known.

The Director of OMB should revise OMB Circular A-71, Transmittal Memorandum 1, to: (1) identify the minimum controls necessary for ensuring a reasonable level of protection over personal, proprietary, and other sensitive information; (2) clarify the interrelationship between Transmittal Memorandum 1 and policy and guidance on safeguarding

information classified for purposes of national security; (3) clarify when executive agencies must afford the same level of protection against unauthorized disclosure of personal, proprietary, and other sensitive information as they do to information classified for purposes of national security; and (4) establish policy and specific guidance for achieving a reasonable level of protection over those systems, using telecommunication networks.
Status: Action in process.

The Director of OMB should require executive agencies to submit to OMB, for review and approval, new plans for establishing and maintaining a reasonable level of protection over their automated information systems, in accordance with a revised Transmittal Memorandum 1. This includes establishing and maintaining an effective internal evaluation of their automated information security programs.
Status: No action initiated. Date action planned not known.

The Director of OMB should develop procedures for ensuring executive agencies' implementation of their automated information security program plans. Implementation of these plans should be integrated into the budget process so that major automated information systems are designed, developed, operated, and maintained with a reasonable level of protection. Each system should have a restricted statement of the potential vulnerabilities, the specific security program to be used, and the expected level of risk when the security program is implemented; that is, what vulnerabilities will exist even with the implementation of the security program.
Status: No action initiated. Date action planned not known.

The Director of OMB should fully implement other OMB responsibilities as specified in the Paperwork Reduction Act of 1980 and as they relate to information security programs involving Federal automated data processing systems and telecommunication networks.
Status: No action initiated. Date action planned not known.

The heads of executive departments and agencies should identify, in accordance with a revised Transmittal Memorandum 1, the vulnerabilities and risks associated with their automated information systems and develop a new plan for establishing a reasonable level of protection over those systems.
Status: Action in process.

The heads of executive departments and agencies should identify a time schedule and resource requirements for implementing the plan.
Status: Action in process.

The heads of executive departments and agencies should include, with their next budget request, a report describing the actions taken to implement the plan and to implement recommendations made by the agency internal review group.
Status: No action initiated. Date action planned not known.

The Directors of OMB, the Office of Personnel Management, and the National Bureau of Standards should collaborate with the Administrator of General Services to cross reference completely their information security standards and guidelines in the Federal Property Management Regulations.
Status: Action completed.

Agency Comments/Action

Eighteen agencies have responded and many generally agree with the recommendations. However, the General Services Administration and the Departments of Agriculture and Defense disagree with revising Transmittal Memorandum 1. GAO provided testimony based, in part, on this report for hearings on computer and telecommunications security held by the House Science and Technology Committee on October 17, 1983, and the Senate Governmental Affairs Committee on October 26, 1983.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The OMB Efforts To Develop and Augment the Federal Information Locator System Have Not Met Congressional Expectations
(GGD-82-76, 6-17-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). 44 U.S.C. 3507(a)(1)(A). 5 U.S.C. 3109. 44 U.S.C. 35.

Pursuant to a congressional request, GAO examined the Office of Management and Budget's (OMB) efforts to develop the Federal Information Locator System (FILS).

Findings/Conclusions: OMB did not develop and have the FILS operational by the April 1, 1982, deadline. The factors contributing to the deadline's not being met included: (1) Congress not appropriating the funds needed to develop and operate the FILS in fiscal year (FY) 1982, and (2) an unexpected delay in filling the FILS project manager position. OMB has not allocated funds for the FILS in FY 1982 and has not requested funds for the FILS in its FY 1983 budget request. It is considering requesting that the Department of Defense (DOD) provide the funding needed to develop the FILS in FY 1983. GAO knows of no authority which would permit OMB to use DOD funds for this purpose. Despite this, OMB believes that it will have the FILS operational by October 1983. GAO believes that OMB did not provide adequate guidance and direction to its task force which was to develop specifications and functional requirements for the FILS. Because only an FILS manager has been appointed for FILS work, GAO believes it unlikely that OMB will be able to provide the necessary guidance to ensure the success of a new, larger task force being considered. Since the FILS is the basic building block upon which other provisions of the Paperwork Reduction Act of 1980 depend, the OMB failure to complete the FILS on time is delaying successful implementation of the Act. GAO believes that OMB could have made more resources available for FILS development and that it could have taken a more aggressive leadership role in developing functional requirements for the system and in resolving the policy issues affecting FILS development.

Recommendations to Congress: Congress should amend the OMB appropriation to provide specific funding for the Office of Information and Regulatory Affairs paperwork reduction and related information management activities.

Status: Action in process.

Agency Comments/Action

OMB has begun testing a FILS prototype. A number of agencies are participating in the test and have begun loading data to be used in prototype testing. OMB began testing the FILS prototype in April 1983 and expects to have a fully operational FILS soon.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Congress Should Consider Revising Basic Corporate Control Laws
(PAD-83-3, 4-6-83)

Budget Function: Multiple Functions (999.0)
Legislative Authority: Government Corporation Control Act (P.L. 97-258; 31 U.S.C. 9101 et seq.). Budget and Accounting Act (31 U.S.C. 1101 et seq). P.L. 89-174. P.L. 97-35. H.R. 58 (97th Cong.). H.R. 2 (97th Cong.). 5 U.S.C. 103.

GAO reviewed the basic corporate control laws in the context of the accountability of Government corporations and identified deficiencies in the application of these controls.

Findings/Conclusions: Because many corporations have been established outside the purview of these laws, they no longer provided the effective controls that Congress intended. In examining the accountability controls that are specified in 31 U.S.C. 9101-9109 and in the individual corporations' enabling legislation, GAO found that current controls, including financial audit, budget reporting and review, and Treasury financial control, are not uniformly applied. Other controls such as program audit and oversight and on-budget reporting are not addressed. These provisions of law distinguish between wholly owned and mixed-ownership corporations which provide a mechanism for applying accountability controls. The mechanism is conceptually sound; however, there are some deficiencies in its application. The laws do not define Government corporations aside from the wholly owned and mixed-ownership corporations. Additionally, the law does not provide a classification or controls for these corporations. These deficiencies create confusion and weaken accountability. GAO believes that, while a broad range of Federal accountability controls is needed for these corporations, standard definition and classification criteria are essential if the controls are to be developed appropriately and applied consistently and effectively.

Recommendations to Congress: Congress should consider revising title 31, section 9105 of the U.S. Code to cover predominately private corporations when Federal financing has been used.

Status: No action initiated. Affected parties intend to act.

Congress should consider amending title 31, section 9101 of the U.S. Code to include a definition that describes Government corporations and a list of their common powers or attributes.

Status: No action initiated. Affected parties intend to act.

Congress should consider establishing uniform accountability standards for Government corporations, including a definition, classification criteria, and general accountability standards for all Government corporations. This could be done by revising the basic corporate controls, 31 U.S.C. 9101-9109.

Status: No action initiated. Affected parties intend to act.

Congress should consider granting authority for annual audits or GAO review of annual CPA audits to ensure consistency with standards.

Status: No action initiated. Affected parties intend to act.

Congress should consider expanding 31 U.S.C. 9105 or adding a new provision of law to provide for periodic program review of these congressionally authorized programs. The revision could also require submission of annual reports to Congress for all corporations.

Status: No action initiated. Affected parties intend to act.

Congress should consider the need for on-budget reporting of financial transactions for all corporations receiving Federal capital, appropriations, or borrowing. Sections 9103 and 9104 of 31 U.S.C. could be revised to provide for congressional review of the budgets of mixed Federal/private and predominately private corporations receiving Federal financing in addition to those of predominately Federal corporations.

Status: No action initiated. Affected parties intend to act.

Congress should consider the applicability of sections 9107 and 9108 of 31 U.S.C. to all Government corporations. Currently, Treasury Department approval of accounts and security obligations only applies to 24 of the 47 Government corporations listed in the GAO inventory.

Status: No action initiated. Affected parties intend to act.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Federal Agencies Could Save Time and Money With Better Computer Software Alternatives
(AFMD-83-29, 5-20-83)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Circular A-71. OMB Circular A-121.

GAO undertook a review to identify: (1) problems Federal agencies have in satisfying their application software needs; (2) options available to agencies in acquiring application software; (3) whether agencies are taking advantage of the most beneficial options; and (4) recommendations to help satisfy Federal software needs faster and more economically.

Findings/Conclusions: GAO found a number of methods that can reduce the costs and delays associated with custom development of new software. Currently, application software needs can be satisfied by: (1) making new software through software development; (2) using generators or problem-oriented packages; (3) using vendor software packages; (4) sharing existing software; and (5) modifying and enhancing existing software. GAO found that no overall process exists to ensure that Federal agencies consider alternative methods of satisfying software needs. In the data processing installations which GAO visited, over 98 percent of the software inventories had been custom developed, which is a long and costly process. Only about 1 percent of their applications software was acquired off the shelf. Many Federal and private computer installations have common tasks, and existing software developed elsewhere is available. Despite the general lag in Federal use of packaged software and other alternatives, GAO has found that a few Federal agencies have initiated cost effective solutions to their software needs.

Recommendations to Agencies: The OMB Director should direct agencies that develop applications and agencies that operate software sharing activities to make their software, documentation, and directories available to the Federal Software Exchange Center operated by the GSA Office of Software Development. In addition, he should analyze the possibility of combining some of the other agencies' software sharing efforts with the Exchange Center's efforts to reduce duplication.

Status: Action completed.

The Administrator of General Services should direct that the schedule contracts branch of the GSA Office of Information Resources Management require vendors to complete a standard software summary on each software product for which they negotiate a contract and forward the summaries to the Federal Software Exchange Center for inclusion in the catalog section that deals with vendor software.

Status: Action completed.

The Administrator of General Services should direct that the Office of Software Development demonstrate the concept of Federal use of vendor-developed proprietary application software by selecting from one to three vendor-developed application packages and modifying them for general use by Federal agencies as pilot projects.

Status: Recommendation no longer valid/action not intended. *GSA does not intend to act on this recommendation; it believes that it is not practicable.*

The Administrator of General Services should direct that the Federal Software Exchange Center demonstrate the concept of deliberate reuse of federally owned application software by acquiring, enhancing, and advertising for general use at least one commonly used large-scale application, such as a Federal personnel system, as a pilot project.

Status: Recommendation no longer valid/action not intended. *GSA does not intend to act because it believes that the concept has already been demonstrated.*

The heads of Federal agencies should install formal software selection procedures on how to identify, evaluate, and select ways of meeting software needs, including vendor packages and shared software as well as custom development, and require that the selection process be documented.

Status: Action in process.

Agency Comments/Action

OMB has issued Bulletin 83-18, Administrative Systems, calling for consideration of sharing software instead of duplicate development to avoid unnecessary expenditures. GSA disagreed with the recommendation to modify and maintain selected proprietary packages and said that requiring vendors to submit a software summary would add to paperwork. GSA started a newsletter to inform agencies about software in May 1983.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Contracting for Computer Teleprocessing Services Can Be Improved
(AFMD-83-60, 6-20-83)

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.R. 1-3.8. F.P.R. 1-4.1103-1. F.P.R. 1-4.1203(f). F.P.R. 1-4.1206. F.P.R. 1-4.1206.6. P.L. 96-83. OMB Circular A-121. GSA Teleprocessing Services Program Handbook. B-204225 (1982).

In response to a congressional request, GAO reviewed 28 of the larger Government teleprocessing services contracts representing a broad range of agencies, vendors, and contract types to determine whether there is a Government-wide cost-overrun problem and, if so, what actions could be taken to remedy the situation.

Findings/Conclusions: GAO found that cost overruns are a common occurrence in its sample of contracts. Cost overruns were not measurable in the eight sole-source contracts in the sample; however, sole-source contracts are generally not as cost effective as competitive contracts, and replacing them with competitive awards could reduce costs. Agencies underestimate costs for teleprocessing services because of unrepresentative benchmark tests and unbalanced pricing. The combination of an inaccurate workload estimate and unbalanced pricing results in the highest cost overruns. In 1982, the General Services Administration (GSA) incorporated pricing clauses as part of its standard contract provisions to ensure that costs do not increase disproportionately. However, agencies need assistance from GSA in interpreting vendor cost proposals. In over half of the contracts which GAO reviewed, management had not controlled cost by establishing procedures to account for and allocate all costs of data processing to the end users according to the service received. Management also tended to renew contracts through the system life and beyond, even when costs were significantly higher than original evaluations. GAO also found that, if all users paid a small percentage of their monthly invoices into the Automatic Data Processing Revolving Fund, GSA could provide more service in that procurement area.

Recommendations to Agencies: The Administrator of General Services should assist agency management in reducing teleprocessing services costs by changing FPR 1-4.1203(f) to read: "Increased requirements beyond 25 percent of those specified in the base year or each option year individually in the contract shall be deemed requirements outside the scope of this paragraph and shall require a new APR submission."
Status: Action completed.

Heads of Federal agencies should improve benchmark tests by maintaining monthly usage statistics for ongoing contracts to build a foundation for accurate workload estimates.
Status: Action in process.

Heads of Federal agencies should seek consultation with GSA during cost evaluation to avoid unbalanced pricing.
Status: Action in process.

Heads of Federal agencies should seek to replace sole-source contracts through competitive procurement in all possible cases.
Status: No action initiated. Date action planned not known.

Heads of Federal agencies should take appropriate and timely action when cost overruns occur and evaluate cost versus marketplace at each option point to comply with FPR 1-4.1206.
Status: No action initiated. Date action planned not known.

Heads of Federal agencies should adopt cost accounting and chargeback according to Office of Management and Budget Circular A-121 to ensure that costs for service are passed back to users.
Status: Action in process.

Agency Comments/Action

GSA responded to this report with a letter to the Comptroller General dated September 29, 1983. GSA is taking action with respect to three of the report's recommendations. One action, amendment 5 to the Teleprocessing Services Program, is intended to improve the economy and efficiency of teleprocessing services acquisition. Another action, Temporary Regulation 1-4.1209(E), scheduled for issuance in April 1984, addresses management control of costs for service. The regulation incorporates many of the GAO recommendations in that area, such as allocation of costs to end users and reporting of costs over 25 percent of contract estimates to the requiring and senior officials.

VARIOUS DEPARTMENTS AND AGENCIES

ADMINISTRATIVE OFFICE OF THE UNITED STATES COURTS
DEPARTMENT OF JUSTICE
United States Parole Commission
JUDICIAL CONFERENCE OF THE UNITED STATES

Federal Parole Practices: Better Management and Legislative Changes Are Needed
(GGD-82-1, 7-16-82)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)
Legislative Authority: Parole Commission and Reorganization Act (P.L. 94-233; 18 U.S.C. 4201 et seq.). Narcotic Addict Rehabilitation Act of 1966 . Youth Correction Act. Federal Magistrates Act (18 U.S.C. 3401 et seq.). Organized Crime Control Act of 1970. 28 C.F.R. 2.12(b). 28 C.F.R. 2.14(a)(2). 28 C.F.R. 2.28. 28 C.F.R. 2.34. 28 C.F.R. 2.60. 28 C.F.R. 2.19. H.R. 6915 (97th Cong.). Fed. R. Crim. P. 11(c). Fed. R. Crim. P. 32(c)(3). Fed. R. Crim. P. 32(c)(3)(d). D.C. Code §24-209. D.C. Code §24-203. D.C. Code §24-207. 21 U.S.C. 848. 21 U.S.C. 848(c). 18 U.S.C. 3655. 46 Stat. 272.

GAO reviewed the operations of the U.S. Parole Commission, an independent agency with parole jurisdiction over all eligible Federal prisoners and paroled offenders.

Findings/Conclusions: Although some progress has been made in the parole decisionmaking process since 1976 when legislation establishing the Parole Commission was passed, major improvements are still needed. GAO found that the guidelines used by hearing examiners are not clear enough and that the Commission has no program for training the examiners in their use. The lack of clarity in the guidelines was a factor in numerous inaccurate parole decisions. GAO believes that, although the Commission can take some action on its own to improve its operations, other improvements require legislative action. For example, there is a need to eliminate several legislative requirements for certain activities that are not productive, such as the regional appeals process and interim hearings on the parole status of offenders. In formulating parole decisions, the Commission is very dependent upon information provided by others, including U.S. attorneys, judges, probation officers, and prison staff. The completeness and accuracy of this information is critical if the Commission is to make equitable parole decisions; however, the Commission often does not get sufficient information to properly apply its parole release guidelines. GAO found that major changes need to be made to the procedures followed in supervising paroled offenders.

Recommendations to Agencies: The Chairman of the U.S. Parole Commission should clarify parole decisionmaking guidelines so that varying interpretations among hearing examiners will be minimized.
Status: Action completed.

The Chairman of the U.S. Parole Commission should establish a system to ensure that parole decisions are made within the time frames required by the Parole Commission and Reorganization Act of 1976.
Status: Action completed.

The Chairman of the U.S. Parole Commission should work with the Bureau of Prisons to develop criteria for determining what constitutes superior program achievement by offenders and the conditions necessary for advancing parole dates.
Status: Action completed.

The Chairman of the U.S. Parole Commission should develop an effective quality control system in the regions and at headquarters. The system should provide for review of case file material to ensure that pertinent information is considered and that panel recommendations are made in accordance with Parole Commission procedures.
Status: Action in process.

The Attorney General should require the U.S. attorneys to provide the Parole Commission with Form 792's.
Status: Action completed.

The Chairman of the U.S. Parole Commission should propose legislative changes that will facilitate the formulation of national parole policy.
Status: Action in process.

The Chairman of the U.S. Parole Commission should seek the assistance of the Attorney General, the Director of the Administrative Office of the United States Courts, and the Judicial Conference to improve the flow of information between the Parole Commission and prosecutors, probation officers, judges and correctional staff.
Status: Action completed.

The Chairman of the U.S. Parole Commission should reevaluate the propriety of using juvenile records to calculate salient factor scores since these records are not available in many places across the country.
Status: Recommendation no longer valid/action not intended. *The Parole Commission believes, in error, that ignoring all juvenile records will only create disparity among defenders given the variety of State laws which exist regarding juvenile age and circumstances of waiver to adult courts.*

The Chairman of the U.S. Parole Commission should seek legislation to: (1) clarify the role of the National Appeals Board so that there will be an understanding among all the commissioners as to how it will carry out its responsibility; (2) eliminate the requirements for the regional appeals process, statutory interim hearings every 18 or 24 months, and parole consideration and parole supervision for youthful offenders sentenced under the Magistrates Act; and (3) terminate the Commission's involvement in study and observation cases committed under the Federal Youth Corrections Act.
Status: Action in process.

The Chairman of the U.S. Parole Commission should seek legislation to relieve the Parole Commission of the responsibility for making parole decisions on District of Columbia Code violators incarcerated in Federal institutions.
Status: Action in process.

The Chairman of the U.S. Parole Commission should work with the Judicial Conference in developing proposed amendments to Rules 11(c) and 32(c)(3) to: (1) ensure that defendents are made aware of the information that will be considered by the Parole Commission; and (2) improve disclosure of the presentence reports to offenders prior to sentencing so that offenders will have adequate opportunity to correct any inaccuracies contained in them.
Status: Action completed.

The Attorney General should resolve the U.S. Parole Commission's longstanding problem of obtaining adequate presentence and postsentence reports from judicial districts which refuse to provide them.
Status: Action in process.

The Judicial Conference should resolve the U.S. Parole Commission's longstanding problem of obtaining adequate presentence and postsentence reports from judicial districts which refuse to provide them.
Status: Action in process.

The Attorney General should require the Director of the Executive Office of the U.S. Attorneys to work with the U.S. Parole Commission in developing a system for routinely advising U.S. Attorneys of parole decisions.
Status: Action completed.

The Director of the Administrative Office of the United States Courts should require the Chief of the Probation Division to: (1) stress the importance of providing presentence reports which contain the information necessary for parole decisionmaking; and (2) establish procedures for routine quality control reviews of presentence reports.
Status: Action completed.

The Judicial Conference should develop proposed amendments to the Federal Rules of Criminal Procedure to: (1) make defendents aware of the information that will be considered by the U.S. Parole Commission when making parole decisions; and (2) provide for mandatory disclosure of presentence reports to offenders.
Status: Action completed.

The Attorney General should require the Director of the Bureau of Prisons and the Commissioner of the Immigration and Naturalization Service to develop procedures which, to the extent possible, will result in scheduling deportation proceedings before aliens are released from prison.
Status: Action completed.

The Attorney General should require the Director of the Marshals Service and the Assistant Director of the Criminal Division to work with the Chairman of the U.S. Parole Commission and the Chief of the Probation Division in developing procedures for parole supervision of offenders released to the Witness Security Program.
Status: Action completed.

The Attorney General should require the Director of the Bureau of Prisons and the Commissioner of the Immigration and Naturalization Service to work with the Chairman of the U.S. Parole Commission and the Chief of the Probation Division to develop a system for reporting the status of alien parolees released to the community pending deportation proceedings so that these individuals can be supervised.
Status: Action completed.

The Attorney General should require the Director of the Bureau of Prisons to: (1) provide releasable study and observation reports and psychological evaluations to the U.S. Parole Commission for use in formulating parole decisions; (2) reach agreement with the Parole Commission on the types of offender misconduct which should automatically be referred to the Institution Discipline Committee; and (3) monitor the success of efforts to improve the identification of offenders who have been convicted under 21 U.S.C. 848 and not eligible for parole consideration.
Status: Action completed.

The Chairman of the U.S. Parole Commission should improve the quality of case analysis by hearing examiners by: (1) allotting sufficient time to properly analyze the material in offenders' files well in advance of parole hearings; (2) requiring that both examiners assigned to a hearing fully analyze the information in offenders' files and participate in the hearing; (3) refining the pre-hearing process being implemented in the regions; and (4) changing the Commission's procedures and seeking amendments to 18 U.S.C. 4208 so that sufficient time will be available for hearing examiners to obtain missing information or obtain clarification of information prior to parole hearing.
Status: Action completed.

The Chairman of the U.S. Parole Commission should: (1) seek the assistance of the Attorney General and the Judicial Conference in obtaining presentence and postsentence reports from those judicial districts that are refusing to provide them; (2) reach agreement with the Director of the Bureau of Prisons on the types of offender misconduct which should automatically be referred to the Institution Discipline Committee so that the Commission can uniformly consider misconduct when making parole decisions; (3) obtain judgment and commitment orders, indictments, and records of sentencing hearings for use in formulating parole decisions; (4) develop a strategy to improve parole decisionmaking for co-defendents; (5) work with the Director of the Bureau of Prisons to monitor the success of actions being taken to identify offenders not eligible for parole consideration; and (6) implement a system to make prosecutors aware of parole decisions.
Status: Action in process.

The Director, Administrative Office of the United States Courts, should require the Chief of the Probation Division to work with the Chairman of the U.S. Parole Commission to: (1) develop clear definitions of requirements for special conditions of parole and specific criteria for determining what constitutes a violation of a special condition; (2) establish specific time frames for reporting parole violations and develop specific guidelines for probation officers to use in requesting warrants for the arrest of parole violators; (3) clarify procedures to be followed to terminate parole supervision and establish a system to ensure that annual reviews

for establishing the continued need for supervision are made; (4) resolve the controversy over whether probation officers need search and seizure authority to supervise parolees; and (5) finalize a procedure for furnishing salient factor scores to probation officers.
Status: Action in process.

The Chairman of the U.S. Parole Commission should ensure that superior program achievement determination decisions are documented and work with the Bureau to resolve the question of whether two reward systems are necessary.
Status: Action completed.

Agency Comments/Action

The Parole Commission, the Department of Justice, and the Judicial Branch concurred with most of the recommendations and have identified corrective action that has been taken, is in process, or is planned. The recommendations which are categorized as "action in process" have not yet been implemented because of the nature of the recommendations. These recommendations require either the establishment of legislation and procedures or the revision of existing procedures which take time to develop and test.

VARIOUS DEPARTMENTS AND AGENCIES

ADVISORY COUNCIL ON HISTORIC PRESERVATION
DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF THE INTERIOR

Are Agencies Doing Enough or Too Much for Archeological Preservation? Guidance Needed
(CED-81-61, 4-22-81)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: Environmental Policy Act of 1969 (National) (P.L. 91-190). Historic Preservation Act (P.L. 89-665). Historic Sites Act (P.L. 74-292). Archaeological Resources Protection Act of 1979 (P.L. 96-95). National Historic Preservation Act Amendments of 1980 (P.L. 96-515). Antiquities Act (P.L. 59-209). Executive Order 11593. P.L. 86-523. P.L. 93-291. Dep't of Interior Order 3060.

Congress has passed the National Historic Preservation Act Amendments to provide additional guidance and clarification to the National Preservation Program. The amendments give the Secretary of the Interior the authority to waive the 1-percent limitation on the use of project funds to defray the costs of data recovery, increase the role of State historic preservation programs, and clarify Federal agency responsibilities. GAO reviewed the programs of eight agencies whose activities had potential major impacts on archeological sites, the operations of five State historic preservation offices, and the program management of the Heritage Conservation and Recreation Service and the Advisory Council on Historic Preservation.

Findings/Conclusions: The National Archeology Program, which costs about $100 million a year, is not working well. The Department of the Interior must provide better leadership and direction to Federal agencies and States. Without better guidance, some Federal agencies could spend billions of dollars over the next 10 to 30 years for archeological surveys, many of which may not be necessary, while other agencies may not do enough to identify and protect archeological sites. Interior has not established good criteria for agencies to use in determining whether identified sites are important to the national heritage nor has it provided guidance on the extent to which archeological resources must be recovered, recorded, or preserved to comply with Federal laws and regulations. This has resulted in project delays, increased costs, and general confusion over what is required to identify sites, determine their significance, and protect their resources. Federal departments and agencies interpret their responsibility for identifying archeological resources differently. Federal agencies rarely coordinate archeological overview studies which could avoid duplication and save money. State historic preservation offices could help Federal agencies determine which properties have State and local significance and are eligible for listing on the National Register. While some agencies limit archeological excavation to project areas, others require Federal permittees and grantees to excavate sites well outside those areas. Lack of information on program costs and accomplishments hampers the program.

Recommendations to Agencies: The Secretary of the Interior should seek an amendment to the Archeological and Historic Preservation Act clarifying Interior's rulemaking authority.
Status: No action initiated. Date action planned not known.

The Advisory Council on Historic Preservation should require Federal agencies, on large and controversial archeological projects, to establish peer review panels to help agencies determine how much archeological excavation is necessary and to monitor contractor progress and performance.
Status: Action completed.

The Secretary of the Interior should promulgate regulations on Federal data recovery efforts and reporting systems including improved dissemination of archeological reports to the National Technical Information Service so that information can be made available to the archeological profession and Federal, State, and local officials in a decisionmaking capacity.
Status: No action initiated. Affected parties intend to act.

The Secretary of the Interior should promulgate regulations on Federal data recovery efforts and reporting systems including the development of agency reporting systems for providing information to Interior and agency management on program costs and accomplishments so that program effectiveness can be monitored and reported to Congress.
Status: No action initiated. Affected parties intend to act.

The Secretary of the Interior should allocate a portion of Historic Preservation Fund grants for State preservation plan development and make available to States 70 percent Federal against 30 percent State matching grants to use in developing statewide plans based on criteria established by the Secretary in consultation with the various States.
Status: Action completed.

The Advisory Council on Historic Preservation should require Federal agencies to define specific significant research questions to be addressed in data recovery, in order to justify archeological excavation costs.
Status: Action in process.

The Secretaries of HUD, Interior, and the Advisory Council on Historic Preservation should, either together or separately, seek the opinion of the Attorney General concerning the

extent to which HUD is required to make archeological surveys to determine whether archeological resources will be affected by federally assisted housing projects.
Status: Action in process.

The Secretary of the Interior should promulgate regulations on Federal data recovery and reporting systems including who should pay for archeological work so that unnecessary project delays and increased costs can be prevented.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should promulgate regulations on Federal data recovery efforts and reporting systems including the specific circumstances and that extent to which agencies are required to excavate sites outside a project's direct impact area.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should make State historic preservation offices the focal point for determining whether archeological resources are significant enough to list on the National Register of Historic Places.
Status: Action in process.

The Advisory Council on Historic Preservation should require Federal agencies to relate data recovery to priorities defined in State historic preservation plans, where approved plans exist.
Status: Action in process.

The Secretary of the Interior should issue guidelines for the appropriate and consistent development of State archeological data management capabilities, State archeological surveys, and determination of State and local site significance.
Status: Action in process.

The Secretary of Agriculture should direct the Forest Service to improve its program for identifying archeological resources by making sufficiently comprehensive surveys to preclude the need to resurvey the same lands for future projects.
Status: Action in process.

The Secretary of Agriculture should direct the Forest Service to improve its program for identifying archeological resources by monitoring projects to verify that significant archeological sites are protected.
Status: Action in process.

The Secretary of the Interior should propose to OMB revisions to Executive Order 11593 to state that Federal agencies are required to conduct archeological surveys on Federal lands only (1) when a land-disturbing activity is planned; (2) when the operation of existing projects may threaten resources; or (3) on a sampling basis as part of overview studies for general planning purposes.
Status: Action in process.

The Secretary of Agriculture should require the Forest Service to improve its program for identifying archeological resources by performing archeological surveys on Forest Service lands before timber harvests or other land-altering projects.
Status: Action in process.

The Secretary of the Interior should finalize regulations setting forth detailed procedures explaining how Federal agencies are to conduct surveys and investigations to locate and identify archeological properties.
Status: Action in process.

The Secretary of the Interior should require States to submit adequate plans as a condition of receiving Historic Preservation funds.
Status: Action completed.

The Secretary of the Interior should establish formal coordination procedures among Federal and State agencies performing archeological overviews.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

Interior has taken or is in the process of taking action on the 13 recommendations. The Advisory Council on Historic Preservation has taken action on one of the four recommendations made, and Agriculture has taken action on one of the three recommendations with which it is concerned. HUD has not taken action on the recommendation directed to it because it believes that the Office of Management and Budget's (OMB) request to the Justice Department for an opinion on the Advisory Council's statutory authority supercedes the recommendation. HUD officials believe that the linkage between the Council's 106 procedures and any recovery which might be required of archeological resources is so close that there is no point in proceeding until the larger legal question is answered and OMB makes a determination about allowing publication of the Council's revised regulations. Actions on five recommendations (three to the Advisory Council and two to Agriculture) have been superceded because of the dispute over the Advisory Council's statutory authority.

VARIOUS DEPARTMENTS AND AGENCIES

COMMITTEE FOR PURCHASE FROM THE BLIND AND OTHER SEVERELY HANDICAPPED DEPARTMENT OF LABOR

Stronger Federal Efforts Needed for Providing Employment Opportunities and Enforcing Labor Standards in Sheltered Workshops
(HRD-81-99, 9-28-81)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: Rehabilitation, Comprehensive Services and Developmental Disabilities Amendments of 1978 (P.L. 95-602; 42 U.S.C. 1382(d); 42 U.S.C. 1397 et seq.; P.L. 93-112; 29 U.S.C. 701 et seq.; P.L. 90-526; P.L. 92-595; P.L. 96-302; 15 U.S.C. 636(h); P.L. 89-286; 41 U.S.C. 351 et seq.; P.L. 74-846; 41 U.S.C. 35 et seq.; P.L. 91-596; 29 U.S.C. 251 et seq.; 92 Stat. 2955; 87 Stat. 355; 82 Stat. 1064; 86 Stat. 1314; 94 Stat. 839; 79 Stat. 1034; 49 Stat. 2036; 84 Stat. 1590). Comprehensive Employment and Training Act of 1973 (P.L. 93-203; 87 Stat. 839) Fair Labor Standards Act of 1938 (P.L. 75-718; 29 U.S.C. 201 et seq.; 52 Stat. 1060). Fair Labor Standards Amendments of 1966 (P.L. 89-601; 80 Stat. 830). Wagner-O'Day Act (Handicapped-Made Products, Government Purchase) (41 U.S.C. 46 et seq.; P.L. 92-28; 85 Stat. 77). Mental Retardation Facilities and Community Mental Health Centers Construction Act of 1963 (P.L. 88-164; 77 Stat. 282). Developmental Disabilities Services and Facilities Construction Amendments of 1970 (P.L. 91-517; 42 U.S.C. 6001; 84 Stat. 1316). Social Security Amendments of 1965 (42 U.S.C. 422 et seq.). Social Security Amendments of 1967. Social Security Amendments of 1972. Social Security Amendments of 1974. Vocational Rehabilitation Act (Industrial Disabilities). Vocational Education Act. Small Business Investment Act Amendments of 1972 Service Contract Act of 1965 Walsh-Healey Act (Government Contracts). Occupational Safety and Health Act of 1970. Portal-to-Portal Act of 1947. Internal Revenue Code (IRC). 29 C.F.R. 775.2. P.L. 89-333. National League of Cities v. Usery, 426 U.S. 833 (1976). H. Rept. 92-228. 18 U.S.C. 4121. 26 U.S.C. 170. 26 U.S.C. 2055. 79 Stat. 1282.

Sheltered workshops, established at the State and local levels, provide both training and employment for the physically and mentally handicapped. GAO was asked to review the role of sheltered workshops in (1) employing the handicapped, and (2) operating in the competitive business community. GAO focused primarily on the administration and enforcement of the Fair Labor Standards Act's provisions relating to handicapped workers employed in the sheltered workshops and the administration of the federally sponsored procurement program established by the Wagner-O'Day Act.

Findings/Conclusions: The Fair Labor Standards Act authorizes Labor to issue special certificates to sheltered workshops for employing handicapped workers at wage rates lower than the minimum wage. Special exemptions are needed to prevent possible curtailment of employment opportunities for handicapped workers who are not able to produce at the subminimum wage rate. The majority of sheltered workshop workers are now paid based on their individual productivity and, if the Federal subminimum wage requirement were eliminated, the workshops would still be required to base the workers' wages on individual productivity. Elimination of the requirement would permit Labor to simplify the process for certifying the eligibility of sheltered workshops to pay handicapped workers less than the minimum wage. Enforcement of Federal labor standards needs to be strengthened. The Act's provisions concerning wages based on handicapped workers' individual productivity cannot be enforced by Labor if the resulting wage rate exceeds the statutory minimum. Also, employment opportunities for the handicapped under the program are not adequately evaluated. Federal laws may provide a competitive advantage for sheltered workshops over private businesses. However, the workshops generally incur added costs which may offset the effect of whatever competitive advantages a workshop may receive.

Recommendations to Congress: Congress should amend the Fair Labor Standards Act to eliminate the provision that handicapped persons who are employed under special Labor certificates in sheltered workshops must not be paid less than 50 percent of the statutory minimum wage.
Status: Action in process.

Congress should consider amending the Fair Labor Standards Act to extend Labor's authority for enforcing the provision that a handicapped worker's wages must be commensurate with those paid nonhandicapped workers.
Status: Action in process.

Congress should amend the Wagner-O'Day Act to require that the Committee for Purchase from the Blind and Other Severely Handicapped notify directly affected suppliers of the Committee's intent to consider the suitability of a product or service for procurement from a sheltered workshop.
Status: No action initiated. Date action planned not known.

Congress should consider requesting the Committee for Purchase from the Blind and Other Severely Handicapped to assess its oversight responsibilities and provide Congress with an estimate of the resources needed for an adequate level of Federal oversight.
Status: Action in process.

Congress should amend the Wagner-O'Day Act to require that sheltered workshops meet a specific standard for the percentage of handicapped direct labor hours on all commodities produced or services provided under the program. Specifically, the Act's 75-percent requirement for measuring a workshop's program eligibility should be adopted as the standard because it appears to provide a reasonable basis for assessing whether the employment opportunities

created by the program are used primarily for handicapped workers.
Status: Action completed.

Congress should amend the Wagner-O'Day Act to recognize that employment opportunities created by the program should be used, to the maximum extent, for preparing handicapped persons to engage in competitive employment outside the workshop.
Status: Action completed.

Recommendations to Agencies: The Secretary of Labor should decide whether the requirements of the Fair Labor Standards Act should be applied to publicly operated sheltered workshops.
Status: Action in process.

The Secretary of Labor should strengthen management control over the planning, implementation, and evaluation of the investigating process for sheltered workshops' compliance with the requirements of the Fair Labor Standards Act by: (1) requiring regional and area offices to specify a level of staff resources for making workshop investigations; and (2) designating specific compliance officers in each regional or area office to develop expertise for making workshop investigations.
Status: Action completed.

The Secretary of Labor should establish management controls for ensuring that sheltered workshop investigations are made on a uniform basis nationwide. Each investigation should include all analyses needed to determine a workshop's compliance with the Fair Labor Standards Act's requirements, including examinations of the: (1) production standards used for establishing piece rates; (2) productivity evaluations used for establishing hourly wage rates; (3) procedures used to determine and document prevailing wage rates; (4) systems used to develop and maintain individual productivity records, time studies, performance evaluations, and records of total hours worked; and (5) procedures used for increasing individual wage payments to comply with the terms and conditions of a special certificate.
Status: Action completed.

The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should establish procedures for verifying the accuracy of the reports submitted by the workshops for the number of direct labor hours worked by handicapped and nonhandicapped workers.
Status: Action completed.

The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should establish procedures for evaluating the adequacy of the commission rate and the commissions received by the central nonprofit agencies.
Status: Action in process.

The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should revise the Federal regulations and Committee procedures to require that each participating sheltered workshop submit information on the estimated direct labor hours for handicapped and nonhandicapped workers for each action proposing the addition to the procurement list of a product or group of products or a service.
Status: Action completed.

The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should revise the Federal regulations and Committee procedures to require that each participating sheltered workshop report the placements into competitive employment attributable to the employment opportunities created by the Javits-Wagner-O'Day Program.
Status: Action completed.

The Chairman of the Committee for Purchase from the Blind and Other Severely Handicapped should establish a system for monitoring the percentage of total direct labor hours performed by handicapped and nonhandicapped workers in each participating workshop in the production of commodities or the provision of services under the Javits-Wagner-O'Day Program. As a minimum, the system should require that each participating sheltered workshop submit information in its annual report showing the total direct labor hours for handicapped and nonhandicapped workers for all products produced or services provided to the Federal Government under the Javits-Wagner-O'Day Program.
Status: Action completed.

Agency Comments/Action

Action to implement two of the recommendations has been completed by Labor and action to implement the third is underway. The Committee for Purchase from the Blind and Other Severely Handicapped has completed satisfactory action on all of the recommendations directed to it with the exception of one, which is underway and will require a considerable amount of time to complete.

VARIOUS DEPARTMENTS AND AGENCIES

COMMODITY FUTURES TRADING COMMISSION
DEPARTMENT OF COMMERCE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF MANAGEMENT AND BUDGET

Better Use of Information Technology Can Reduce the Burden of Federal Paperwork
(GGD-83-39, 4-11-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Paperwork Reduction Act of 1980. Privacy Act of 1974 (5 U.S.C. 552a).

In response to a congressional request, GAO reviewed four data collection activities to determine the potential benefits in terms of information technology.

Findings/Conclusions: GAO found that increased use of information technology would reduce the Federal paperwork burden and improve the efficiency of the data collection activities. While the extent of the potential benefits varied, opportunities exist in all of the reviewed cases for better use of information technology. Some recent actions have been taken by Federal managers to realize these benefits, but more could be done. GAO found that Federal managers at all levels need to be more attentive to the use of information technology as a means of reducing reporting and paperwork problems. Agency officials stated that the lack of guidance from the Office of Management and Budget (OMB) is one of the prime reasons individual agency policies and procedures have not been promulgated. GAO found that agencies need: (1) strategies to implement and control automated data submission programs: and (2) information and marketing analyses to realize the potential for increasing automated submissions. In addition, GAO found that Federal managers have not maximized the benefits of automated programs once developed. GAO found that the number of automated Medicare claims could be increased by about 4 million, which would save about $1.3 million. GAO also found that the Census Bureau could almost double its volume of automated submissions and save about $183,000. In the two remaining case studies, GAO identified potential improvements through better use of technology in the Commodity Futures Trading Commission and the Food and Drug Administration (FDA).

Recommendations to Agencies: The Director of OMB should direct the Office of Information and Regulatory Affairs, as part of its continuing oversight responsibilities of Federal information management activities, to periodically review Federal agencies' efforts to implement and reassess programs targeted at increasing automated submission of required data.

Status: Action completed.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration (HCFA) to revise its Medicare regulations to require intermediaries to accept submissions of Medicare claims in an automated form where it is cost effective to the Medicare program.

Status: Recommendation no longer valid/action not intended. *No action will be taken by the agency because Medicare regulations do not require revision to accomplish the objective of this recommendation. In December 1982, HCFA issued a transmittal that requires Medicare intermediaries to accept electronic claims data when cost effective.*

The Secretary of Health and Human Services should direct the Administrator of HCFA to clarify the roles and responsibilities of regional staff to ensure intermediaries' compliance with information technology guidelines and regulations.

Status: Action completed.

The Secretary of Health and Human Services should direct the Administrator of HCFA to revise its intermediary performance evaluation criteria to reflect an intermediary's contribution to the increased use of automation in Medicare billing.

Status: Action in process.

The Secretary of Health and Human Services should direct the FDA Commissioner to establish procedures to use a turnaround document to collect drug product listing changes, instead of using forms.

Status: Action completed.

The Secretary of Health and Human Services should direct the FDA Commissioner to revise procedures for collecting data for new drugs to allow submission of a computer printout of the data instead of a form, for drug manufacturers with this capability.

Status: Action completed.

The Secretary of Commerce should direct the Census Bureau to conduct a detailed survey of at least the high volume Shipper's Export Declaration respondents to determine capability and interest in the automated program.

Status: Action completed.

The Secretary of Commerce should direct the Census Bureau to prepare promotional literature for managers detailing the program's technology options and the benefits of program participation.

Status: Action completed.

The Secretary of Commerce should direct the Census Bureau to aggressively promote the automated program through personalized followup of inquiries made by respondents and by contacting potential candidates identified through the survey.

Status: Action completed.

The Chairman of the Commodity Futures Trading Commission should promote and publicize the automated pro-

gram and its varied capabilities to receive data in machine readable form.

Status: Action in process.

The Chairman of the Commodity Futures Trading Commission should contact industry service bureaus and encourage program participation on behalf of their clients.

Status: Action completed.

The Director of OMB should establish written policies encouraging the use of information technologies as a means of reducing the burden on the Government and the public and improving the efficiency and effectiveness of agency operations.

Status: Action completed.

The Director of OMB should amend the forms clearance process so that, except under exigent circumstances, agencies must consider whether an increase in automated submission is feasible and cost effective. If so, the agency should submit a plan describing how such an increase would be accomplished.

Status: Action completed.

Agency Comments/Action

Action has been completed by the agency on all but two recommendations. With regard to those two recommendations, the agency has indicated its intention to take the suggested action. To date, however, it has not.

VARIOUS DEPARTMENTS AND AGENCIES

CONGRESSIONAL BUDGET OFFICE
EXECUTIVE OFFICE OF THE PRESIDENT
GENERAL ACCOUNTING OFFICE
GOVERNMENT PRINTING OFFICE
OFFICE OF TECHNOLOGY ASSESSMENT

A Systematic Management Approach Is Needed for Congressional Reporting Requirements
(PAD-82-12, 11-25-81)

Budget Function: Congressional Information Services (990.5)
Legislative Authority: Congressional Reports Elimination Act of 1980 (P.L. 96-470). Climate Program Act. Energy Security Act. Congressional Budget and Impoundment Control Act of 1974. 10 U.S.C. 2233a. 15 U.S.C. 2906. 31 U.S.C. 1152(d). 42 U.S.C. 8911.

GAO identified problems in the way congressional reporting requirements are presently being managed which affect the timeliness and usefulness of the information Congress receives in support of its legislative, oversight, and budgetary functions.

Findings/Conclusions: Improvements are needed within all branches of the Federal Government, including Congress. Congressional reporting requirements are not being managed in a way that achieves the objectives for which they were created. They are managed by several organizations acting independently, with little or no coordination among them. As a result, performance of tasks overlaps, and functional and informational gaps exist. At present, there is no comprehensive monitoring system for the reporting requirements. As a result, there is no way of ensuring that the agencies meet the requirements adequately, submit reports when they are due, or disclose that reports are late. The most serious flaws are that: the receipt of reports by Congress is not adequately recorded, delinquent reporting is not followed up, and the distribution and use of report documents are not monitored or evaluated. GAO believes that Congress, the Federal agencies, and the Executive Office should consider: (1) the development of a uniform policy and guidance for the congressional groups with principal functional responsibility for meeting the reporting requirements; (2) streamlining the identification and inventory tasks; (3) creating an adequate monitoring system; (4) reducing late executive agency responses to reporting requirements; and (5) improving the ability of Congress to relate each report it receives to the policy and program issues that the reporting requirements are designed to address.

Recommendations to Congress: Congress should take the following actions: (1) develop uniform policy and guidance for the congressional groups with principal functional responsibility, i.e., Clerk of the House, Secretary of the Senate, and GAO; (2) streamline the identification and inventory tasks of the Clerk of the House, Secretary of the Senate, and GAO; (3) implement an adequate monitoring system for the Clerk of the House, Secretary of the Senate, and GAO; (4) reduce executive agency lateness in responding to the reporting requirements of Congress; and (5) improve the ability of Congress to relate each report it receives to the policy and program issues that the reporting requirements are designed to address.
Status: Action in process.

Recommendations to Agencies: The Executive Office should take the following actions: (1) develop uniform policy and guidance for the congressional groups with principal functional responsibility, i.e., Clerk of the House, Secretary of the Senate, and GAO; (2) streamline the identification and inventory tasks of the Clerk of the House, Secretary of the Senate, and GAO; (3) implement an adequate monitoring system for the Clerk of the House, Secretary of the Senate, and GAO; (4) reduce executive agency lateness in responding to the reporting requirements of Congress; and (5) improve the ability of Congress to relate each report it receives to the policy and program issues that the reporting requirements are designed to address.
Status: Action in process.

The congressional support agencies should take the following actions: (1) develop uniform policy and guidance for congressional groups with principal functional responsibility, i.e., Clerk of the House, Secretary of the Senate, and GAO; (2) streamline the identification and inventory tasks of the Clerk of the House, Secretary of the Senate, and GAO; (3) implement an adequate monitoring system for the Clerk of the House, Secretary of the Senate, and GAO; (4) reduce executive agency lateness in responding to reporting requirements of Congress; and (5) improve the ability of Congress to relate each report it receives to the policy and program issues that the reporting requirements are designed to address.
Status: Action in process.

Agency Comments/Action

The Secretary of the Senate is waiting for the outcome of a court ruling on legislative veto provisions before proceeding with the recommendations. The Clerk of the House has completed the design phase of a system which incorporates a number of the recommendations.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Health and Safety Deficiencies Found at Water Recreation Areas
(CED-81-88, 6-15-81)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: Water Project Recreation Act. Safe Drinking Water Act (P.L 93-523). Safe Drinking Water Amendments 1977 (P.L. 95-190). Flood Control Act of 1962.

GAO was requested to review the health and safety conditions of nonfederally managed water recreation areas of the Corps of Engineers' and the Water and Power Resources Service's (WPRS) reservoirs.

Findings/Conclusions: GAO found several types of health and safety deficiencies at the Corps and the WPRS areas. These included: (1) poorly designed, overused, or malfunctioning sanitation systems; (2) structurally unsafe picnic and restroom facilities; (3) a dam spillway without a barrier; and (4) inadequate disinfection or filtration systems and excessive bacteria or turbidity levels in drinking water. Corps and WPRS headquarters recreation management officials stated that regular and thorough inspections are not conducted nor are local managing officials directed to make needed improvements. These officials stated that funding constraints make it difficult to effectively monitor the condition of nonfederally managed recreation areas. Non-Federal public agencies' officials acknowledged responsibility for operating and maintaining recreation areas in a safe and healthy condition but stated that they lacked adequate funds. These officials claim that operation and maintenance costs and visitor use have increased over the years but that recreation budgets have not kept pace. As a result, non-Federal agencies have turned over management of a number of areas to the Federal agencies.

Recommendations to Agencies: The Secretaries of the Interior and the Army should review the status of returned recreation areas to determine whether areas with health and safety deficiencies should be improved, operated and maintained, posted as unsafe, or closed.

Status: Action completed.

The Secretaries of the Interior and the Army should seek necessary funds and authority from Congress to close or to improve, operate and maintain returned recreation areas and those Service areas that were never turned over to a local manager.

Status: No action initiated. Date action planned not known.

The Secretaries of the Interior and the Army should regularly and thoroughly inspect nonfederally managed Corps and WPRS recreation areas to identify health and safety deficiencies and require the managing agency to correct the identified deficiencies, post the areas as unsafe, or close them.

Status: Action completed.

Agency Comments/Action

Interior and the Department of the Army concurred with the recommendations. In 1983, the Commissioner, Bureau of Reclamation, directed his regional offices to review the status of returned recreation areas to determine whether areas with health and safety deficiencies could be improved. Also, in 1983, the Secretaries of the Interior and the Army issued internal regulations to inspect nonfederally managed Corps and WPRS recreation areas to identify health and safety deficiencies and require the managing agency to correct the deficiencies

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Changes in Federal Water Project Repayment Policies Can Reduce Federal Costs
(CED-81-77, 8-7-81)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Reclamation Project Act of 1939 (53 Stat. 1187). Water Supply Act of 1958 (72 Stat. 319). P.L. 87-483.

Because prior GAO studies disclosed several large Federal reservoirs with substantial amounts of unsold water or storage space, GAO reviewed the repayment policies and practices of the Army Corps of Engineers and the Bureau of Reclamation that do not ensure fair and timely recovery of water projects' reimbursable costs.

Findings/Conclusions: Current repayment policies, for the most part, require that water projects must be fully used to ensure cost recovery. However, much water is neither purchased nor used as originally intended and is likely to remain underutilized for years. As a result, the Federal Government will continue to absorb substantial costs. Agency officials have made some changes, but much more should be done. Millions of acre-feet of underutilized water are available in Federal reservoirs. Agency officials stated that they had no water marketing policies and generally relied on State water boards, local chambers of commerce, and water districts to carry out water marketing activities. Agencies have not taken advantage of opportunities to increase cost recovery. Sometimes agencies use outdated prices for determining operation and maintenance (O&M) costs. In some cases, repayment was not required even though water users received benefits. Payments received from water option contractors were not always apportioned to O&M costs. Occasionally, the Bureau of Reclamation charged water users for O&M costs but credited the revenues to construction cost repayment. As a result of such practices, reimbursable O&M costs had to be paid from Federal funds. O&M costs were not accumulated as reimbursables for future water price determinations, but often were reassigned to nonreimbursable categories.

Recommendations to Agencies: The Secretaries of the Army and the Interior should issue instructions requiring all O&M charges to be updated annually and applied to new or amended contracts.
Status: Action in process.

The Secretaries of the Army and the Interior should develop an overall water marketing strategy for their agencies.
Status: Action in process.

The Secretaries of the Army and the Interior should issue instructions requiring all reservoir users to share equitably in O&M cost recovery.
Status: Action in process.

The Secretary of the Interior should issue instructions requiring that option revenues be equitably allocated to O&M cost recovery.
Status: Action in process.

The Secretaries of the Army and the Interior should annually disseminate information on the available water supply to Congress, State agencies, and potential buyers.
Status: Action in process.

The Secretary of the Interior should issue instructions requiring that O&M cost reallocations be limited to those based upon demonstrated changes in benefits.
Status: Action completed.

The Secretaries of the Army and the Interior should issue instructions requiring congressional authorization to be sought for water uses not specifically authorized.
Status: Action in process.

The Secretary of the Interior should issue instructions requiring that reallocation policies be equally applied to both reimbursable and nonreimbursable expenses.
Status: Action in process.

The Secretary of the Interior should require reasonable payment for all water reservations.
Status: Action completed.

The Secretary of the Interior should require water prices to be based upon how much water can be delivered and sold.
Status: Action completed.

The Secretary of the Interior should require water contracts with renewal provisions to specify the method for price adjustments.
Status: Action completed.

The Secretary of the Interior should require annual water price reevaluations as a basis for establishing new or amended contract prices.
Status: Action completed.

The Secretaries of the Army and the Interior should establish policies that will require unrecovered reimbursable O&M costs to be accumulated and considered in future price determinations.
Status: Action in process.

The Secretaries of the Army and the Interior should establish policies that will require an interest allocation to be included in all water charges to municipal and industrial users.
Status: Action in process.

The Secretaries of the Army and the Interior should establish policies that require all project purposes to share, in accordance with actual reservoir uses, in O&M expenses.
Status: Action in process.

The Secretary of the Interior should require specific approval of the Commissioner of Reclamation when contract revenues from Federal reservoirs will be applied to a non-Federal entity.
Status: Action completed.

The Secretary of the Interior should require nationwide distribution of its and the Bureau of Reclamation's repayment policies, procedures, and applicable interpretations for establishing and implementing repayment requirements.
Status: Action completed.

The Secretary of the Interior should require a periodic review of regional pricing and accounting practices to ensure that they consistently and equitably apply agency policy.
Status: Action completed.

Agency Comments/Action

The Bureau of Reclamation is reviewing regional water marketing efforts to ascertain which practices should be adopted on a bureauwide basis. Authority is being redelegated to regional managers to negotiate and execute contracts to streamline the process and meet water demands. The Bureau has amended policy instructions for allocation and recovery of O&M costs to require annual reevaluation of project functions. It will ensure that municipal and industrial costs carry an appropriate interest charge. Two recommendations have resulted in completed actions by the Bureau but not by the Corps. Therefore, the actions on these recommendations are still listed as being in process. The Corps has developed a position on the recommendations and has submitted it to the Secretary of the Army for approval. Basically, The Corps agrees with the recommendations, especially on cost recovery, but problems arise in working out the details. The Bureau issued regulations addressing repayment provisions for both new and existing contracts on December 6, 1983.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Reforming Interest Provisions in Federal Water Laws Could Save Millions
(CED-82-3, 10-22-81)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Reclamation Act. Reclamation Extension Act. Reclamation Project Act of 1939. Omnibus Adjustment Act (Irrigation Projects). Water Supply Act of 1958.

The cost of financing the construction of Federal water projects for irrigation and municipal and industrial consumers has increased substantially since the first projects were built in the early 1900's. Because conditions have changed since repayment policies were established, GAO took a look at the full cost of financing water projects to determine whether expenditures can be reduced.

Findings/Conclusions: By law, water project costs, with the exception of interest costs associated with irrigation and future municipal and industrial water supply, are to be repaid by the water users. Although the law has not required interest to be paid by irrigators, it has been required in part for municipal and industrial users. Water users have had difficulties meeting their repayment obligations. As a result, Treasury was required to fund water projects with additional revenue obtained through public borrowing. As a result, taxpayers are subsidizing the users by paying millions of dollars in interest costs related to financing this construction. Today, with high interest rates, the Government finds itself borrowing at an interest rate several times as high as the interest rate it charges those it lends money to. The difference is now paid by the taxpayer. The Government is not fully recovering its borrowing costs to fund project construction because the Reclamation Act and other Federal water laws specifically allow: financing construction costs without interest; using interest rates that do not reflect the Treasury's borrowing costs; using an interest rate in effect at the start of project construction for all subsequent interest charges rather than the interest rates in effect during each year the construction funds were spent; and permitting the use of simple rather than compound interest in negotiating repayment contracts. On four projects reviewed, GAO calculated more than $667 million in taxpayer-provided interest subsidies.

Recommendations to Congress: Congress should take a fresh look at the interest-free subsidy in deciding future water project authorizations.

Status: Action completed.

Congress should amend appropriate Federal laws, particularly the Water Supply Act of 1958, as amended, to ensure that municipal and industrial water users fully repay their share of interest costs. In amending the legislation, Congress should require the Secretaries of the Army and Interior to: (1) use interest rates, developed by the Treasury, for computing interest during construction and interest on the unpaid balance that more appropriately reflect the Treasury's cost of borrowing funds; (2) compute interest during construction using the interest rates in effect during each year construction funds are spent; and (3) compute interest during construction on a compound rather than a simple interest basis. Where possible, these provisions should be applied to existing projects; for instance, where binding repayment contracts do not exist, when amending existing contracts, or awarding new contracts for future water sales.

Status: Action in process.

Agency Comments/Action

In its December 21, 1981, response, the Army agreed that beneficiaries should pay for the cost of water projects whenever possible. Further, the Army stated that, as part of an ongoing review of cost recovery practices, it was looking into the practicality of using compound rather than simple interest in computing interest during construction. The Bureau of Reclamation issued regulations addressing project repayment provisions for both new and existing contracts on December 6, 1983.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Developing Alaska's Energy Resources: Actions Needed To Stimulate Research and Improve Wetlands Permit Processing
(EMD-82-44, 6-17-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Alaska National Interest Lands Conservation Act (P.L. 96-487). Clean Water Act of 1977 (33 U.S.C. 1344). Water Pollution Control Act. Executive Order 8979. S. 1562 (97th Cong.).

To determine if Federal agencies are advancing environmentally sound approaches to energy exploration and development, GAO evaluated: (1) the results of oil- and gas-related experience on the Kenai National Wildlife Refuge, the only Federal land in Alaska where significant production has occurred; (2) the measures used in Alaska to prohibit exploratory drilling during certain months of the year and to control drilling waste disposal; (3) the adequacy of research to lessen the impacts of energy development; and (4) wetlands permitting, which is of crucial importance to energy development on all Alaskan lands.

Findings/Conclusions: Additional research is needed to evaluate the impacts of oil- and gas-related activity in Alaska as a basis for promoting environmentally sound approaches to future development without unnecessarily increasing its cost. GAO found that two costly and controversial restrictions are being widely applied to energy exploration in the Arctic; however, there has not been adequate research to support either the imposition or the removal of these restrictions. Use of site-specific research findings would allow refinement of environmental protection controls suitable to the unique characteristics of the lands on which they are applied, and this would minimize universal or blanket stipulations where they are not necessary. The U.S. Army Corps of Engineers has been slow in processing wetlands permits, which are required for many oil and gas projects in Alaska, and has frequently included controversial and costly conditions in its permits without requiring substantiation of their need through research findings and site-specific data.

Recommendations to Congress: Congress should provide for three critical elements: coordination, prioritization, and sources of funding for research to evaluate the impacts of energy development in the Arctic.
Status: Action in process.
Recommendations to Agencies: The Secretary of the Interior should utilize existing research findings and site-specific data to the maximum extent possible and, after a source of further funding is worked out, direct and use additional site-specific research in the application of stipulations to future Alaskan energy projects. This should include using such data as a basis for determining whether the seasonal drilling restriction should be continued as a general stipulation for individual tracts.
Status: Action in process.

The Secretary of the Army should only grant the State of Alaska extensions to the public comment period when they are adequately justified and use research findings and site-specific data to the maximum extent possible in determining the need for proposed stipulations in future permits.
Status: Action in process.

The Secretary of the Army should require that Federal agencies support the need for proposed permit stipulations to the maximum extent possible with site-specific data and relevant research findings.
Status: Action in process.

The Secretary of the Army should direct the Chief, Corps of Engineers, to have the Corps' Alaska District management periodically summarize the time required to issue public notices and enforce the 15-day timeframe established by law.
Status: Recommendation no longer valid/action not intended. *A change in agency procedures effectively eliminates this recommendation.*

Agency Comments/Action

Interior indicated that it plans to comply with the recommendation within budgeting constraints. The Army issued new regulations for the section 404 wetlands permit process which include steps that concur with the recommendations. Interior has responded under the provisions of OMB Circular A-50; Army has not.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Water Sales Contracts From Missouri River Reservoirs Need To Require Reimbursement for Operation and Maintenance Expenses
(CED-82-123, 9-7-82)

Budget Function: Natural Resources and Environment: Water Resources (301.0)

During an ongoing review of water resources project operation and maintenance (OM) cost recovery systems established by the U.S. Army Corps of Engineers and the Department of the Interior's Bureau of Reclamation, GAO identified a problem concerning the nonrecovery of OM costs.

Findings/Conclusions: Although Bureau water marketing policy requires reimbursement of an appropriate share of municipal and industrial (MI) costs from MI users, the contracts used to sell surplus irrigation water to MI users do not include OM cost recovery provisions. Neither the original Memorandum of Understanding between Interior and the Corps nor any existing or proposed contract with an industrial user addresses OM cost recovery. Neither agency has assumed responsibility for OM cost recovery, and only limited communication has taken place regarding a decision to reallocate a portion of the OM expenses to MI use. The Corps and the Bureau need to assess, recover, and account for an appropriate share of OM costs from current and future MI water users.

Recommendations to Agencies: The Secretaries of the Army and the Interior should require the Corps of Engineers and the Bureau of Reclamation jointly direct that all future water service contracts specifically provide a contract provision for OM cost recovery.

Status: Action in process.

The Secretaries of the Army and the Interior should require that the Corps of Engineers and the Bureau of Reclamation jointly direct the necessary communication between the two agencies to establish the proper accounting for OM cost recovery.

Status: Action completed.

The Secretaries of the Army and the Interior should require that the Corps of Engineers and the Bureau of Reclamation jointly establish a policy to reallocate an appropriate share of OM costs to existing and future MI water sales.

Status: Action completed.

Agency Comments/Action

The Army and the Department of the Interior have no doubt that there is adequate authority to use water in the Missouri Reservoirs for municipal and industrial purposes. They concur with the recommendation that proper accounting practices be established. Due to different departmental policies covering current use operation and maintenance, cost allocation will require substantial time to resolve. After the resolution, retroactive adjustments to allocate an appropriate share of accrued industrial water revenues to operation and maintenance expenses will be made. The Army responded on October 27, 1982. On July 26, 1983, the Army replied that a coordinated position had been reached with Interior to allocate operation and maintenance expenses to existing and future water sales contracts. Operation and maintenance costs amounting to $154,000 have been retroactively applied to existing Missouri River Reservoir contracts retroactive to 1979.

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF DEFENSE

Small Percentage of Military Families Eligible for Food Stamps
(FPCD-83-25, 4-19-83)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: P.L. 97-248. S. Rept. 97-494. 7 U.S.C. 2014(d). 37 U.S.C. 101(25).

GAO determined whether the reportedly large percentage of military families eligible for food stamps actually met the benefits criteria, and it reviewed Department of Agriculture's (USDA) program administrative practices.

Findings/Conclusions: GAO found that only a small percentage of military families are eligible to receive food stamps ,and most of those families qualify only because their Government-furnished housing is not counted as income. However, there are some families who would be eligible for food stamps regardless of their housing status, and USDA has provided them with the appropriate information concerning their benefits. GAO noted that, under certain circumstances, especially when parents are assigned away from home, there is potential abuse of the program. Inadequate reporting of income and housing status changes also contributes to ineligible families' receiving food stamp benefits.

Recommendations to Agencies: The Secretary of Agriculture, in consultation with the Secretary of Defense, should propose legislation to amend 7 U.S.C. 2014(d) to require that Government-furnished housing be included in the gross income computation for determining food stamp eligibility.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should issue new guidelines that would ensure that households would not become eligible for food stamps solely because of an active duty-related absence.
Status: Action in process.

The Secretary of Agriculture should instruct the food stamp caseworkers that, in addition to any other recertifications they should recalculate food stamp eligibility for all military food stamp recipients at the same time the amount of the annually scheduled military pay raise becomes known.
Status: Action in process.

Agency Comments/Action

GAO recommended that USDA issue guidelines that would ensure that households would not become eligible for food stamps solely because of an active-duty related absence. USDA stated that it intends to work on this issue in consultation with DOD. GAO recommended that food stamp eligibility for military food stamp recipients be recalculated annually after the military pay raise becomes known. USDA stated that it is implementing a monthly reporting system that should handle the recalculation of food stamp eligibility. GAO recommended that USDA, in consultation with DOD, propose legislation to amend 7 U.S.C. 2014(d) to require that Government-furnished housing be included in the gross income compilation for determining food stamp eligibility. USDA has not responded to this recommendation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
ENVIRONMENTAL PROTECTION AGENCY
GENERAL SERVICES ADMINISTRATION

The Nation's Unused Wood Offers Vast Potential Energy and Product Benefits
(EMD-81-6, 3-3-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Wood Residue Utilization Act of 1980 (P.L. 96-554). Public Utility Regulatory Policies Act of 1978 (92 Stat. 3117). Energy Tax Act of 1978 (P.L. 95-618) Clean Air Act Amendments of 1977 (42 U.S.C. 7401 et seq.) P.L. 95-617. P.L. 95-621. S. 1775 (96th Cong.).

Immense quantities of wood residues are wasted in the United States in the form of decaying logging residues and dead trees, unused wood processing residues, and large, untapped acreages of small, defective, and other lower value trees. Wood residues could be an important energy source. A study was made of Federal policies that are contributing to this lost potential.

Findings/Conclusions: GAO identified numerous factors standing in the way of greater use of wood residues for energy and products. These barriers include inadequate data on the volume, location, accessibility, and availability of forest residues; lack of economical and effective equipment for harvesting and transportation of residues; lack of investment capital needed for harvesting and using residues; and limited awareness and acceptance of wood energy and product technology among industrial firms, utilities, and State and local bodies. Other obstacles pertain to Federal forest management policies and programs, utility practices and regulations, and environmental concerns related to greater use of residues. The Forest Service and the Department of Energy have made little progress in developing a national wood residue plan. The agencies should make a number of residue assessments in operating areas which are defined in terms of key factors such as topographical features, transportation corridors, economic hauling distances, and landowner attitudes. The Forest Service should take the lead in accomplishing the needed assessments. The Department of Energy should be an active participant in the studies. The assessments must deal more with resource management problems than end-use technology questions.

Recommendations to Agencies: The Secretaries of Agriculture and Energy should present to Congress within two years a national wood residues plan, including proposed residue use goals and recommendations for legislation or other actions to overcome barriers to such goals. It should be supported by data on regional variations developed through the residue assessments.
Status: Action in process.

The Secretaries of Agriculture and Energy should work jointly to implement an accelerated program to develop and demonstrate residue-handling equipment in cooperation with private industry.
Status: Action in process.

The Secretaries of Agriculture and Energy should work jointly to develop standardized methods for evaluating the costs and benefits of using wood fuels in Federal facilities, including allowance for forest management benefits, and submit these methods to the Office of Management and Budget within 6 months for dissemination to the executive branch to assure consistency in life-cycle energy evaluation.
Status: Action in process.

The Secretaries of Agriculture and Energy should establish a program to promote use of wood fuels among industry, utilities, and State and local bodies through increased participation in demonstration projects and provision of educational materials and direct technical assistance.
Status: Action completed.

The Secretaries of Agriculture and Energy should (1) convert all Department facilities to wood fuels for all or part of their heating/power needs where life-cycle evaluations show them to be cost effective; and (2) identify and evaluate additional opportunities to demonstrate wood-energy technologies at Department facilities in order to enhance the prospects for future economic feasibility of such technologies.
Status: Action in process.

The Secretary of Agriculture should upgrade the forest survey to provide an inventory of the potentially usable biomass of all trees and woody shrubs, logging residues, and dead trees on the nation's commercial forest lands.
Status: Action in process.

The Secretary of Agriculture should request legislation which would authorize the Department to grant private firms either title or an exclusive license in residue-handling equipment and reconstituted wood product technologies developed wholly or partly with Federal funds when needed to stimulate commercialization.
Status: Action completed.

The Secretary of Agriculture should (1) increase promotion of new reconstituted wood product technologies developed with Federal funds by allocating necessary resources to effectively disseminate information and provide technical assistance to forest products firms; and (2) adopt a more flexible policy which allows use of long-term contracts to assure that residues from National Forests will be available on a

continuous basis when needed to achieve increased residue use in a given area.
Status: Action in process.

The Secretary of Agriculture should (1) demonstrate Forest Service ability to conduct tree measurement sales and convert the agency's western region to the tree measurement basis as rapidly as possible; and (2) preserve logging residues for potential future use by foregoing burning whenever possible under sound forest management practices.
Status: Action in process.

The Secretary of Defense and the Administrator of General Services should assure, in implementing existing policies for conversion of their heating/power systems from oil and natural gas to alternative fuels, that wood is given equal consideration with coal in forested regions of the country. A canvass of wood conversion opportunities at all such facilities should be made to later be tested by the standard feasibility evaluation methods developed by the Forest Service and DOE. They should also issue procurement guidelines pointing out that, because of their value in meeting national energy goals, residue-based wood products be carefully considered as alternative materials for all construction and related application and related applications.
Status: Action in process.

The Administrator of EPA should request legislation to amend the Clean Air Act to allow full recognition of trade-offs in facilities siting decisions. The Administrator should encourage the States to modify their policies where needed to recognize such trade-offs.
Status: Recommendation no longer valid/action not intended. *EPA states that its policies already allow trade-offs to be considered in facilities siting decisions.*

The Administrator of EPA, to help promote wood residue use in locations where current air pollution regulations preclude such facilities, should develop policies and procedures that (1) recognize emission trade-offs resulting from reduced burning of residues in the woods or in other locations and increased burning at proposed wood energy facilities; and (2) allow such trade-offs to be considered in deciding whether a wood-burning facility may be constructed and what type of pollution control equipment will be required.
Status: Recommendation no longer valid/action not intended. *EPA disagrees because it does not consider the best available control technology requirements to be a major obstacle to construction of wood burning plants. It cites at least four such plants which have received construction permits in the Pacific Northwest.*

The Secretaries of Agriculture and Energy should conduct a cooperative program of assessments in at least six locations around the country. The Secretaries should select the areas they believe hold the most promise for increased use of residues based on estimates of residue availability and cost and availability of competing energy sources. Specific information to be developed through assessments should include (1) the cost of making detailed residue inventories in each assessment area, with projections of costs to make such inventories regionally and nationally; (2) the volumes of wood residues that are potentially available in each area and the costs to collect and remove them using conventional equipment; (3) the specific needs for improved equipment to lower collection and removal costs; (4) the benefits and costs of, and alternative Federal roles in stimulating, greater removal and use of wood residues by modifying or initiating a number of possible forest management policies and programs on Federal, State, and private lands and encouraging private investment in new or modified facilities to use wood residues; and (5) the extent of, and alternatives for reducing, additional barriers to residue use caused by utility practices and regulations, air pollution regulations, and other factors.
Status: Action in process.

Agency Comments/Action

The five agencies involved have taken action on most of the GAO recommendations. GAO does not expect EPA to act on either requesting legislation to amend the Clean Air Act or developing policies and procedures that reorganize emission trade-offs resulting from reduced burning of residues in the woods. EPA believes that they have policies already ongoing or, in the latter case, disagrees with the GAO recommendation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
Forest Service
DEPARTMENT OF DEFENSE
DEPARTMENT OF LABOR
DEPARTMENT OF THE NAVY
GENERAL SERVICES ADMINISTRATION
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Strong Central Management of Office Automation Will Boost Productivity
(AFMD-82-54, 9-21-82)

Budget Function: General Government: Legislative Functions (801.0)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Automatic Data Processing Equipment Act (P.L. 89-306). Executive Order 12291.

In response to a congressional request, GAO reviewed the management of office automation in the Federal Government.

Findings/Conclusions: The four agencies GAO reviewed are not reaping the maximum benefits or productivity gains from office automation because they lack strong central management. The agencies are now encountering the same problems successful private companies have tried to avoid. These problems are likely to grow as these agencies expand their office automation efforts. Strong central management can be achieved by these agencies if they take advantage of the Paperwork Reduction Act's information management requirements. The Office of Management and Budget (OMB), the General Services Administration, and the National Bureau of Standards are responsible for helping agencies obtain the maximum benefit from office automation. However, these agencies have not provided adequate leadership and guidance which has often resulted in the development of office automation systems which duplicate existing systems, are not compatible with other systems, and are not cost effective.

Recommendations to Agencies: The Secretary of Defense should direct the Secretary of the Navy to designate a central group with responsibility for coordinating efforts to plan, develop, and implement office automation.
Status: Action in process.

The Administrator of General Services should issue "how to" management guidelines for the agencies that provide criteria on planning, developing, managing, and evaluating office automation systems. These guidelines should be periodically reviewed and updated on the basis of new technological developments in office automation. They should also be approved by OMB before being released.
Status: Action in process.

The Administrator of General Services should establish a forum of agency managers to exchange information and experiences on their past, current, and planned office automation efforts.
Status: Action completed.

The Administrator of the National Aeronautics and Space Administration should establish a central group with responsibility for coordinating efforts to plan, develop, and implement office automation.
Status: Action completed.

The Secretary of Agriculture should direct the Chief of the Forest Service designate a central group within the Forest Service with responsibility for coordinating efforts to plan, develop, and implement office automation.
Status: Action completed.

The Secretary of Labor should hold the Directorate of Information Technology accountable for providing strong central leadership of office automation throughout the Department.
Status: Action completed.

Agency Comments/Action

All four agencies responded to the requirements of the Legislative Reorganization Act by December 30, 1982. The General Services Administration said that it is in the process of developing effective guidelines for managing and evaluating office automation systems.

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF DEFENSE
DEPARTMENT OF THE INTERIOR

Actions Needed To Increase Federal Onshore Oil and Gas Exploration and Development
(EMD-81-40, 2-11-81)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Mineral Lands Leasing Act (30 U.S.C. 181 et seq.; 30 U.S.C. 351 et seq.). Federal Coal Leasing Amendments Act of 1975 (90 Stat. 1083). Wilderness Act (16 U.S.C. 1131 et seq.). Wild and Scenic Rivers Act (16 U.S.C. 1280). Department of Energy Organization Act (42 U.S.C. 7101). Engle Act (Minerals). Land Policy and Management Act. Environmental Policy Act of 1969 (National).

The use of Federal lands for fossil fuels exploration has become an important issue. Managing these lands involves difficult trade-offs between the often-conflicting issues of development, conservation, and environmental protection. An examination was performed on how the exploration and development of oil and gas from Federal lands could be accelerated.

Findings/Conclusions: GAO found that the use of Federal lands for fossil fuels exploration and development is hampered by: (1) the unavailability for leasing of prospectively valuable Federal oil and gas lands; (2) the imposition of stipulations on leases which restrict exploration and development; and (3) lengthy delays in the approval of Federal leases and drilling permits. GAO has determined that the first two of these issues are more significant due to the indefinite duration of actions which have closed lands, the severity of stipulations on leases, the large acreages involved, and their substantial oil and gas potential.

Recommendations to Congress: Congress should determine whether it wishes to be excluded from the review and possible disapproval of decisions to close lands to mineral leasing. If not, Congress should amend section 202(e) of the Federal Land Policy and Management Act to provide that the management decisions closing lands to mineral leasing and affecting smaller sized tracts should be reported to Congress. Section 202(e) should be further amended to require that the Department of the Interior submit with each report to Congress the minerals report described in section 204(c)(2) for withdrawals and any other information required in section 204(c)(2) which the Congress considers appropriate. Congress should also amend section 3 of the Engle Act so that the withdrawal information for military applications conforms with the Land Policy and Management Act's section 204(c)(2) requirements for mineral analyses.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretaries of Agriculture and the Interior should direct the Forest Service and the Bureau of Land Management, respectively, to establish standards and criteria for the use of restrictive stipulations, such as surface disturbance and "no surface occupancy" restrictions. Leasable lands should then be inventoried to determine the extent of the use of such stipulations and to verify if the stipulation use meets the standards and criteria. Stipulation uses which are determined to be unjustified should be removed.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should direct the Bureau of Land Management to: (1) change its guidelines implementing the Environmental Policy Act of 1969 to defer the requirement for environmental assessments for oil and gas activities until surface disturbance is proposed; (2) establish standard time frames for completion of lease processing; (3) work with surface management agencies to develop cooperative agreements and goals for lease processing; and (4) develop a standard followup system for tracking outstanding lease applications. The Secretary should direct the Geological Survey to: (1) clearly state in its guidelines what the operator is required to submit; (2) review drilling permit applications and notify an applicant within 7 days of the filing date if his application is incomplete; (3) develop standard procedures for tracking and recording actions; and (4) coordinate with operators so that they have an archaeologist available during joint-site inspections.
Status: Action completed.

The Secretary of Defense should formulate a minerals policy, consistent with current national energy needs and evaluations of oil and gas potential on affected lands, that will provide guidance to the military services in making installations available to leasing.
Status: Action completed.

The Secretary of the Interior should: (1) establish criteria upon which "no leasing" decisions must be based and also require the Bureau of Land Management to maintain records of "no leasing" decisions adequate enough to permit periodic congressional oversight; (2) require the Bureau to inventory lands which have been closed by management decision to oil and gas leasing, and then retain closure only to the extent it can demonstrate that a continuation of the decision not to lease is based on the criteria defined above; (3) direct the Bureau to give priority to evaluating the pre-Environmental Policy Act of 1969 Defense withdrawals under the Bureau's withdrawal review program; (4) direct the Geological Survey to review the oil and gas potential of the Fish and Wildlife Service's refuges in the lower 48 States; (5) direct the Bureau to develop a withdrawal review program to include the remaining 38 States; and (6) direct the

Bureau to inventory and justify lands withheld from the simultaneous leasing system.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

Interior, DOD, and USDA strongly support most of the recommendations contained in the final report. Interior has made several changes in expediting the processing of Federal leases and drilling permits, reducing the number and severity of lease restrictions, and opening more oil and gas lands to leasing. DOD has implemented leasing guidelines for military installations. USDA has developed a memorandum of understanding with Interior to help expedite the processing of leases.

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF ENERGY

Department of Agriculture Could Do More To Help Farmers Conserve Energy
(EMD-82-30, 9-30-82)

Budget Function: Energy: Energy Conservation (272.0)

In response to a congressional request, GAO reviewed energy conservation measures which farmers could adopt in the near-term and Federal efforts to assist farmers in adopting such measures.

Findings/Conclusions: GAO reported that energy conservation measures that farmers can adopt in the near-term include: (1) more efficient water management, which can conserve both energy and water in the irrigation process; (2) conservation tillage to reduce the number of tractor trips across a field and thereby reduce fuel requirements; and (3) more efficient use of fertilizer, grain drying, and the maintenance and operation of farm machinery and equipment. Some farmers are not implementing energy conservation actions because they are reluctant to change from traditional methods, believing such changes could adversely affect crop yield and income and are too risky. However, certain farming practices that were commonplace only a few years ago are being reevaluated in terms of energy efficiency, cost, and yield potential. To overcome their reluctance to change, farmers need adequate information to assure them that energy conservation actions are also cost effective. Although energy conservation information is available, it is often too general and not applicable to individual farm situations. The Department of Agriculture's (USDA) field agencies could provide farmers with energy conservation information and the new USDA Office of Energy could be the focal point for energy conservation. Because of the Department of Energy's (DOE) uncertain funding situation, GAO is concerned about the future of its program.

Recommendations to Agencies: The Secretary of Agriculture should assign to the newly reestablished USDA Office of Energy responsibility for developing and carrying out an enhanced effort to promote energy conservation by farmers. Using its broad authority, this Office could coordinate and influence energy conservation activities of USDA field agencies to help assure that farmers receive assistance in identifying cost-effective energy conservation measures applicable to their specific farming situations.
Status: No action initiated. Date action planned not known.

The Secretaries of Agriculture and Energy should enter into an Interagency Agreement, pursuant to the general USDA/DOE Memorandum of Understanding, for USDA to perform the overall management and monitoring of the ongoing DOE energy integrated farm systems demonstration projects. This should help assure that the Government's interests are protected and that the results of these projects are made available to the agricultural community.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

USDA expressed its general agreement with much of the information provided in the report. It stated that the report failed to adequately consider and address the issues of economic feasibility and financial barriers faced by farmers in undertaking energy conservation measures. USDA believes that it has been carrying out many conservation programs which were not recognized in the report.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Domestic Food Assistance Programs: A Time for Assessment and Change
(CED-78-113, 6-13-78)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Food Stamp Act of 1977. P.L. 95-113. 91 Stat. 913. 91 Stat. 958. 91 Stat. 968. 7 U.S.C. 2017. School Lunch Act. 42 U.S.C. 1760(e). Child Nutrition Act of 1966. 42 U.S.C. 1780(b). Older Americans Act of 1965.

Thirteen major Federal domestic programs, costing several billion dollars annually, provide food or food-related assistance to needy Americans The programs are administered by the Department of Agriculture; the Department of Health, Education, and Welfare (HEW); and the Community Services Administration (CSA).

Findings/Conclusions: These programs have helped many people obtain more adequate diets. However, the large and accelerating costs of the programs, their piecemeal authorization and administration, and proposals for comprehensive welfare reform have created a need and opportunity to examine the programs' interrelationships and effectiveness. Multiple participation in the programs, which is sanctioned in legislation, has created a situation in which benefits often exceed amounts needed for thrifty food plan diets. Food stamp allotments ranged from 82 percent to 164 percent of the cost of such diets. Savings could be realized by making adjustments for different ages and sexes of household members. The extent of food benefit gaps and overlaps cannot be measured precisely because of inadequate data collection. Administrative problems result from varying eligibility criteria and procedures, lack of a uniform definition of needy, and inadequate program coordination. There is also a lack of adequate data to determine the proper level of benefits, interrelationships of the programs, and the nutritional effectiveness of the programs.

Recommendations to Congress: Congress should adopt a uniform definition of the word "needy" and establish consistent criteria for determining who is eligible for Federal food assistance programs.
Status: No action initiated. Date action planned not known.

Congress should approve an explicit national policy on the appropriate levels of food assistance to be provided to needy Americans by the Federal Government.
Status: No action initiated. Date action planned not known

Congress should authorize the Secretary of Agriculture to implement individualized food stamp allotments nationwide if Agriculture's demonstration projects show the administrative feasibility of such allotments.
Status: No action initiated. Date action planned not known.

Congress should consolidate major Federal food assistance programs by bringing under one program Federal cash and commodity assistance currently provided by the school lunch and school breakfast programs, and evaluate the need for Federal reimbursement of free milk served under the special milk program in elementary schools and child care institutions already participating in the school lunch, school breakfast, and/or child care food programs.
Status: Action completed.

Congress, on the basis of results of the executive branch's feasibility study, should eliminate the receipt of duplicative benefits, particularly between the food stamp and school lunch programs, by allowing consideration of benefits received from one Federal food assistance program when determining eligibility and benefit levels for other Federal food assistance programs.
Status: No action initiated. Date action planned not known.

Congress, on the basis of results of the executive branch's feasibility study, should require a single State/local agency to be responsible for the application, certification, verification, referral, and monitoring aspects of designated Federal food programs to help assure, along with the authorization and implementation of consistent eligibility criteria and procedures, a more equitable and efficient delivery of Federal food assistance to needy Americans
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should initiate on a priority basis periodic national surveys of low-income households to determine the types and amounts of cash and in-kind food benefits received and the precise extent of current overlaps and gaps, both in terms of program costs and nutrient intake, among the major Federal programs involving food assistance, including Aid to Families with Dependent Children (AFDC) and Supplemental Security Income (SSI).
Status: Action in process.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should propose consistent income and asset eligibility requirements and procedures for the appropriate Federal food assistance programs and study the effects of such requirements and procedures on program participation, costs, and work incentives. The results of this study should be reported to Congress along with a recommendation for such authorizing legislation as may be necessary.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should develop and implement ways to measure, in a more coordinated, timely manner, the nutritional status of the general U.S. population, especially the participants and nonparticipants in the major Federal food assistance programs, including such traditionally high risk groups as the poor, the elderly, young children, and women of child-bearing age, and use this data to estimate the nutritional effectiveness of the Federal food assistance programs.
Status: Action in process.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should establish demonstration projects in one or more localities to evaluate the increased administrative cost and error, if any, that would result from an individualized system of food stamp allotments; that is, allotment levels based on a recipient household's receiving the exact number of free food stamps needed to meet the difference between the cost of the thrifty food plan, as calculated for the number, sex, and ages of the members of that particular household, and 30 percent of the household's net monthly income for food stamp purposes. The demonstration project results should be reported to Congress.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should explore alternatives to the Special Supplemental Food Program for Women, Infants, and Children (WIC) food delivery systems and, if appropriate, propose legislation to implement the best alternative.
Status: Recommendation no longer valid/action not intended. *WIC vouchers are now for specific items; they are distributed to meet individual needs.*

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should provide mechanisms to assure that persons in need of, or receiving, specific benefits from such programs as school lunch, WIC, title VII, AFDC, or SSI are aware of and referred to other food programs that they are eligible for.
Status: Recommendation no longer valid/action not intended. *With Public Law 97-35 (August 13, 1981), Congress prohibited use of Federal funds for outreach activities.*

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should study ways for encouraging the exchange of information among local food program administrators to assist them in identifying potential or ineligible recipients. Legislative changes that might be needed to implement the procedures which the study finds to be the most effective should be recommended to Congress.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture, in conjunction with the Secretary of HEW and the Director of CSA, should study the administrative feasibility of: (1) considering food benefits from child-feeding programs; (2) using food stamps to purchase free or reduced-price meals under the child-feeding programs; (3) adjusting thrifty food plan costs to reflect potential participation in the child-feeding programs; and (4) turning over the application, certification, verification, referral, and monitoring aspects of the child-feeding programs and WIC to local welfare offices which now also handle food stamp certification, verification, and monitoring. The results of this study should be reported to Congress together with a recommendation for such authorizing legislation as may be necessary.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

Agriculture agreed with the importance of the report's issues but did not, at the time, agree with the basis for some of the conclusions and recommendations. Agriculture stated that a number of changes in Federal food assistance efforts are warranted, and it proposed a number of actions such as periodic national surveys of low-income households to determine the types and amounts of cash and in-kind food benefits received and the precise extent of current overlogs and gaps among the major Federal programs involving food assistance.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
OFFICE OF MANAGEMENT AND BUDGET

Legislative and Administrative Changes To Improve Verification of Welfare Recipients' Income Could Save Millions
(HRD-82-9, 1-14-82)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Unemployment Tax Act (26 U.S.C. 3304(a)). Tax Reform Act of 1976. Privacy Act of 1974. Housing and Community Development Act of 1974. Social Security Act (42 U.S.C. 1381). P.L. 95-216. P.L. 96-249.

GAO was requested to review the manner in which income and asset information is used and verified by administering agencies to determine eligibility for Federal assistance programs which provide benefits to needy individuals and families.

Findings/Conclusions: Underreporting of income and assets by recipients of benefits from needs-based programs, whether deliberate or otherwise, results in hundreds of millions of dollars in improper payments each year. Current verification requirements and practices are not adequate to prevent such payments. Verification requirements vary widely, but generally are vague or overly restrictive. Furthermore, some Federal laws and regulations preclude the use of information which, if available, would enhance the verification process.

Recommendations to Congress: Congress should amend the Tax Reform Act of 1976 to permit disclosure of individual wage data, data on net earnings from self-employment, and payments of retirement income maintained by the Social Security Administration to Federal, State, and local agencies administering federally funded needs-based programs, whenever comparable data are not maintained at the State level.
Status: Action in process.

Congress should amend the Tax Reform Act of 1976 to permit disclosure of the Internal Revenue Service Information Return Processing File data on unearned income to Federal, State, and local agencies administering federally funded needs-based programs.
Status: Action in process.

Congress should require that social security numbers be obtained for applicants and recipients of any federally funded needs-based program.
Status: No action initiated. Date action planned not known.

Congress should amend the Federal Unemployment Tax Act to require that all States collect individual wage information on a quarterly basis for use in their unemployment insurance programs and in federally funded needs-based programs.
Status: Action in process.

Recommendations to Agencies: The Director of the Office of Management and Budget (OMB) should identify which of the 58 federally funded needs-based programs should use Social Security Administration wage, self-employment earnings, retirement income, and benefit data; Office of Personnel Management (OPM) wage data; State wage data; and Internal Revenue Service information return data.
Status: Action in process.

The Director of OMB should direct that all Federal departments and agencies responsible for the needs-based programs issue regulations to require the use of the data with appropriate safeguards and that they establish mechanisms to monitor the use of the data.
Status: Action in process.

The Secretaries of Agriculture and Health and Human Services (HHS) should acquire and make OPM wage data available to agencies that administer the programs. In this regard, administering agencies would have to comply with the guidelines for data matching under the Federal Privacy Act of 1974.
Status: Action in process.

The Secretaries of Agriculture and HHS should require that, in administering the programs, Federal, State, and local agencies use available Federal and State wage data and Social Security Administration retirement income and benefit data provided by the beneficiary data exchange and the State data exchange.
Status: Action in process.

The Secretary of Housing and Urban Development (HUD) should require applicants for and tenants of Section 8 Housing to furnish copies of their Federal tax returns at the time of application and of recertification for use in determining their eligibility for rental assistance.
Status: No action initiated. Date action planned not known.

The Secretary of HUD should require that available Federal and State wage data are used in the HUD annual Section 8 Housing management reviews to verify that housing managers are accurately determining applicants' or tenants' income.
Status: Action in process.

Agency Comments/Action

OMB concurred and started action on the recommendations. Although no recommendation was made to Labor, it has drafted legislation which would accomplish the recommendation to Congress that it amend the Federal Unemployment Tax Act. This legislation has been approved by the Secretary of Labor and was submitted to OMB on August 30, 1982. HHS generally concurred with the GAO recommendations, but disagreed that: (1) there is a need for making OPM wage data available to agencies administering needs-based programs; and (2) it is impractical to require States to use data SSA provides. GAO plans to respond to the HHS comments. Agency comments were received from: OMB on March 18, 1982; HUD on March 23, 1982; and HHS on July 22, 1982. Agriculture's response was sent to the committees on April 6 and May 7, 1982; GAO received its comments on December 13, 1982. Labor's legislation, submitted to OMB in August 1982, was not approved; it plans to resubmit it. Accordingly, Labor is trying to persuade all States to become wage reporting States. HUD proposed legislation to provide it with the necessary authority to implement the GAO recommendations.

Legislation has been introduced that would accomplish the recommendation to amend the Tax Reform Act of 1976. Several other Senate and House committees have expressed interest in pursuing the recommendations. Representative Fortney H. Stark introduced legislation to amend the Federal Unemployment Tax Act on January 3, 1983. This legislation is pending before the House Committee on Ways and Means. Hearings were held on July 14, 1983.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
FEDERAL TRADE COMMISSION

Informing the Public About Food--A Strategy Is Needed for Improving Communication
(CED-82-12, 1-8-82)

Budget Function: Agriculture: Agricultural Research and Services (352.0)

Consumers need concise, clear food information as more food products come on the market and inflation drives food prices up. Food information, regulations, and programs have multiplied rapidly in the past decade. Some believe that the information resulting from these efforts is conflicting, confusing, and duplicative. GAO made a review to expand on its earlier suggestion that a cooperative undertaking was needed to develop a national food information strategy, which would include a system for performing research on foods and educating consumers.

Findings/Conclusions: The Federal Government has developed a wide array of regulations and programs to control food labels and to encourage and teach good food buying, storage, and preparation habits. GAO has identified over 125 Federal food data-gathering and information dissemination programs. There has been a heightened awareness of food issues, a safer food supply, and more coordination among Federal agencies with food information programs. However, lack of a national food information strategy has allowed programs and regulations to be developed piecemeal, so that they are sometimes inconsistent; based on inadequate data; and formulated without integrating the research, education, and communication components of the food information system. The United States could learn from steps which other nations have taken to improve their food information systems. Three Federal agencies have proposed requiring that food labels contain certain information without proper assurance that consumers need or would use the information. In 1980, GAO suggested that the proposal should not be implemented but that an overall food information strategy be developed cooperatively by a committee of representatives from the Government, industry, academia, and consumer groups. Food experts also feel that a consortium of key Federal officials should be established to pool their expertise and develop a national plan that would define U.S. food information needs and communication methods, provide additional scientific information on controversial issues, and evaluate existing programs.

Recommendations to Agencies: The Secretaries of Agriculture and Health and Human Services and the Chairman of the Federal Trade Commission should jointly develop and submit to concerned congressional committees and the President a strategy for improving the communication of food information to the public. The strategy should incorporate the views and ideas of the various food groups expressed in this report.

Status: Action in process.

Agency Comments/Action

HHS, USDA, and FTC are part of the Network for Better Nutrition to determine improved nutrition strategy for the communication of food information to the public.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Progress Made in Federal Human Nutrition Research Planning and Coordination; Some Improvements Needed
(CED-82-56, 5-21-82)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Science and Technology Policy, Organization, and Priorities Act. Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Food and Agriculture Act of 1977 (P.L. 95-113). Agriculture, Rural Development, and Related Agencies Appropriation Act, 1979 (P.L. 95-448). Agriculture and Food Act of 1981 (P.L. 97-98).

In response to a congressional request, GAO reported on the planning and coordination of federally supported human nutrition research.

Findings/Conclusions: Considerable progress has been made within and among Federal human nutrition research departments and agencies since Congress called for improved coordination in the Food and Agriculture Act of 1977. The Office of Science and Technology Policy (OSTP) has been a major contributor to, and a catalyst for, improved coordination of nutrition research and has set the groundwork for developing an improved Federal coordinated nutrition research planning system. The Department of Agriculture (USDA) and the Department of Health and Human Services (HHS) have established nutrition coordinators and policy and coordination groups to deal with crosscutting nutrition issues. GAO believes that these coordination efforts should be continued and maintained as some of the Federal departments reorganize or revise their nutrition research programs. Coordination within USDA is critically needed because of the recent decentralization of its nutrition information functions from its nutrition research functions. Nutrition research departments and agencies need to more clearly plan their research efforts with others through a Federal nutrition research plan. An OSTP report on human nutrition research is a first step toward developing such a plan, but the six areas discussed in the report should be developed and expanded into a single research plan which would include an assessment of needs, priorities, and strategies. Existing agency nutrition research plans are either too narrow in scope or are missing certain key planning components.

Recommendations to Agencies: The Secretary of Agriculture should amend Memorandum No. 2030, dated April 9, 1981, which established the Human Nutrition Board of Scientific Counselors, to include USDA officials and ex officio Board members and exclude them from serving as chairman and vice chairman of the Board.
Status: Action completed.

The Secretary of Agriculture should revise the charter of the Human Nutrition Board of Scientific Counselors to reflect the USDA reorganization, including the nutrition activities transferred to the Assistant Secretary for Food and Consumer Services.
Status: Action completed.

The Director of OSTP should direct the OSTP Joint Subcommittee on Human Nutrition Research to develop a Federal nutrition research plan by updating and expanding its December 1980 report on federally supported human nutrition research. In updating the report, the Subcommittee and the Federal departments and agencies should work together to develop specific goals, objectives, and strategies and to identify the responsibilities of the Federal departments and agencies and the required resources and timeframes to accomplish the research goals.
Status: Action in process.

The Secretaries of Agriculture and Health and Human Services, in developing their plan, should address the need to obtain expert and user advice and comments from nutritionists and other scientists; library, computer, and budget specialists; congressional staff; and others external to the Federal departments to help the Secretaries develop a system that will provide research information and cost data that is timely, useful, comprehensive, reliable, and widely accepted by Congress, the executive agencies, and the nutrition community.
Status: Action completed.

The Secretary of Health and Human Services should direct the Director of the National Institutes of Health to: (1) include other Federal nutrition research center representatives as participants in the planned Clinical Nutrition Research Unit (CNRU) site visits, or revisits; and (2) prepare a summary report on the CNRU reviews and provide the information to other Federal nutrition research administrators and other interested parties, such as the appropriate congressional committees and the scientific community. This report should include an assessment of all seven CNRU's.
Status: Action completed.

Agency Comments/Action

The OSTP Joint Subcommittee on Human Nutrition Research is developing a strategy and schedule for the timely development of the kind of plan envisioned in the GAO report. OSTP officials expect to complete the plan by the end of 1984.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE ARMY
DEPARTMENT OF THE INTERIOR

Sharing the Cost of Making Federal Water Project Feasibility Studies
(RCED-83-18, 12-6-82)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Environmental Policy Act of 1969 (National) (42 U.S.C. 4332). Flood Control Act of 1970 (42 U.S.C. 1962d-5b). Irrigation and Reclamation Act. P.L. 83-566. S. 1809 (97th Cong.).

GAO discussed feasibility studies undertaken by the Federal government to resolve water resources problems and the factors affecting the study outcome. The purpose of the review was to determine how frequently studies did not identify acceptable solutions and why.

Findings/Conclusions: GAO estimated that, during the past 17 years, Federal agencies have spent about $100 million on water project feasibility studies. In its review GAO examined more than 1,200 studies and found that most of the concluded or completed studies were unable to identify acceptable solutions to water resources problems. In many cases, costs to correct a water problem either exceeded the benefits or local government or communities did not support the solution. GAO believes that cost sharing between the Federal entities and local sponsors would provide evidence of local commitment to a study and any resulting project and thus reduce the likelihood of a solution that is unacceptable to the community.

Recommendations to Congress: Congress should assure that cost sharing is applied uniformly by all Federal water resources agencies and include all direct and indirect costs related to performing the study.
Status: Action in process.

Recommendations to Agencies: The Secretaries of the Departments of the Army, Agriculture, and the Interior should direct the Chiefs of the Corps of Engineers and the Soil Conservation Service and the Commissioner of the Bureau of Reclamation to: (1) meet with the local sponsor to gain an understanding of the type, size, and cost of the project they envision; (2) evaluate the sponsor's legal authority and financial capability to contract for and fund a project; and (3) determine whether study sponsors have adequately assessed the depth and likely commitment of support.
Status: Action completed.

Agency Comments/Action

The Secretary of the Interior directed the Commissioner of the Bureau of Reclamation to seek out and work with local sponsors to assess sponsors' expectations, capabilities, and constraints. The Secretary of Agriculture directed the Chief of the Soil Conservation Service to modify requirements in the National Watersheds Planning Manual. The Secretary of the Army commented that the recommendation will not, in the absence of feasibility study cost sharing, assure effective use of limited study funds. However, the Corps issued regulations requiring planners to comply with the recommendation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR

Facilities in Many National Parks and Forests Do Not Meet Health and Safety Standards
(CED-80-115, 10-10-80)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Safe Drinking Water Act (P.L. 93-523). Safe Drinking Water Amendments 1977 (P.L. 95-190). Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). Clean Water Act of 1977 (P.L. 95-217).

The National Park and Forest Services have not protected the health and safety of their visitors and employees. Substandard water and sewer systems and hazardous lodges, dormitories, bridges, and tunnels need to be repaired, upgraded, or limited in their use.

Findings/Conclusions: Health and safety inspectors found some facilities to be so hazardous that they recommended immediate closure until the facilities could be repaired or upgraded. The costs of bringing facilities up to standard range from $5,000 to $3.2 million. The Services took a broad range of actions once they became aware that a facility did not meet health and safety standards. The actions ranged from immediate closure of facilities to doing little. GAO was told of numerous actions taken to improve deficient facilities, but the improvements were often not sufficient to meet safety and health standards. During fiscal years 1979 through 1981, 50 percent of the construction funds that the Park Service recommended, and 69 percent of the recreation construction funds that the Forest Service requested were for projects other than health and safety. To correct identified health and safety deficiencies, the Park Service will have to spend about $1.6 billion, and the Forest Service needs about $109 million. There would have to be a five-fold increase in appropriations over the construction funds requested for fiscal year 1981. Two alternative funding methods are: charging higher entrance and camping fees at parks and forests, and negotiating with concessioners on a case-by-case basis to make health and safety improvements on facilities they own or manage.

Recommendations to Congress: Congress should require that the Secretaries of Agriculture and the Interior periodically report on the condition of the facilities until they are improved to meet all health and safety standards.
Status: Action in process.

Congress should repeal section 402 of Public Law 96-87 (93 stat. 666) to permit the Park Service to increase entrance fees and direct that the Services use funds resulting from increased entrance and camping fees for health and safety projects in the parks and forests where they are collected.
Status: Recommendation no longer valid/action not intended. *Congress has funded health and safety improvements out of general revenue funds, rather than repealing legislation to increase fees. The recommendation to repeal section 402 is still valid and is tracked in GAO report CED-82-84.*

Congress should give priority to funding projects for repairing and upgrading facilities with the most serious health and safety hazards at parks and forests.
Status: Action in process.

Recommendations to Agencies: The Secretaries of Agriculture and the Interior should request a greater share of their construction funds for repairing and upgrading facilities to bring them up to health and safety standards.
Status: Action in process.

The Secretaries of Agriculture and the Interior should request a special appropriation from the Congress to correct the most serious health and safety hazards.
Status: Recommendation no longer valid/action not intended. *Congress has made appropriations from general revenue funds to correct the most serious health and safety hazards.*

The Secretaries of Agriculture and the Interior should negotiate with concessioners to have them make corrections to facilities they own or operate to bring them up to applicable health and safety standards.
Status: Action completed.

The Secretaries of Agriculture and the Interior should take immediate action to correct health and safety problems with available funds or restrict the use of facilities that do not meet health and safety standards.
Status: Action in process.

Agency Comments/Action

The National Park Service (NPS) has corrected or has started correcting approximately 80 percent of the deficient lodges and dormitories, 60 percent of the deficient water and sewer systems, and 26 percent of the deficient bridges and tunnels identified in the report. NPS and Agriculture are still working toward completing action on the GAO recommendations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR

Better Data Needed To Determine the Extent to Which Herbicides Should Be Used on Forest Lands
(CED-81-46, 4-17-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Environmental Policy Act of 1969 (National) (42 U.S.C. 4321). BLM Manual 9222. Forest Service Manual 2476.41. Forest Service Manual 2155.3.

Vegetation management programs and practices on forest lands managed by the Department of Agriculture's Forest Service and the Department of the Interior's Bureau of Land Management were reviewed. The main areas of discussion were the use of herbicides, the controversy over herbicides, the controversy's effect on forest land managers, and the need for both agencies to take actions that would provide better information for making vegetation management decisions.

Findings/Conclusions: The use of herbicides for managing unwanted vegetation on forest lands has become a public controversy. In some cases, their use has been restricted. Growing opposition stemming from unanswered questions about herbicides' health and environmental effects could result in further restrictions. Although it has been shown that nonherbicide methods can be used to control unwanted vegetation in national forests, the extent to which these methods can replace herbicides is not known. Serious information gaps exist relating to the costs of vegetation management methods and their relative effectiveness. Most forests GAO visited had some success with alternatives to herbicides. However, site-specific data were not available to identify why methods had succeeded in one area but not in another.

Recommendations to Agencies: The Secretaries of Agriculture and the Interior should instruct the Chief of the Forest Service and the Director of the Bureau of Land Management, respectively, to gather more comprehensive and complete cost data on their site preparation and release projects.

Status: Action completed.

The Secretaries of Agriculture and the Interior should instruct the Chief of the Forest Service and the Director of the Bureau of Land Management, respectively, to ensure that (1) those forests and districts relying heavily on herbicides increase the use of nonherbicide methods; and (2) adequate site-specific pre-treatment and post-treatment information is gathered and evaluated. The Secretaries should also instruct the agency heads to develop more objective criteria for determining the need for release.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

In 1983, the Secretaries of Agriculture and the Interior each issued internal regulations to gather more comprehensive and complete cost data on their site preparation and release projects. However, neither department has taken any action on the last recommendation and it does not appear that any action will be taken.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR

Illegal and Unauthorized Activities on Public Lands--A Problem With Serious Implications
(CED-82-48, 3-10-82)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: Executive Order 12003. Dep't of the Interior Manual part 446. Dep't of the Interior Order 3307.

GAO reviewed the Federal role in providing outdoor recreation in California and Oregon.

Findings/Conclusions: GAO noted that field officials at selected locations of the Bureau of Land Management (BLM) and the Forest Service are not always effectively enforcing laws relating to illegal and unauthorized activities on public lands. Although the magnitude and seriousness of crimes such as burglary and larceny, marihuana cultivation, timber thefts, and trespassing are not fully known, available evidence indicates that such activities are widespread and increasing on BLM and Forest Service lands. Field officials of the National Park Service are doing a better job of enforcing laws and regulations; nevertheless, there is currently an increase in crimes against people and their property. In each of the three agencies, management constraints such as travel, vehicle, and duty restrictions limit efficient and effective law enforcement activities. Limited agency resources and the remoteness of the land contribute to the rise of illegal and unauthorized activities. However, the agencies' top management did not believe that a serious problem existed. This was due, in part, to a lack of information on these kinds of activities on the public lands managed by the agencies nationwide. The Department of the Interior has not developed an effective, uniform, and timely management information system as GAO previously recommended. The information system of the Forest Service is new, thus statistics are not yet available for the entire nation.

Recommendations to Agencies: The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to give increased emphasis to using the agencies' law enforcement powers and carrying out their responsibilities whenever unauthorized activities affect resource management and use. Where necessary, existing regulations should be revised to deal specifically with the problems of crimes against persons and property, marihuana cultivation, timber theft, and trespassing. Also, the roles of land managers in enforcing such regulations should be clarified.
Status: Action completed.

The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to increase the level of law enforcement effort devoted to preventing and controlling the illegal and unauthorized activities which GAO identified. This action should instruct the field staffs to: (1) meet their obligations and responsibilities for dealing with these activities; and (2) foster mutual aid and cooperation with other law enforcement entities.
Status: Action completed.

The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to remove manpower, resource, and policy constraints which impede efficient and effective law enforcement efforts, to the extent feasible, by giving emphasis and support to prevention activities, including preventive patrolling, making vehicles available when needed, and assuring adequate coverage of law enforcement personnel through improved duty assignment planning.
Status: Action completed.

The Secretaries of the Interior and Agriculture should direct the heads of the land management agencies to establish and effectively implement law enforcement information systems that provide management with essential and reliable reporting information on the seriousness and extent of crime on public lands. Such systems are vital to supervising and controlling law enforcement efforts.
Status: Action in process.

Agency Comments/Action

Interior felt that the report will be helpful in the continued refinement of its law enforcement programs. NPS published proposed revisions to its rules and regulations. BLM has reviewed its regulations. The Department of Law Enforcement Officer is reviewing and coordinating policy and guidelines being revised in both agencies. Agriculture, in a less positive response, pointed out that the Forest Service, during its management reviews, will measure the execution of regulation enforcement and, where appropriate, will direct actions to assure adequate performance

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF DEFENSE

Export Control Regulation Could Be Reduced Without Affecting National Security
(ID-82-14, 5-26-82)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Export Administration Act of 1979.

GAO was requested to examine how well the export control system is carrying out the Export Administration Act's national security goal of controlling exports of militarily significant technology and products to the Soviet Union and other Eastern bloc nations.

Findings/Conclusions: The Government carefully examines less than 1 out of every 17 export applications it processes. The need to continue licensing requirements for high-technology products, as well as design and production technology related to both high- and low-technology products, to Communist destinations is clear. However, GAO found that there is little justification for continuing to license the vast majority of low-technology products exported to Communist countries, non-Communist countries, and Coordinating Committee countries. The Department of Commerce by law is required to develop a recommendation for each export application before consulting with other departments or agencies. In high-technology cases, Commerce cannot make a credible recommendation, because it lacks the information necessary to assess military risk. Although it would be both impossible and cost-prohibitive to prevent all illegal exports, the Government recognizes that it needs to provide a more credible deterrent. Some constraints faced by the United States in controlling exports include: (1) practical limits to cargo inspections; (2) lengthy criminal investigations and a large backlog of incomplete investigations; (3) difficulty in obtaining criminal convictions; and (4) no monitoring of conditional licenses to assure that conditions are being fulfilled.

Recommendations to Congress: Congress should amend the Export Administration Act to have Defense make the initial recommendation on export applications that must be forwarded to Defense and have the Department of Commerce limit its review of these applications to those that Defense recommends denying or approving with conditions.
Status: Action in process.

Recommendations to Agencies: The Secretary of Commerce should consider use of Customs attaches overseas in enforcement investigations.
Status: Action completed.

The Secretary of Commerce should require exporters to provide performance specifications and backup information as part of their export licensing application packages.
Status: Action in process.

The Secretaries of Commerce and Defense should review the Commodity Control List to identify those few low-technology products that Defense wants to carefully examine before export to Communist countries and then eliminate the remaining low-technology products from licensing requirements.
Status: Action in process.

The Secretaries of Commerce and Defense should reexamine the need for licensing of high-technology products to Coordinating Committee countries and other allies by exploring various alternatives that would satisfy control objectives and reduce or eliminate the burden of licensing.
Status: Action in process.

The Secretary of Commerce should direct Commerce reviewing officials to include a full discussion of: (1) how any citation of past precedent relates to the case under review; (2) foreign companies capable of providing a similar product, how that product compares to the proposed export, and the willingness of the foreign manufacturer to sell if the United States were to deny an export license; and (3) intelligence information on the end user obtained from the intelligence agencies in support of Commerce's licensing recommendation.
Status: Action completed.

The Secretaries of Commerce and Defense should eliminate licensing requirements to non-Communist countries for low-technology products falling below the Communist country threshold level.
Status: Action in process.

The Secretary of Commerce should revise the current embedded technology guidelines in consultation with the Secretary of Defense to incorporate specific Defense concerns.
Status: Action in process.

The Secretary of Commerce should establish a system for identifying high-technology licenses with conditions and then make tests to ensure that licensing conditions are being satisfied.
Status: Action in process.

Agency Comments/Action

The President's Committee on Regulation recommended to the President that all of the recommendations be adopted. Legislation to amend and extend the Export Administration Act beyond its expiration, September 30, 1983, was not enacted. Export controls have continued since then, under international economic emergency powers and limited extensions of the Act. The provisions of the new Export Administration Act, when enacted, will determine the applicability of the GAO recomendations and the agency actions needed to implement them.

DEPARTMENT OF COMMERCE
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
DEPARTMENT OF THE TREASURY
OFFICE OF MANAGEMENT AND BUDGET

Revitalizing Distressed Areas Through Enterprise Zones: Many Uncertainties Exist
(CED-82-78, 7-15-82)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Comprehensive Employment and Training Act of 1973. Regulatory Flexibility Act. Economic Recovery Tax Act of 1981 (P.L. 97-34). S. 1310 (97th Cong.). H.R. 2965 (97th Cong.). H.R. 3824 (97th Cong.).

To assist Congress in its deliberations on enterprise zone proposals, GAO reviewed the concept, as well as previous GAO reports on economic development and job creation programs, to identify issues concerning business development, job creation, and the costs of such a program.

Findings/Conclusions: Enterprise zones have been proposed by the administration as an experimental program to attract businesses and jobs to distressed urban and rural areas through Federal tax, regulatory, and other governmental incentives. GAO reviewed past urban development programs for insight into the many uncertainties that exist within the enterprise zone concept. Federal tax relief will not eliminate problems such as high crime rates and infrastructure decay in distressed areas. Tax relief, even if coupled with Federal regulatory relief, involvement of other Federal programs, and State and local commitments, may have a limited effect in attracting businesses to distressed areas because: (1) tax relief may not be sufficiently attractive to many businesses with limited or no tax liability; (2) State and local governments may not be able to make needed program commitments; (3) the extent to which other Federal programs will support the enterprise is unclear; and (4) it is uncertain what Federal regulatory relief would be offered in enterprise zones. Enterprise zone incentives could possibly lead to unfair competitive advantage to some businesses, encourage business relocations, and lead to residential displacement. A proposed tax credit to encourage the employment of workers of all types could be more attractive to new businesses than to old businesses. In addition, a proposed employee wage credit may not be sufficient to attract workers to seek jobs in a distressed area. Actual program costs will not be known until the zones become operational.

Recommendations to Congress: Congress should require the administering Federal agency to establish program effectiveness criteria supported by a systematic data collection and evaluation effort to analyze the benefits and costs of the program if enterprise zone legislation is enacted.

Status: Action in process.

Agency Comments/Action

The administration's current enterprise zone proposal has a provision responding to the report's recommendation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE
DEPARTMENT OF STATE

Problems Hamper Foreign Commercial Service's Progress
(ID-83-10, 10-18-82)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: P.L. 96-39. Reorg. Plan No. 3 of 1979. Dep't of Commerce Organization and Function Order 41-6.

GAO reported on problems resulting from the transfer of authority for commercial work from the Department of State to the Department of Commerce, which created the Foreign Commercial Service (FCS).

Findings/Conclusions: GAO reviewed FCS operations in Washington, D.C., and overseas and found that numerous resource and policy problems have caused uneven progress toward the revitalization of commercial work overseas. Because of prolonged negotiations with State on the budget transfer and the perceived unreliability of State's budget figures, FCS began operations with serious monetary and staffing problems. GAO found deficiencies in FCS headquarters staff management, recruitment, training, and placement programs. Commercial staffs either lack the necessary independence from the embassies' economic sections to control their work assignments or, where there is sufficient independence, poor coordination between the commercial and economic sections resulted in inadequate reporting. GAO also found that the overseas staffs continue to concentrate on planning and administrative work and to neglect the active promotion of exports.

Recommendations to Agencies: The Secretaries of State and Commerce should direct Ambassadors at FCS posts to: (1) fully abide by pertinent provisions of the State-Commerce Memorandum of Understanding and accompanying codicil, so that supervision or authority over commercial activities overseas is not delegated below the Deputy Chief of Mission level; and (2) require regular staff meetings, at all levels, between the economic sections and FCS and joint distribution of economic and commercially related cable traffic. This will ensure FCS the necessary level of independence and provide for an adequate interchange of information between FCS and the economic sections.

Status: Action completed.

The Secretary of Commerce should direct the Under Secretary for International Trade to reduce the level of detail required in the Post Commercial Action Plans in order to improve the post commercial planning process and decrease the administrative burden placed on the officers overseas.

Status: Action completed.

The Secretary of Commerce should direct the Assistant Secretary for Trade Development, in conjunction with the Director General of the Commercial Services, to drop the World Traders Data Report program in those countries for which there are suitable alternatives.

Status: Action in process.

The Secretary of Commerce should direct the Assistant Secretary for Trade Development, in conjunction with the Director General of the Commercial Services, to change the Agent/Distributor Service routing system to route requests directly between the district offices and overseas posts, with an information copy of all such correspondence being sent to Commerce headquarters.

Status: Action completed.

Agency Comments/Action

Commerce has completed action on all but one of the recommendations. Commerce is now in the process of implementing the recommendation to drop the World Traders Data Report program in countries where alternative private sources for such information exist. It expects the program will be terminated, where appropriate, by the end of fiscal year 1984.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
ENVIRONMENTAL PROTECTION AGENCY
NUCLEAR REGULATORY COMMISSION

Cleaning Up Nuclear Facilities: An Aggressive and Unified Federal Program Is Needed
(EMD-82-40, 5-25-82)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Reorg. Plan No. 3 of 1970. S. 2284 (97th Cong.).

GAO conducted a review to determine the status of Federal efforts and activities to correct decommissioning problems identified in a prior report. In addition to following up on the implementation of the recommendations for correcting these problems, GAO also evaluated how effectively the Nuclear Regulatory Commission's (NRC), the Department of Energy's (DOE), the Department of Defense's (DOD), and the Environmental Protection Agency's (EPA) decommissioning and standard-setting programs were functioning. The review was made as part of a continuing effort to identify issues in the nuclear area, which will provide public health and safety through better Federal program administration.

Findings/Conclusions: Nuclear facilities and sites which require or eventually will require cleanup or other disposition can be tracked, evaluated, and recorded for followup action if needed. In the past, nuclear facilities and sites were abandoned or decommissioned without adequate documentation of their radiological status or even a record of their existence. As a result, Federal agencies are uncertain about the location or status of some facilities and sites that may be in need of decommissioning. NRC, DOE, DOD, and EPA are attempting to locate and evaluate the hazards at old, inactive sites. Despite the problems that inadequate recordkeeping systems have caused Federal agencies, only DOE is revising its current recordkeeping system to provide sufficient information on the location and radiological condition of its current and future nuclear facilities and sites. Federal decommissioning programs have not sufficiently considered and incorporated decommissioning needs during the facility planning and design phase. DOE and NRC are making some progress in developing comprehensive decommissioning policies which include many of the necessary provisions. DOD has not initiated action to develop a comprehensive decommissioning policy. Standards prescribing acceptable levels of residual radioactive contamination for decommissioned nuclear facilities are not expected to be available until mid-1986. EPA is responsible for setting these standards, but has not done so because it considers their development a low priority.

Recommendations to Congress: Congress may wish to consider the general approach, suggested by DOE and discussed in this report, related to problems faced in cleaning up and providing funding mechanisms for future facilities.
Status: No action initiated. Date action planned not known.

Congress, as part of its oversight and budgetary review responsibilities, may wish to closely evaluate the overall priorities of DOE and work with DOE in revising these priorities to provide a consistent flow of funding for cleaning up the inactive facilities.
Status: No action initiated. Date action planned not known.

Congress may wish to consider providing DOE with the authority to carry out remedial cleanup activities for 20 sites under its Formerly Utilized Sites Program.
Status: Action in process.

Congress, through its legislative and oversight committees, may wish to take an active role in assuring that radiation standards, to guide decommissioning of nuclear facilities, are issued as soon as possible.
Status: No action initiated. Date action planned not known.

Congress should designate NRC as the lead Federal agency for developing and monitoring the implementation of a national policy for the decommissioning of nuclear facilities and sites, ensuring that DOE and DOD provide assistance and input to NRC in developing this policy.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Chairman of NRC should revise the NRC recordkeeping system to provide for prompt identification of licensees who have stopped operations, effective monitoring of licensee control over contaminated facilities, assurance that facilities are cleaned up when licenses are terminated, and the development and permanent retention in a central repository of records documenting decommissioning activities.
Status: Action completed.

The Chairman of NRC should reevaluate and, if at all possible, accelerate the NRC timetable for issuing a decommissioning policy with a view toward shortening the time required to submit a paper to the Commissioners. Shortening the timetable would enable NRC to institute earlier front-end planning and funding requirements for decommissioning NRC-licensed facilities as a condition of licensing. The funding requirements should also be made applicable to currently active licensees.
Status: Action in process.

The Secretary of Defense should provide DOD-wide guidance on documentation needed to identify and monitor facilities using nuclear materials and provide a permanent, centrally retained record of the radiological status of the facilities, either when operations cease, or when decommissioning is completed.
Status: Action in process.

The Secretary of Defense should establish a decommissioning program that specifies criteria for selecting tentative decommissioning methods during the facility planning phase and criteria for design features to be incorporated in facility planning.
Status: Action in process.

The Secretary of Energy should establish a decommissioning program that specifies criteria for selecting tentative decommissioning methods during the facility planning phase.
Status: Action completed.

The Secretary of Energy should resubmit the DOE proposed legislation to provide the necessary authority which it currently lacks to proceed with remedial cleanup of all sites under the Formerly Utilized Sites Program.
Status: Action completed.

The Administrator of EPA should reevaluate the priority assigned to developing residual radioactivity standards so that this process can be started immediately.
Status: No action initiated. Date action planned not known.

The Administrator of EPA should develop and present to responsible committees of Congress, within 6 months from the date of this report, a plan setting forth the steps that are needed to develop and issue these standards and the dates that each step will be completed.
Status: Recommendation no longer valid/action not intended.

Agency Comments/Action

DOE, NRC, and DOD generally agreed with the findings, conclusions, and recommendations and are taking or plan to take actions to solve the decommissioning problems identified in the report. All three agencies disagreed with the recommendation that Congress designate NRC as a lead agency for developing and monitoring a national decommissioning policy. EPA disagreed with the recommendations concerning the timely establishment of standards to govern the decommissioning activities of other Federal agencies.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Agency Implementation of Cost Accounting Standards: Generally Good but More Training Needed
(PLRD-82-51, 3-24-82)

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)
Legislative Authority: 4 C.F.R. 3. P.L. 91-379. D.A.R. App. O. DOD Instruction 5126.45.

GAO examined how certain agencies are implementing cost accounting standards which must be observed in both existing and future negotiated national defense contracts.

Findings/Conclusions: The Departments of Defense and Energy and the National Aeronautics and Space Administration (NASA) have developed generally adequate internal organizations to implement the standards. In addition, interagency organizations have been established to ensure the necessary cooperation among the agencies in implementing the standards. While new standards are no longer being promulgated, continuing implementation problems require that some organizational structure be retained to resolve these problems, to provide guidance in the area of cost measurement, and to ensure a uniform approach toward the standards and cost measurement in general. Agencies have generally made the standards, rules, and regulations available to their field offices in a timely manner. However, GAO found much duplication in the distribution and reproduction of this material which could be eliminated by using a single page reference to the Code of Federal Regulations to publish the cost accounting standards requirements. Some agencies involved in the procurement process should improve their cost accounting standards training process. This training should be required of all procurement personnel who will be involved with national defense contracts, and advanced training should be made available to personnel designated as experts. The formal recognition of experts and the prescription of appropriate training programs are matters needing further attention. The quality of information in the Federal procurement data bank needs improvement since it contains errors regarding cost accounting standards clauses.

Recommendations to Agencies: The Secretaries of Defense and Energy and the Administrator of NASA should eliminate appendix O of the Defense Acquisition Regulations or comparable agency procurement regulation appendixes and insert one page citing Title 4, Chapter III of the Code of Federal Regulations as a source of reference for the cost accounting standards. The need to reprint all of the standards in the relevant procurement regulations could thus be avoided.

Status: Recommendation no longer valid/action not intended. *DOE states that it is in compliance with the recommendation. DOD does not agree with the recommendation. NASA will follow the DOD lead.*

The Secretaries of Defense and Energy and the Administrator of NASA should require cost accounting standards training as part of the entry-level training for all series GS 1102 contract management and procurement personnel who will be involved with national defense contracts.

Status: Action in process.

The Secretaries of Defense and Energy and the Administrator of NASA should provide advanced training, such as a 2-week training course in cost accounting standards, to administrative contracting officers charged with the responsibility of dealing with cost accounting standards issues.

Status: Action in process.

The Secretaries of Defense and Energy and the Administrator of NASA should strengthen their internal controls to increase the accuracy and reliability of contract data recorded on forms currently sent to the Federal Procurement Data Center.

Status: Action in process.

Agency Comments/Action

The agencies concur overall and have initiated actions to comply with the recommendations. The actions are of a continuous nature with no completion date as such. They include: (1) reactivation of the DOD Working Group; (2) a proposal to establish a DOD/Cost Accounting Standards (CAS) Board; (3) revision of the basic NASA procurement course to include a section on CAS laws and regulations; (4) establishment of a new procurement assistance data system at the Department of Energy (DOE) to reduce procurement reporting errors; and (5) giving contracting officers priority in attending an advanced CAS course (DOE).

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Millions Can Be Saved Through Better Energy Management in Federal Hospitals
(HRD-82-77, 9-1-82)

Budget Function: Energy: Energy Conservation (272.0)
Legislative Authority: Energy Conservation Policy Act (P.L. 95-619). 10 C.F.R. 436. Executive Order 12003.

GAO discussed the potential of Federal hospitals to reduce energy consumption and costs through improved energy management.

Findings/Conclusions: GAO found a potential for additional energy savings at the 19 hospitals it visited. Furthermore, they had not implemented many low-cost conservation measures, which include reducing hot-water temperature, installing water-flow restrictors, repairing duct insulation, and installing low-wattage fluorescent lighting. GAO identified conservation opportunities at several hospitals which would drastically reduce their annual energy costs, and many of the energy savings measures would pay for themselves in less than a year. Conservation measures used by non-Federal institutions can be implemented while keeping lighting, temperature, humidity, and airflow within prescribed agency standards and without otherwise affecting patient safety or comfort. Most non-Federal hospitals have aggressive energy saving programs which have resulted in savings around the 20- to 40-percent range. Comparable savings by Federal hospitals have not been achieved, primarily because of weaknesses in their energy management programs. GAO believes that Federal hospitals, in order to achieve savings of 20 to 40 percent, would have to finance conservation measures costing about two to three times their estimated annual savings. The more costly measures should result in savings that would recover the required investment in 3 years or less, with additional savings continuing throughout the life of the equipment or building.

Recommendations to Agencies: The Secretary of Defense should require that the Secretary of the Army and the Secretary of the Air Force: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) direct Federal hospitals to maintain data and report on their energy use; (4) provide their hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (5) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (6) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (7) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.
Status: Action in process.

The Secretary of Defense should require that the Secretary of the Navy: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.
Status: Action in process.

The Secretary of the Department of Health and Human Services should require that the Indian Health Service: (1) establish for each Federal hospital quantifiable energy conservation goals based on its energy-saving potential; (2) direct Federal hospitals to maintain data and report on their energy use; (3) provide its hospitals comprehensive information on low-cost conservation measures applicable to hospitals; (4) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (5) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (6) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.
Status: Action in process.

The Administrator of Veterans Affairs should: (1) conduct technical audits in Federal hospitals using qualified energy personnel; (2) direct Federal hospitals to implement cost-effective, low-cost conservation measures; (3) monitor the results of energy-saving efforts in Federal hospitals and take action to assure that feasible conservation measures are implemented when these results are not satisfactory; and (4) reset hospitals' energy conservation goals based on results of technical audits or when formerly established goals have been reached and cost-effective measures still remain.
Status: Action in process.

Agency Comments/Action

In general, the Veterans Administration and the Departments of Defense and Health and Human Services concurred with the recommendations and have started to implement them.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY

Unrealistic Use of Loans To Support Foreign Military Sales
(ID-83-5, 1-19-83)

Budget Function: International Affairs: Military Assistance (152.0)
Legislative Authority: Arms Export Control Act. 12 U.S.C. 2285. 12 U.S.C. 2290.

GAO reviewed the security assistance programs to determine whether these programs are tailored to the ability of recipient countries to pay for their military imports.
Findings/Conclusions: GAO found that, due to concerns over the size of the budget, the executive branch and Congress are keeping as much of the program off-budget as possible. On-budget loans can be made at flexible interest rates tailored to the countries' abilities to repay. However, the off-budget approach requires many countries to pay the same interest rate charged to the Treasury plus a fee to acquire the funds which many countries may not be able to afford. The Guaranty Reserve Fund, which is used to guarantee these off-budget loans, is undercapitalized in relation to the risks taken. The result might be that a future Congress will need to appropriate billions of dollars to fund a program authorized by a prior Congress. Furthermore, these loans delay rather than resolve the question of how to fund military imports for less developed countries.
Recommendations to Congress: Congress should: (1) place the entire foreign military sales program on-budget in the International Affairs account to reflect true budgetary costs; and (2) provide funds to the Guaranty Reserve Fund that establishes a level based on the nature and size of its current contingent liability covered by the Fund.
Status: Action in process.

Congress should: (1) approve a flexible security assistance financing program that recognizes the potential financial burden placed on the economies of developing countries by military imports; and (2) amend the Arms Export Control Act to allow for low-interest direct loans to have maturities up to 30 years for those countries facing short- and medium-term economic problems.
Status: Action in process.

Agency Comments/Action

The House Committee on Foreign Affairs, Subcommittee on International Security and Scientific Affairs, held hearings on the report in March 1983. Representatives from the Departments of State, Defense, and the Treasury, as well as from GAO, provided comments on the issues discussed in the report. The fiscal year 1985 budget provides for: (1) placing the entire Sales Program on-budget; (2) funds to replenish the Guaranty Reserve Fund; and (3) a flexible financing program containing market rate loans, concessional interest rate loans, and grant aid. These changes will incorporate all of the recommendations in the report.

DEPARTMENT OF DEFENSE
DEPARTMENT OF TRANSPORTATION

Potential Joint Civil and Military Use of Military Airfields
(RCED-83-98, 3-1-83)

Budget Function: Transportation: Air Transportation (402.0)
Legislative Authority: Airport and Airways Development Act of 1970 (P.L. 91-258). Airport and Airway Improvement Act of 1982 (P.L. 97-248). Federal Airport Act (P.L. 79-377).

In response to a congressional directive, GAO evaluated the feasibility of making domestic military airports and airport facilities available for joint civilian and military use to the maximum extent compatible with national defense requirements.

Findings/Conclusions: GAO found that 23 domestic military airfields now operate under the joint-use concept. Seven of these airfields authorize unrestricted use by all civilian aircraft, while the remaining facilities restrict use to selected types of aircraft or operations. The mix of civilian and military aircraft operating from joint-use airfields ranged from those with very similar characteristics to those with widely differing characteristics. Problems which GAO found in the program included: (1) military concerns that civilian use of the airfield will interfere with military missions, operations, or security; (2) lack of available land on or adjacent to the military airfield to house civilian operations; and (3) lack of civilian sponsors resulting from either community opposition due to concerns over potential increases in noise, safety risks, and other environmental factors, or the lack of a real need for joint use of the airfield. When these problems can be overcome, GAO found that joint use can be viewed as a feasible option. GAO was not able to determine the cost and development requirements for making military airfields available for future joint use because the data needed to perform the analysis were either not available or were not current. However, GAO identified factors that must be included in making such an assessment. While GAO concurs that the potential exists for considerable savings, it questions the reliability of the Federal Aviation Administration's $1.5 billion figure.

Recommendations to Agencies: The Secretaries of Defense and Transportation should, in performing the required study to evaluate military airfields for potential joint use, establish that a valid need exists for civilian use of a military airfield, taking into account such matters as capacity constraints, airspace congestion, and safety in the area where joint use is proposed.
Status: Action in process.

The Secretaries of Defense and Transportation should, in performing the required study to evaluate military airfields for potential joint use, identify and assess any adverse impact on military mission, operations, and security.
Status: Action in process.

The Secretaries of Defense and Transportation should, in performing the required study to evaluate military airfields for potential joint use, determine if land is available to house civilian operations.
Status: Action in process.

The Secretaries of Defense and Transportation should, for cases where these issues have been dealt with and joint use is considered operationally feasible, determine whether community opposition exists in cooperation with the civilian sponsor and, if so, attempt to resolve it.
Status: Action in process.

The Secretaries of Defense and Transportation should, in evaluating military airfields for potential joint use, estimate cost and development requirements by, at a minimum, identifying, developing, and analyzing the following factors: (1) number and type of civilian and military aircraft proposed to use the airfield; (2) number of operations proposed; (3) services to be provided (maintenance, fuel); (4) structures to be built (hangers, canopies, terminals); (5) land to be acquired; (6) parking area needed (aircraft, automobile); (7) access roads to be constructed; (8) ramps, taxiways, and aprons required; and (9) security measures required (fences, guards).
Status: Action in process.

The Secretaries of Defense and Transportation should, after analyzing the above factors and identifying military airfields that are operationally feasible for joint use, prepare a detailed cost-benefit analysis to determine whether developing each airfield for joint use would be cost effective.
Status: Action in process.

Agency Comments/Action

Both the Departments of Defense and Transportation concur with the GAO conclusions and recommendations. The approach described by GAO, when considering military airfields for joint civil and military use, is currently being pursued by the two departments in conjunction with the preparation of their plan for such use of military airfields. As of February 17, 1984, the final plan had not been signed by both Secretaries. A detailed cost-benefit analysis for each location selected will be performed at a later date. The analysis will be done on a location-by-location basis prior to issuance of Airport Improvement Program grants to local sponsors for developing needed facilities at potential joint use military airfields.

DEPARTMENT OF DEFENSE
DEPARTMENT OF TRANSPORTATION

Federal Actions Needed To Retain Essential Defense Rail Service
(PLRD-83-73, 5-20-83)

Budget Function: National Defense: Department of Defense - Military (Except Procurement and Contracting) (051.0)
Legislative Authority: P.L. 96-418.

GAO examined the Department of Defense's (DOD) and the Department of Transportation's (DOT) efforts to maintain minimum levels of rail service at defense installations and to identify and correct rail deficiencies.

Findings/Conclusions: Despite the conclusions of a DOD study which determined that the condition of network and branch rail lines was satisfactory for national defense, GAO found that the number of military installations confronted with the potential loss of rail service is growing and that there may be a need for congressional action to ensure that minimum essential rail service is retained for mobilization needs. Although DOD is spending millions of dollars to improve rail capabilities at its installations, DOD cannot be assured that the rail network will move the required defense materiel and equipment during mobilization. GAO believes that the case-by-case basis by which DOD presently solves its maintenance service problems on branch lines could prove costly and ineffective in the long run. GAO believes that DOD must determine the minimum amount of rail capability needed and routinely explore the alternatives and their costs with DOT. GAO found that the data on transportation movement capability reported by installations contained conflicting information; that some planned projects, if funded, would result in capabilities beyond what the services estimate would be needed during mobilization; and that a DOD concept of using motor convoys as a method of moving equipment has not been subject to extensive analysis and testing. Consequently, its feasibility and practicality for long distance transportation during mobilization are uncertain.

Recommendations to Agencies: The Secretary of Defense should explore the options for retaining the minimum essential rail service to defense installations with mobilization missions and develop a comprehensive policy to ensure such service is retained. This policy should address issues such as: (1) alternatives and their costs to meet defense mobilization movement needs; (2) minimal essential rail service needs; (3) the amount of funding required to ensure this minimal level; and (4) the need for any legislative changes to ensure that essential rail services to installations are retained. The Secretary should establish milestones for these actions and alert the appropriate congressional committees if existing statutes or policies would adversely affect completion of these actions.
Status: Action in process.

The Secretary of Transportation should explore the options for retaining the minimum essential rail service to defense installations with mobilization missions and develop a comprehensive policy to ensure such service is retained. This policy should address issues such as: (1) alternatives and their costs to meet defense mobilization movement needs; (2) minimal essential rail needs; (3) amount of funding required to ensure this minimal level; and (4) need for any legislative changes to ensure essential rail services to installations are retained. The Secretary should establish milestones for these actions and alert the appropriate congressional committees if existing statutes or policies would adversely affect completion of these actions.
Status: Action in process.

The Secretary of Defense should: (1) modify DOD reporting requirements to ensure that defense installations accurately report their outloading and receiving capabilities to meet peacetime and mobilization movement needs and identify the key constraining factors; (2) establish procedures to ensure rail maintenance projects are appropriately justified and cost effective; and (3) reevaluate the feasibility and practicality of DOD movement criteria to include road marching vehicles for distances up to 800 miles.
Status: Action in process.

Agency Comments/Action

The Assistant Secretary of Defense (MRA&L) stated that comments to the draft report continue to reflect the DOD position. GAO has accepted the DOD suggested changes to the recommendation concerning a joint DOD/DOT review of options for retaining essential rail service. DOD has begun a review of options and procedures with DOT and will review the results of these efforts at a liaison meeting in Fall 1984. They will determine the need for action by Congress at that time.

DEPARTMENT OF DEFENSE
VETERANS ADMINISTRATION

The Congress Should Mandate Formation of a Military-VA-Civilian Contingency Hospital System
(HRD-80-76, 6-26-80)

Budget Function: Health: Health Planning and Construction (551.3)

In response to a request, GAO reviewed the Department of Defense's (DOD) plans to use nonmilitary hospitals to treat battlefield casualties in the event of war or conflict. The need for developing a contingency hospital system consisting of DOD, the Veterans Administration (VA), and civilian medical resources is discussed. The primary emphasis is that the VA role should be greater than currently planned by DOD. The extent of support VA will provide DOD in treating returning battlefield casualties is the most important issue in developing a civilian-military contingency hospital system for medical treatment of wartime casualties. DOD has looked primarily to civilian medical resources to meet anticipated shortfalls should the United States become involved in war. Only recently has specific consideration been given to VA medical capability. DOD officials said that civilian resources would still be needed to treat battlefield casualties even if DOD and VA resources were fully used for that purpose.

Findings/Conclusions: DOD recently revised several aspects of its original system. Major changes appear to be: (1) elimination of a new, possibly duplicative administrative structure as originally proposed; and (2) reliance on the military services for patient administration responsibilities. GAO agreed with these revisions. DOD revised plans are still unclear about how civilian beds and staff would be made available. Available beds and staff should be identified assuming patients are discharged early whenever possible and nonemergency admissions are restricted during the war surge period. Failure to resolve issues regarding civilian physician and hospital reimbursement and liability could limit implementation of the planned system. VA should be much more involved in planning and caring for battlefield casualties than it would be in caring only for those who will not return to duty. Just how much VA can participate is questionable. DOD has not told VA what its needs are, nor has VA told DOD what its capabilities are. GAO believes that the Nation should prepare for a possible conflict by planning to appropriately use Federal medical resources before calling on civilian resources. A strong peacetime medical resources sharing program could provide a more effective relationship between VA and DOD that could prove invaluable in war.

Recommendations to Congress: Congress should enact legislation which provides that both DOD and VA fully participate in Federal medical planning for and care of returning wartime casualties. Such legislation should: (1) give VA the mission of providing direct medical support to DOD for treating battlefield casualties; (2) place battlefield casualties above veterans with non-service-connected, nonemergency conditions in priority for care; and (3) remove numerous obstacles to interagency sharing, as GAO previously recommended, so that VA and DOD may establish a strong peacetime medical resources sharing program to serve as an effective foundation for a military-VA-civilian contingency hospital system.

Status: Action completed.

Recommendations to Agencies: The Secretary of Defense and the Administrator of Veterans Affairs should develop and establish the framework for a military-VA-civilian contingency hospital system. As part of this development, a mechanism should be established for obtaining civilian medical care capability that: (1) recognizes the responsibilities of the Federal Emergency Management Agency, the Department of Health and Human Services, and other Federal agencies during war or conflict; and (2) adequately considers other unresolved issues, such as physician reimbursement and liability, and ground transportation availability.

Status: Action in process.

The Administrator of Veterans Affairs should ascertain the extent to which VA affiliated hospitals would be able to assist VA in treating battlefield casualties.

Status: Recommendation no longer valid/action not intended. *The agency considered the recommendation and decided that, to keep the wartime nonmilitary hospital system simple, affiliated hospitals should enroll in the civilian-military contingency hospital system directly rather than through VA*

The Secretary of Defense should determine the optimal number and placement of U.S. aeromedical staging facilities with emphasis on locations near concentrations of military and VA medical resources.

Status: Action in process.

The Secretary of Defense and the Administrator of Veterans Affairs should identify Federal and civilian capability that could be provided assuming that: (1) patients are discharged early whenever possible; and (2) nonemergency admissions are restricted during the war surge period.

Status: Action in process.

The Secretary of Defense and the Administrator of Veterans Affairs should analyze DOD and VA medical care resources to determine the Federal patient treatment capability on a time-phased basis. This analysis should be made first near existing DOD aeromedical staging facilities, but should also include other locations where there are large concentrations of DOD and VA medical resources.

Status: Action in process.

The Secretary of Defense should compare the medical care requirements calculated under various wartime scenarios

with available Federal medical resources to determine how much and what type of civilian medical care capability would be needed to augment Federal capability.
Status: Action in process.

The Secretary of Defense, in concert with other agencies having contingency planning responsibilities, should assume overall coordinating responsibility for plans jointly developed by DOD and VA using Federal medical resources and necessary civilian medical capability under the military-VA-civilian contingency hospital system.
Status: Action completed.

The Administrator of Veterans Affairs should provide estimates to DOD concerning its potential capabilities, in terms of both facilities and staffing, to treat returning battlefield casualties regardless of whether those casualties would be expected to return to duty. Such estimates should be based on the assumptions that patients would be discharged early whenever possible and nonemergency admissions would be restricted during the war surge period. These estimates should be developed through the joint DOD-VA planning effort to establish a military-VA-civilian contingency hospital system.
Status: Action in process.

Agency Comments/Action

The agencies are in general agreement with the recommendation in the report. As the result of a followup report issued June 14, 1983 (HRD-83-59), and continued monitoring, GAO found that, although DOD and VA have made progress in developing wartime support linkages with each other and civilian hospitals, some issues have not yet been fully resolved. For the most part, DOD and VA are aware of these issues and are attempting to resolve them.

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY
Internal Revenue Service

Implementing GAO's Recommendations on the Social Security Administration's Programs Could Save Billions *(HRD-81-37, 12-31-80)*

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Disability Amendments of 1980 (P.L. 96-265). Social Security Act (42 U.S.C. 418; 42 U.S.C. 415(a); 42 U.S.C. 1383(e)(2)). 20 C.F.R. 416. 45 C.F.R. 233.10(b)(3). 45 C.F.R. 233.20(b)(1). H.R. 4904 (96th Cong.).

Income security programs account for over one-third of the Federal budget. The Social Security Administration (SSA) administers some of the largest income security programs, including Old-Age and Survivors Insurance, Disability Insurance, Supplemental Security Income (SSI), and Aid to Families with Dependent Children (AFDC). GAO has issued numerous reports recommending changes in SSA income security programs. Therefore, GAO undertook a review of the income security programs managed by SSA to determine what actions have been taken on previous recommendations and what still needs to be done.
Findings/Conclusions: In its review, GAO found that fully implementing its recommendations would save $1.3 billion in fiscal year 1982 and about $4.5 billion in fiscal years 1983 to 1985. There would be similar savings in later years. The recommendations that would produce the most substantial savings would affect the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds and would require changes to the Social Security Act.

Recommendations to Congress: Congress should amend the Social Security Act to require States to deposit social Security taxes semi-monthly or biweekly.
Status: No action initiated. Date action planned not known.

Congress should amend the Social Security Act to revoke section 224(d), which allows States to offset their portion of disability benefits.
Status: Action completed.

Congress should consider requiring States to deposit Social Security taxes using the same schedule that States now use to deposit withheld income taxes.
Status: Action completed.

Congress should amend the Social Security Act to compute benefit amounts to the nearest penny or to the nearest 10 cents as proposed by the Secretary of HEW.
Status: Action completed.

Congress should eliminate the minimum benefit provision for new beneficiaries. To minimize the hardship to the few needy beneficiaries not eligible for SSI, Congress could authorize a limited SSI payment which would replace the portion of the Social Security benefit lost through eliminating the minimum benefit provision.
Status: Action completed.

Congress should amend the Social Security Act to require that the Social Security offset be made effective when workers' compensation benefits are awarded, rather than when SSA is notified of the award.
Status: Action completed.

Congress should amend the Social Security Act to provide for determining SSI benefit eligibility and payment amounts on a monthly retrospective basis rather than the quarterly prospective basis.
Status: Action completed.

Congress, in cooperation with the Department of Health and Human Services (HHS), should determine the controls that would best provide additional appropriate and feasible financial incentives and enact legislation to establish them to effectively control AFDC payment errors. Congress should consider the HHS study to determine an ultimate error rate goal in establishing the needed financial incentives.
Status: Action completed.

The House and Senate Appropriations Committees should retract the conference committee directive for Federal fiscal sanctions against States based on the AFDC quality control error rates.
Status: Recommendation no longer valid/action not intended. *As part of the Tax Equity and Fiscal Responsibility Act of 1982, Congress enacted a permanent sanction for excess State errors above 4 percent in fiscal year 1983 and 3 percent in fiscal years 1984 and 1985.*

Congress should amend the Social Security Act to discontinue student benefits for postsecondary students and take steps to assure that the Department of Education will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of these benefits.
Status: Action completed.

Congress should consider whether the Emergency Assistance Program should continue. If Congress determines that the program should continue, it should review the positions of the Department of Health and Human Services and the courts, including the U.S. Supreme Court, concerning the eligibility and the type of extent of emergencies covered. It should then, if necessary, amend the legislation to clearly indicate congressional intent.
Status: Recommendation no longer valid/action not intend-

ed. *Congress considered the continuance of the Emergency Assistance Program in the 97th Congress as part of the Tax Equity and Fiscal Responsibility Act of 1982, but changes to the program were deleted from this legislation when it passed Congress.*

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Commissioner of SSA to review all retroactive SSI payments of $2,000 or more.
Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to complete the analysis of the district office experiment with centralizing overpayment recovery workload and the need for a full-time overpayment specialist.
Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to change the computer program provision, so that termination will not automatically occur on any account that is or drops below $200 until after three demand notices are issued.
Status: Recommendation no longer valid/action not intended. *SSA revised its automatic determination policy in January 1982.*
The Secretary of Health and Human Services should direct the Commissioner of SSA to fully implement the nine recommendations not fully implemented.
Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to immediately refine its management information system to define the exact composition of the outstanding balance of unsettled accounts. This should include potential adjustment cases, accounts being recovered through installments, case where recovery will be attempted from individuals no longer on the benefit rolls, and the length of time each overpayment has been outstanding.
Status: Action completed.

The Secretary of Health and Human Services should monitor SSA efforts to determine from other existing social security records the social security numbers for those dependent children missing their numbers, especially students, and record them in the payment records.
Status: Action in process.

The Secretary of Health and Human Services should monitor SSA efforts to develop and implement a comprehensive program to obtain and use State and local data to compute benefits for all its income maintenance programs.
Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of SSA to compare the social security numbers of all dependent children currently receiving benefits to eliminate duplicate payments or to correct instances where different dependents have the same recorded social security number.
Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to report to Congress the results of its review on obtaining aliens' overseas asset information from the Immigration and Naturalization Service and the future application of this mechanism for reducing aliens' eligibility for SSI benefits.
Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to adopt a stronger and more active management role in recovering SSI overpayments by establishing standards for timely processing of SSI overpayments.
Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to adopt a stronger and more active management role in recovering SSI overpayments by developing a quality control mechanism to assure performance in accordance with SSA overpayment policies and procedures.
Status: Recommendation no longer valid/action not intended. *SSA stated that it could not install a quality control mechanism because it would not be cost effective. SSA tested an alternative overpayment review system and found that it was not cost effective.*
The Secretary of Health and Human Services should seek legislation to authorize offsetting overpayments against title II and other Federal benefit-paying programs.
Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to adopt a stronger and more active management role in recovering SSI overpayments by developing, through use of the quality control mechanism, more useful and less subjective criteria to determine whether an overpaid recipient was with or without fault in causing the overpayments.
Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to make a nationwide review to identify nursing homes failing to complete and return the reporting form when SSI recipients are admitted.
Status: Recommendation no longer valid/action not intended. *SSA decided not to perform a nationwide review. According to SSA, such reviews are no longer necessary because field offices are now maintaining close liaison with Medicaid facilities and agency procedures for obtaining timely notification of SSI recipient admission to Medicaid facilities will accomplish the recommendation's objectives.*

The Secretary of Health and Human Services should direct the Commissioner of SSA to issue regulations establishing uniform requirements for States to return the Federal portion of AFDC checks not cashed and establish a mechanism for ensuring that these credits are timely and accurate.
Status: Action in process.

The Secretary of Health and Human Services should revise the regulations to establish uniform and comprehensive overpayment recovery policies in the AFDC program for all

types of overpayments, including requirements for States to (1) maintain information on the total number and amount of overpayments involved and their disposition, and (2) establish a mechanism for assessing the effectiveness of their overpayments recovery efforts.
Status: Action completed.

The Secretary of Health and Human Services should direct that SSA help States establish an appropriate mechanism for monitoring and evaluating the adequacy and effectiveness of their recovery efforts and periodically review States' compliance with the requirements established in the regulations.
Status: Action completed.

The Secretary of Health and Human Services should disallow any claims for Federal participation in the advance AFDC payments program of New York and Oregon and initiate appropriate efforts to recover the Federal share of any of these advance payments.
Status: Recommendation no longer valid/action not intended. *SSA determined that payments to New York and Oregon were proper.*

The Secretaries of Education and Health and Human Services should require that the Social Security-Basic Grant computer matching procedures be revised.
Status: Recommendation no longer valid/action not intended. *This recommendation is no longer valid because the Omnibus Budget Reconciliation Act of 1981 discontinued social security student benefits for post-secondary education after 1985.*

The Secretary of State, in cooperation with the Secretary of Health and Human Services, should develop more stringent income criteria for judging the ability of a sponsor to support a visa applicant.
Status: Recommendation no longer valid/action not intended. *The Department of State is not taking action because it believes that implemention of the recommendation would be a violation of the reunification of family concept inherent in immigration laws. Such action could not be justified on the basis that fewer newly arrived aliens are receiving SSI benefits.*

The Secretary of Health and Human Services should direct the Commissioner of SSA to establish goals for reducing retroactive payment errors.
Status: Recommendation no longer valid/action not intended. *SSA stated that based on its prepayment review of all retroactive payments above $3,000, the agency decided against establishing goals because: (1) the volume of large payments is small; (2) the universe of all retroactive payments is small and goals would serve no purpose; and (3) a separate retroactive goal would duplicate the present SSI payments accuracy goal.*

The Secretary of Health and Human Services should determine whether other States have similar problems in stopping AFDC payments to ineligibles, and if so, help those States to correct them.
Status: Recommendation no longer valid/action not intended. *On November 9, 1981, HHS stated that, because GAO is making another review of payment termination efficiency in the States, it will provide assistance but not make a separate review.*

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to have States establish procedures requiring those nursing homes to promptly report the admission of SSI recipients to the State Medicaid agencies, and require those agencies to promptly remit such information to SSA.
Status: Recommendation no longer valid/action not intended. *Based on an SSA survey of its regional offices, the agency reported that significant overpayment problems on SSI recipient admissions to nursing homes no longer exist as a result of agency actions which were based on a prior GAO recommendation. SSA plans no further action.*

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Policies on U.S. Citizens Studying Medicine Abroad Need Review and Reappraisal
(HRD-81-32, 11-21-80)

Budget Function: Health: Health Care Services (551.0)

GAO reviewed U.S. citizens studying medicine abroad, concentrating on: the education or training provided by six foreign medical schools in which several thousand U.S. citizens are enrolled; the clinical training which U.S. citizen foreign medical school students receive in U.S. hospitals; the avenues available for entering the American medical system; and Federal financial assistance provided to U.S. citizens while studying medicine abroad. Many U.S. citizens attend foreign schools with the goal of returning to the United States to practice medicine. Much concern has been expressed about the recent proliferation of medical schools established abroad to attract U.S. citizens, and questions have been raised about the adequacy and appropriateness of that educational experience for practicing medicine in the United States.

Findings/Conclusions: GAO believes that more appropriate mechanisms are needed to ensure that all students who attend foreign medical schools demonstrate that their medical knowledge and skills are comparable to their U.S.-trained counterparts before they are allowed to enter the mainstream of American medicine. The foreign medical schools which GAO visited differed considerably, but did not offer a medical education comparable to that available in the United States because of deficiencies in admission requirements, facilities and equipment, faculty, curriculum, and clinical training. A serious shortage was the lack of adequate clinical training facilities. Many U.S. citizen foreign medical school students obtained part or all of their clinical training in U.S. hospitals, but that training was not comparable to that provided to U.S. medical school students. State licensing boards are becoming increasingly concerned about U.S. citizens from foreign medical schools obtaining their clinical training in U.S. hospitals. Foreign medical schools do not receive direct Federal financial assistance, but may receive guaranteed student loans or VA educational benefits.

Recommendations to Congress: Congress should direct the Secretary of Health and Human Services to work with State licensing authorities and representatives of the medical profession to develop and implement appropriate mechanisms that would ensure that all students who attend foreign medical schools demonstrate that their medical knowledge and skills are comparable to those of their U.S.-trained counterparts before they are allowed to enter the U.S. health care delivery system for either graduate medical education or medical practice.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator of the Veterans Administration should accept foreign medical schools approved by the Secretary of Education as a basis for authorizing educational benefits to qualified veterans, their spouses, and their dependents.

Status: No action initiated. Date action planned not known.

The Secretary of Education should issue regulations establishing procedures and criteria for implementing the legislative requirement that the Department of Education ensure that foreign medical schools are comparable to medical schools in the United States before authorizing guaranteed student loans for U.S. citizens attending these schools.

Status: No action initiated. Date action planned not known.

The Secretary of Education should ensure that the Government's interest in outstanding guaranteed student loans at foreign medical schools is adequately protected by properly verifying the status of all U.S. citizens with outstanding loans and initiating repayment where appropriate.

Status: No action initiated. Date action planned not known.

The Secretary of Health and Human Services should, in cooperation with State licensing authorities and representatives of the medical profession, address the current practice whereby students attending foreign medical schools receive part or all of their undergraduate clinical training in U.S. hospitals.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Although no action has been taken by HHS, several States are, on their own initiative, investigating what, if any, action they can take on this issue. At least one State has taken action to implement regulations which govern the provision of undergraduate clinical clerkships in its State for U.S. citizens studying medicine abroad. Also, several private organizations relative to the medical professions are in the process of developing a national policy on foreign medical school graduates. A final conference was held in May 1983. HHS intends to evaluate the policies resulting from this conference. Actions on the recommendations made to the Department of Education and the Veterans Administration are still pending, awaiting the final outcome of ongoing litigation in a U.S. district court.

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

Prisoners Receiving Social Security and Other Federal Retirement, Disability, and Education Benefits
(HRD-82-43, 7-22-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Immigration and Nationality Act. Social Security Act. P.L. 96-473. P.L. 96-385. P.L. 97-123. P.L. 96-466.

Pursuant to a congressional request, GAO estimated the number of incarcerated felons who are receiving social security and other cash benefits from various Federal programs. Initial GAO estimates on the number of prisoner beneficiaries receiving benefits from Social Security Administration (SSA) and Veterans Administration (VA) programs resulted in Congress' enacting legislation in 1980 to exclude certain of these benefits to prisoners.

Findings/Conclusions: Before the 1980 amendments, GAO estimated that: (1) about 1.4 percent of the incarcerated felons were receiving social security disability benefits of approximately $17 million a year; (2) about 1 percent were receiving VA disability compensation of approximately $8 million a year; and (3) about 1.3 percent were receiving VA education benefits of approximately $14 million a year. Prisoners were also receiving cash benefits from other similar Federal programs not addressed by the amendments, including 0.4 percent who were receiving social security retirement or survivor benefits of approximately $4 million a year. Other prisoners were receiving cash benefits from the Federal needs-based programs of Supplemental Security Income and veterans pensions. SSA and VA will not be able to identify prisoner beneficiaries completely until accurate social security numbers (SSN's) are available for all prisoners. States varied widely in the completeness and accuracy of this information and could improve their documentation in coordination with the SSA validation process. GAO also estimated that about 4 percent of the prisoners were receiving postsecondary education funded through Pell Grants. The amounts varied but, because of tuition waivers, some grants were higher than the schools fees actually charged to the prisoners.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Commissioner of Social Security to: (1) encourage State prison systems to give SSA periodic lists of prisoners, incarceration dates, and accurate SSN's; (2) validate all prisoner SSN's and share the names, validated SSN's, and incarceration dates with VA, so that VA can better identify prisoner beneficiaries of its programs; and (3) share the corrected SSN's with the prison systems to enhance the accuracy of their prisoner files.

Status: Action in process.

The Administrator of Veterans Affairs should use the prisoner identification information supplied by SSA to better identify prisoner beneficiaries of VA programs.

Status: Action in process.

The Secretary of Education should amend the Pell Grant Program regulations so that schools are required to calculate the students' cost of attendance, upon which Pell Grants are based, after any tuition waivers have been granted.

Status: No action initiated. Date Action planned not known.

Agency Comments/Action

The Department of Health and Human Services and VA agree with the recommendations and are in the process of implementing them. SSA expects to have the validated SSN information ready to share with VA by June 1984. The Department of Education initially decided to submit a notice of proposed rulemaking regarding the recommended change, but later determined that legislation enacted in October 1982 would not allow alteration in the method of evaluating cost of attendance for 1983-84 and 1984-85 award years. The Department then explored the possibility of a policy change in the area of tuition waivers in place of the regulatory change and determined that such a change is not legally permissible.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY
NUCLEAR REGULATORY COMMISSION

Greater Commitment Needed To Solve Continuing Problems at Three Mile Island
(EMD-81-106, 8-26-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Price-Anderson Act (Atomic Energy Damages). Atomic Energy Act of 1954. Energy Reorganization Act of 1974. Power Act (Water). Department of Energy Organization Act (P.L. 95-91). Public Utility Regulatory Policies Act of 1978 (P.L. 95-617). Public Utility Holding Company Act of 1935 (15 U.S.C. 79 et seq.). H.R. 2512 (97th Cong.). S. 1226 (97th Cong.).

The nuclear accident at Three Mile Island (TMI) placed a major electric utility system, the General Public Utilities Corporation (GPU), on the brink of insolvency while faced with a multiyear, $600-million unfunded cleanup operation that must be completed under uncertain regulatory constraints. GAO reviewed the current and prospective status of GPU.

Findings/Conclusions: GAO concluded that: (1) replacement power for TMI units is available, but future system reliability is questionable unless funds are made available to increase construction and maintenance above present restricted levels; (2) the financial condition of GPU continues to deteriorate and, unless sufficient rate relief is granted to restore its financial credibility, its future as a provider of electric power is in doubt; (3) cleanup of TMI-2 is technologically feasible but the uncertainties surrounding the source of the estimated $600 million needed for the task and the regulatory environment in which it must be done have yet to be resolved; (4) the expeditious cleanup of TMI-2 and the benefits that can be derived are significant enough to warrant the financial participation of several parties rather than putting the entire burden on any one entity; (5) State officials in Pennsylvania and New Jersey have not taken the leadership role in assembling the financial assistance needed for the cleanup; (6) on-site property insurance coverage needs to be increased to levels that the Nuclear Regulatory Commission (NRC) determines to be adequate if other utilities are to avoid the financial and operational stress suffered by GPU in the event of another major accident; and (7) better defined regulatory guidelines for nuclear accident recovery efforts are needed to minimize the delays and added costs that have occurred at TMI-2.

Recommendations to Congress: Congress should provide the required multiyear funding to the Department of Energy (DOE) for its research and development program at TMI.

Status: No action initiated. Date action planned not known.

Congress should closely follow the current efforts to resolve the funding problems for the TMI-2 cleanup through State and utility industry financing and the DOE research and development program. If these State-led efforts are not successful, Congress should devise a mechanism which would serve to obtain the required financial assistance to complete the TMI-2 cleanup.

Status: Action in process.

Recommendations to Agencies: DOE should prepare a multiyear budget proposal for Federal participation in the TMI cleanup effort and present it to Congress. The budget proposal should recognize the primary leadership role of State officials in working with GPU and the industry in the cleanup effort and within that parameter should clearly specify the objectives to be achieved by Federal involvement, the work steps required in each fiscal year, the application of the program results, and the total funding needed to successfully meet research and development objectives.

Status: No action initiated. Date action planned not known.

NRC should closely follow the current efforts of the insurance and utility industries to increase insurance coverage to what it determines to be an acceptable level. No later than December 31, 1981, NRC should assess the progress being made. This assessment should include an evaluation of the insurance available in the private sector and a determination as to whether a mandated insurance coverage program is necessary.

Status: Action completed.

NRC should establish a set of guidelines that would facilitate the development of recovery procedures by utility companies in the event of other nuclear accidents. The preparation of the guidelines should be initially based on the lessons learned and experience gained from the TMI-2 cleanup and recovery efforts at other nuclear installations. NRC should periodically assess the adequacy of its guidelines and standards and evaluate the state-of-the-art technology for decontaminating air and water effluent produced by a nuclear accident to ensure that it can quickly respond to the needs of the regulated utility and adequately protect the public health and safety.

Status: Action in process.

Agency Comments/Action

DOE does not concur with the recommendation on multiyear funding because the current funding program is considered sufficient. NRC has published a proposed rule to require licensees to maintain the maximum amount of commercially available onsite property damage insurance. NRC has directed its staff to develop the scope of guidelines to facilitate recovery efforts in the event of nuclear-related accidents.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
RAILROAD RETIREMENT BOARD

Inaccurate Fund Transfers Between Social Security Administration and Railroad Retirement Board
(HRD-83-2, 4-4-83)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Railroad Retirement Act of 1937.

GAO reviewed the financial interchange whereby the Social Security Administration (SSA) has paid more than $17 billion to the Railroad Retirement Board since 1958.

Findings/Conclusions: In reviewing 1979 financial interchange data, the current data available when the GAO review began, GAO found errors and inaccuracies in benefit calculations, projections, and administrative expense estimates resulting from SSA overpayments and underpayments. GAO estimates that, for the 1979 interchange alone, SSA transferred to the Board about $40 million more than it should have. Since many of the same procedures GAO questioned are still in effect, interchanges subsequent to 1979 will continue to contain errors and inaccuracies unless improvements are made.

Recommendations to Agencies: The Secretary of Health and Human Services (HHS) should direct the Commissioner of Social Security to periodically review how accurately the Board calculates social security benefit amounts.
Status: Action in process.

The Secretary of HHS should direct the Commissioner of Social Security to train Board personnel who calculate social security benefits in the proper application of social security rules and regulations.
Status: Action in process.

The Secretary of HHS should direct the Commissioner of Social Security in cooperation with the Chairman of the Railroad Retirement Board, to lower the error tolerance limits applied to financial interchange sample calculations.
Status: Action in process.

The Chairman of the Railroad Retirement Board should direct that a composite estimator be used to calculate the average benefit amount for the Board's sample cases.
Status: Action in process.

The Secretary of HHS should direct the Commissioner of Social Security, in cooperation with the Chairman of the Railroad Retirement Board, to correct all amounts transferred due to administrative expense errors affecting past interchanges where supporting data are available.
Status: Action completed.

The Secretary of HHS should direct the Commissioner of Social Security, in cooperation with the Chairman of the Railroad Retirement Board, to coordinate their action to develop appropriate cost and workload factors for use in calculating the interchange administrative expense estimates.
Status: Action in process.

The Chairman of the Railroad Retirement Board and the Secretary of HHS should assure that their respective audit groups singly or jointly periodically audit all components of the financial interchange.
Status: Action in process.

Agency Comments/Action

SSA was in agreement with the recommendations and specified the actions that it was taking to implement them. The Railroad Retirement Board agreed with all but one of the recommendations. Agency action has been taken to correct all amounts transferred due to administrative expense errors which affected past interchanges between SSA and the Board. SSA and the Board have taken actions to assure that their respective audit groups, singly or jointly, periodically audit all components of the financial interchange. Action is in process on the remainder of the outstanding recommendations but anticipated completion dates are not presently available. SSA and the Board are conducting a feasibility study on the implementation of the one recommendation the Board originally disagreed with.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH AND HUMAN SERVICES
VETERANS ADMINISTRATION

VA Improved Pension Program: Some Persons Get More Than They Should and Others Less
(HRD-80-61, 8-6-80)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act.

Congress hoped that the law improving pensions for needy veterans which went to effect January 1, 1979, would enable veterans and their survivors to receive benefits above the poverty level and help them avoid turning to welfare, such as the Supplemental Security Income (SSI) program provides.

Findings/Conclusions: Some couples who receive SSI and VA pensions receive more in benefits from these two programs than do other couples with similar or smaller incomes from other sources. The principal coordination of benefit information between VA and the Social Security Administration (SSA) occurs through automated data exchanges. Some changes are needed in this coordination to improve the accuracy of benefit payments by VA and to eliminate the exchange of unnecessary records. GAO estimated $14.5 million of inaccurate pensions payments were made, principally in 1978. This consisted of: (1) $9.6 million in overpayments because the veterans or their spouses failed to report to VA receipt of social security benefits and because VA did not use the benefit data provided by SSA in the January 1979 data exchange; (2) $1.7 million in overpayments and $0.3 million in underpayments substantially because one of the matching characteristics SSA used was not on the VA records; (3) $2.0 million in overpayments because veterans or their spouses did not accurately report receiving SSA black lung benefits; and (4) $0.9 million in underpayments because VA pensioners improperly reported their SSI benefits as social security benefits. VA is providing SSA, in the quarterly data exchange, an estimated 5.1 million unneeded records because it did not use the SSI indicators to limit the number of records provided. Additionally, VA is unnecessarily requesting SSA data for an estimated 618,700 known deceased veterans in the annual data exchange.

Recommendations to Agencies: The Secretary of Health and Human Services (HHS) should direct the Commissioner of SSA to immediately notify SSI-VA recipients residing in those States and the District of Columbia where Medicaid eligibility is not directly related to SSI eligibility that they must file for VA improved pension benefits and elect such benefits if higher than the VA benefits presently being received.
Status: Action completed.

The Administrator of Veterans Affairs should stop providing records during the annual data exchange on veterans deceased more than 1 year.
Status: Recommendation no longer valid/action not intended. *VA does not concur with this recommendation. It stated that it provides data to SSA on deceased veterans' accounts, when survivors are receiving VA pension benefits, in order to verify the veterans' social security number and not for verification of payment data. The disclosures help identify the correct amount of VA benefits to be paid to surviving spouses.*

The Administrator of Veterans Affairs should use the SSA annual data exchange information to identify and adjust payments for those pensioners who did not report their social security benefits and have not yet been detected.
Status: Action completed.

The Administrator of Veterans Affairs should establish a data exchange to verify Federal Black Lung benefits and review other Federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies.
Status: Action completed.

The Secretary of HHS should revise the regulations for the SSI program so that the VA pension benefits being received by a veteran not eligible for SSI will be counted as income to the veteran's spouse who is eligible and be allocated and treated in the same manner as other Federal benefits not based on need.
Status: Action completed.

The Administrator of Veterans Affairs should stop providing records during the quarterly exchange for those pensioners who are not SSI recipients.
Status: Action in process.

The Administrator of Veterans Affairs and the Commissioner of Social Security should take the necessary action to resolve identification problems, which prevent benefit data on a large number of SSA-VA recipients from being provided to VA for use in verifying the accuracy of information being provided to pensioners, in the annual data exchange.
Status: Action in process.

Agency Comments/Action

On March 9, 1981, SSA mailed notices to SSA/VA recipients, residing in States where Medicaid eligibility is not directly related to SSA eligibility, informing them that they must file for VA improved pension benfits and elect such benefits if they are higher than the VA benefits presently being received. SSA revised its policy so that the dependent's portion of a VA pension payment is considered income to the dependent for social security income purposes. Action on the two open recommendations is expected to be completed by June 1984.

DEPARTMENT OF JUSTICE
DEPARTMENT OF LABOR
DEPARTMENT OF THE TREASURY
Internal Revenue Service

Investigation To Reform Teamsters' Central States Pension Fund Found Inadequate
(HRD-82-13, 4-28-82)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001). Labor Management Relations Act, 1947 (29 U.S.C. 186(c)(5)). Multiemployer Pension Plan Amendments Act of 1980 (P.L. 96-364). 18 U.S.C. 664. 29 U.S.C. 1134. 29 U.S.C. 1136.

For many years, the Teamster's Pension Fund trustees have been the subject of allegations of misuse of the Fund's assets. Therefore, the Department of Labor initiated an investigation of the Fund and, in response to a congressional request, GAO reviewed the Government's investigation.

Findings/Conclusions: Labor's objective of having a Government-wide coordinated investigation did not succeed because the Internal Revenue Service (IRS) declined to participate in a joint investigation. Labor disclosed many alleged significant problems in the former trustee's management of the Fund's operations. However, Labor narrowly focused on the Fund's real estate and collateral loans, ignored other areas of alleged abuse, and left unresolved questions of potential civil and criminal violations. Investigations were not completed even though significant fiduciary violations and imprudent practices were found. The office responsible for the investigations had significant staffing, management, and coordination problems. The flow of investigative information between Labor and the Department of Justice was restricted at times. The investigation's objective to detect information for criminal investigation and prosecution was not entirely successful. Labor and IRS did not require a written agreement in restoring the Fund's tax-exempt status and did not insure that the Fund's new trustees met stated qualifications. Even after appointing independent investment managers, the Fund's trustees tried to reassert control over the Fund's assets and investments. In addition, the Fund's benefits and administration account was not adequately monitored. As a result, the pension plan is still thinly funded.

Recommendations to Agencies: The Commissioner of Internal Revenue should direct IRS officials to closely monitor the Fund's financial operations to ascertain that the Fund meets the minimum funding standards of the Employee Retirement Income Security Act in 1981 and in the future and, if not, take whatever action is needed to assure that the Fund meets the Act's requirements.
Status: Action in process.

The Secretary of Labor and the Commissioner of Internal Revenue should direct their investigative staffs to review the trustees' management and use of the benefits and administration account to determine the appropriate reserve the Fund should maintain in the account.
Status: Action in process.

The Secretary of Labor and the Commissioner of Internal Revenue should direct their respective investigative staffs to more closely cooperate to prevent coordination problems, duplication between investigators, and giving the Fund an excuse not to cooperate because the Government is not speaking with one voice.
Status: Action in process.

The Secretary of Labor, in consultation with the Commissioner of Internal Revenue, should take action to require that the proposed reorganization and any other reforms imposed on the Fund be included in a formal written, enforceable agreement signed and agreed to by Labor, IRS, and the Fund's trustees.
Status: Action completed.

The Secretary of Labor, in consultation with the Commissioner of Internal Revenue, should obtain further written enforceable commitment from the trustees to reorganize the way the Fund handles and controls the employer contributions and its other moneys to remove the trustees' control over any of these funds. The proposed reorganization should provide for: (1) the Fund to employ a financial custodian; (2) IRS and Labor to have a veto power over the selection of the investment manager and financial custodian, if the trustees' selections do not meet the Government's qualifications; and (3) limiting the trustees' roles and responsibilities to establishing overall investment objectives, determining eligibility requirements for pension benefits and employers' contributions, monitoring the investment manager's and the custodian's activities, and administering relevant collective-bargaining requirements.
Status: Action completed.

The Secretary of Labor, in consultation with the Commissioner of Internal Revenue, should obtain an enforceable commitment from the trustees for the Fund to: (1) continue to have an independent investment manager to control and manage the Fund's assets and investments after the present managers' contracts expire in October 1982; and (2) use the same selection criteria and qualifications as in the past should the trustees decide to replace the present investment managers after October 1982.
Status: Action completed

The Secretary of Labor, in consultation with the Commissioner of Internal Revenue, should require that future Fund trustees meet the criteria and qualifications similar to those established in 1977, closely monitor the selection of future trustees, and veto the selection of a trustee not meeting the criteria.

Status: Action completed.

The Secretary of Labor should direct the Office of the Solicitor to carry out the recommendations in the Kotch-Crino report to honor the memorandum of understanding with Justice by: (1) establishing a more effective written system of referring potential criminal violations to Justice; (2) suggesting a single Justice coordinator for all Fund activities; (3) establishing procedures wherein Justice periodically orients and briefs officials of the Office of the Solicitor; (4) suggesting one designated receiver in Justice for all Fund records; and (5) establishing a system wherein the Office of the Solicitor automatically forwards to Justice pertinent additional records regarding any matter previously referred.

Status: Action in process.

The Secretary of Labor should direct the Office of the Solicitor to establish a more effective system to process referrals of potential criminal violations to Justice.

Status: Action in process.

The Secretary of Labor and the Attorney General should take action to have their December 1978 coordination agreement revised to define the higher officials who should or would resolve litigation strategy problems the working group members cannot resolve or consider reestablishing an Interdepartmental Policy Committee similar to the one established in 1975.

Status: Action completed.

The Secretary of Labor should direct the Labor-Management Services Administration (LSMA), during its current investigation at the Fund, to: (1) assure that the LSMA Chicago staff performing the investigation receives proper training and uses all investigative techniques and procedures, particularly third-party interviews, to detect and develop potential criminal violations for referrals to Justice; and (2) effectively coordinates its investigative efforts with the Office of the Solicitor.

Status: Action completed.

Agency Comments/Action

Labor and IRS generally agreed with the report and recommendations. They described actions taken and being taken since early 1981 in general consonance with the GAO views and recommendations on what needs to be done. Justice and Labor also generally agreed with the GAO recommendations on improving coordination between the two agencies. On September 21, 1982, Labor entered into a court enforceable consent decree with the Teamsters' Central States Pension Fund. The decree continues and strengthens the established 1977 safeguards in the Fund's independent investment manager arrangements for handling the Fund's assets and investments, which were to expire on October 2, 1982, and generally follows the recommendations on what needs to be done to protect the Fund's $3.4 billion in assets and to ensure that the Fund is managed prudently and solely for the benefit of the plan's participants and beneficiaries as intended by the act. It also subjects the Fund to the jurisdiction of the U.S. District Court for the Northern District of Illinois for 10 to 15 years and gives the court supervisory power over the administration of the Fund.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF LABOR
DEPARTMENT OF THE TREASURY
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
OFFICE OF PERSONNEL MANAGEMENT

Uniform Guidelines on Employee Selection Procedures Should Be Reviewed and Revised
(FPCD-82-26, 7-30-82)

Budget Function: Nondiscrimination - Equal Opportunity Programs (990.3)
Legislative Authority: Civil Rights Act of 1964. Civil Service Reform Act of 1978. Civil Service Act. Executive Order 12067. Reorg. Plan No. 1 of 1978. Albemarle Paper Co. v. Moody, 422 U.S. 405 (1975). 5 U.S.C. 3304. 5 U.S.C. 2301.

The Uniform Guidelines on Employee Selection Procedures describe the Federal Government's position on how tests should be used in making employment decisions which are consistent with Federal equal opportunity (EEO) laws. This review was made because: (1) GAO believes that the Guidelines are important to EEO enforcement; and (2) the Guidelines have been publicly criticized by some of their users. The objective of the review was to determine whether those responsible for administering the Guidelines and those who use them were experiencing any problems in their application.

Findings/Conclusions: In the opinion of GAO, the importance of the Guidelines to EEO enforcement is not at issue. On the basis of the preponderance of views and experience expressed to GAO, it believes that the Guidelines can have a major role in insuring compliance with the spirit and intent of Federal EEO laws. While revisions to the Guidelines' technical provisions could be postponed until after the new American Psychological Association standards are published, beginning the review now could prevent unnecessary delay between issuance of those standards and any revisions.

Recommendations to Agencies: The Equal Employment Opportunity Commission (EEOC) should initiate a review of the Guidelines and revise them. This effort should include coordinating the review of the technical provisions with the joint committee revising the American Psychological Association standards.

Status: No action initiated. Affected parties intend to act.

EEOC should examine the problems associated with: (1) collecting and maintaining adverse impact data; (2) searching for alternatives during validation; and (3) the relationship of merit laws to the Guidelines.

Status: Action in process.

EEOC should determine how to make the Guidelines more understandable to their users.

Status: No action initiated. Date action planned not known.

The Office of Personnel Management should cooperate with EEOC in this important effort.

Status: No action initiated. Date action planned not known.

The Department of Justice should cooperate with EEOC in this important effort.

Status: No action initiated. Date action planned not known.

The Department of Labor should cooperate with EEOC in this important effort.

Status: No action initiated. Date action planned not known.

The Department of the Treasury should cooperate with EEOC in this important effort.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The EEOC Chairman advised the committees that he had been unable to give the recommendations his full consideration due to other pressing matters such as reorganization of EEOC headquarters staff. He said that he intends to give the matter serious attention as soon as opportunity permits and have his staff work on options and recommendations concerning the need to review the Uniform Guidelines. Justice, Treasury, and Labor commented that they stand ready to cooperate and participate in any review of the Guidelines undertaken by EEOC. The EEOC budget submission for fiscal year 1984 provided for implementing, during that year, a review of the Guidelines' recordkeeping requirements involving nontechnical issues. As of November 1983, EEOC had received from the public and private sectors 45 sets of comments on the recordkeeping provisions. EEOC plans to issue a notice of proposed rulemaking on the provisions.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY
DEPARTMENT OF TRANSPORTATION
EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Federal Drug Interdiction Efforts Need Strong Central Oversight
(GGD-83-52, 6-13-83)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Biaggi-Gilman Act (P.L. 96-350). Posse Comitatus Act (Use of Army) (18 U.S.C. 1385). Posse Comitatus Act Amendment (Use of Army) (P.L. 96-350). Classified Information Procedures Act (P.L. 95-456). Drug Abuse Office and Treatment Act of 1972. S. 406 (98th Cong.). Reorg. Plan No. 2 of 1973.

GAO reviewed the Federal drug interdiction efforts and recommended ways to improve effectiveness.

Findings/Conclusions: GAO found that Federal efforts to attack the supply of illegal drugs have three major components: (1) international programs aimed at drug-producer countries; (2) interdiction of drugs at the border; and (3) domestic law enforcement. Federal resources devoted to drug interdiction more than tripled from 1977 to 1982. The Coast Guard's drug interdiction program comprises the majority of this increase. Despite these increases, only 16 percent of the marijuana and less than 10 percent of the heroin, cocaine, and dangerous drugs that are entering this country are seized through total drug enforcement efforts. Joint special projects conducted by two or more agencies have proven especially effective in attacking drug smuggling, for example, special Drug Enforcement Administration (DEA) investigations involving the U.S. Customs Service and the Coast Guard. The authority and responsibility for Federal drug interdiction efforts are split among three separate agencies in three executive departments. Although the level of cooperation is increasing, especially in south Florida, such fragmentation has a certain amount of inefficiency and interagency conflict. Congressional oversight and executive branch resource allocation decisions relative to drug interdiction are difficult under these circumstances. The effectiveness of Federal interdiction efforts depends a great deal on intelligence support capabilities. The military departments have provided some limited assistance to drug enforcement agencies over the last several years.

Recommendations to Agencies: The President should direct the development of a more definitive Federal drug strategy that stipulates the roles of the various agencies with drug enforcement responsibilities, to include a determination of whether the role of the U.S. Customs Service should be expanded to assist in followup investigations of interdiction cases.
Status: No action initiated. Date action planned not known.

The President should make a clear delegation of responsibility to one individual to oversee Federal drug enforcement programs.
Status: No action initiated. Date action planned not known.

The Attorney General and the Secretaries of Treasury and Transportation should direct DEA, the Customs Service, and the Coast Guard officials to work together to develop a management information system which accumulates interdiction program results such as drug seizures, level of prosecution, and case disposition, and identifies the resources devoted to drug interdiction programs.
Status: Action in process.

The Director, Office of Management and Budget should accumulate budgetary data on drug enforcement costs that are provided by Coast Guard, Customs, and DEA, and submit this information to Congress concurrent with these agencies' budget submissions.
Status: No action initiated. Date action planned not known.

The Attorney General should direct the Administrator of DEA to review current overseas staffing to determine whether additional personnel could be reassigned and used more effectively in the Caribbean.
Status: No action initiated. Date action planned not known.

The Secretary of State should prepare a Narcotics Assessment and Strategy Paper and, if it is found to be warranted, follow up with projects designed to aid interdiction efforts.
Status: Action in process.

The Attorney General and the Secretaries of Treasury and Transportation should direct DEA, Customs, and Coast Guard units to recognize the importance of promptly reporting all information on drug smuggling to the El Paso Intelligence Center.
Status: No action initiated. Date action planned not known.

The Attorney General and the Secretaries of Treasury and Transportation should provide additional staff to the El Paso Intelligence Center.
Status: Action in process.

The Secretary of the Treasury should direct the Commissioner of Customs to transfer to El Paso Intelligence Center (EPIC) the drug intelligence analysis activities in the Office of Border Operations that are similar to those at EPIC and assign the staff necessary to carry out such activities
Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Commandant of the Coast Guard to transfer to El Paso Intelligence Center the marine drug intelligence activities at the Atlantic Area Command.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

The agencies have begun to take action on the recommendations concerning the development of a management information system and the provision of additional staff to the El Paso Intelligence Center. However, no definitve actions have been taken on the remaining recommendations contained in the report. The Department of Justice disagrees with the thrust of the report that a management structure be created that has an overview of all drug-related matters. Without support from the Department of Justice, implementation of the recommendation by other agencies is unlikely.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE INTERIOR

Improved Federal Efforts Needed To Change Juvenile Detention Practices
(GGD-83-23, 3-22-83)

Budget Function: Administration of Justice: Criminal Justice Assistance (754.0)
Legislative Authority: Juvenile Justice and Delinquency Prevention Act of 1974 (42 U.S.C. 5601). Juvenile Justice Amendments of 1980.

GAO examined the efforts that States, localities, and Federal agencies are making to change their juvenile detention policies and practices and identified opportunities for further improvement.

Findings/Conclusions: GAO found that juvenile detention practices have improved since passage of the Juvenile Justice and Delinquency Prevention Act of 1974, but problems still exist. Although the number of juveniles admitted to detention centers appears to have decreased by about 14.6 percent from 1975 to 1979, GAO found questionable detention practices in all five of the States it visited. About 39 percent of the juveniles detained in detention centers and jails in the States reviewed were not charged with serious offenses. Suggested standards for physical conditions and services were not met by many of the detention facilities, and some jails used isolation-type cells to separate juveniles from adult prisoners. Juvenile detention policies and practices of five Federal agencies do not always adhere to the objectives of the act. The Bureau of Indian Affairs' standards require juveniles to be held in cells apart from adults, but allow them to be within the sight and sound of adult prisoners. Policies of the Marshals Service and the Immigration and Naturalization Service could result in juveniles' being transported in vehicles with adults. The National Park Service (NPS) picks up runaways and turns them over to local authorities, possibly resulting in their detention. Further, the agencies' systems of inspecting law enforcement programs and detention facilities for adherence to their policies and national juvenile justice standards were not adequate.

Recommendations to Agencies: The Attorney General should require the Office of Juvenile Justice and Delinquency Prevention (OJJDP) to encourage States to adopt and implement standards that provide specific detention criteria which limit the use of secure detention to appropriate purposes and require adequate care and services for detained juveniles.
Status: Action in process.

The Attorney General should require OJJDP to develop and support the adoption of model State legislation that would, if implemented, conform secure detention practices in the States to standards consistent with the objectives of the Juvenile Justice and Delinquency Prevention Act.
Status: Action in process.

The Attorney General should require OJJDP to increase assistance to States and localities by providing technical information on how other States and localities have successfully dealt with juvenile detention problems.
Status: Action in process.

The Attorney General should require OJJDP to assist States and localities in identifying areas where additional nonsecure detention alternatives are needed, developing methods of providing alternatives, and coordinating the alternatives with local detention decisionmakers.
Status: No action initiated. Date action planned not known.

The Attorney General should require OJJDP to assist States and localities in improving their monitoring and recordkeeping systems to adequately account for juvenile detention practices.
Status: Action in process.

The Attorney General should require OJJDP to actively promote the objectives of the Juvenile Justice and Delinquency Prevention Act by adopting a strong policy formulation role and through working with the Federal Coordinating Council, identifying the policies and practices of other Federal agencies that are inconsistent with the act's objectives.
Status: Action in process.

The Attorney General should require OJJDP to actively promote the objectives of the Juvenile Justice and Delinquency Prevention Act by providing technical assistance and information needed to adopt appropriate policies and practices.
Status: Action in process.

The Attorney General and the Secretary of Interior should direct their respective agencies to: cooperate with OJJDP and the Coordinating Council in conforming their policies and practices to the act's objectives; and establish recordkeeping and monitoring programs that adequately account for juvenile detention practices and help determine whether the act's objectives are being achieved.
Status: Action in process.

Agency Comments/Action

Interior concurred with the recommendations. NPS and the U.S. Park Police will meet with OJJDP to discuss the findings, provide closer coordination, gain technical assistance, and obtain a better understanding of OJJDP standards, policies, procedures, and authorities. The Bureau of Indian Affairs law enforcement manual is being revised to prohibit jailing juveniles in adult facilities unless the act's mandates can be met by renovating existing facilities. NPS will instruct all field officers to keep specific records on juveniles, follow up with State/local agencies on disposition of juveniles, and

improve monitoring of juveniles by adding "check questions" to its standards. The Park Police is modifying its general order to comply with the findings in the report. Justice believes that OJJDP has made more progress and provided more assistance than the report indicates. OJJDP said that the five recommendations to improve State detention practices are being addressed under a contract.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY
Internal Revenue Service

Streamlining Legal Review of Criminal Tax Cases Would Strengthen Enforcement of Federal Tax Laws
(GGD-81-25, 4-29-81)

Budget Function: General Government: Tax Administration (803.1)

The efficiency and effectiveness of the Federal Government's tax enforcement efforts have been hampered by a time-consuming and duplicative legal review process for criminal tax cases. About 75 percent of the investigations conducted by the Internal Revenue Service (IRS) do not lead to prosecutive recommendations or convictions.

Findings/Conclusions: Readily available legal assistance during investigations could reduce staff-day expenditures, thus improving IRS productivity in terms of the quality and timeliness of its investigations. However, it routinely does not obtain the assistance until after investigations are completed. Many criminal tax cases are declined for prosecution by IRS or Justice Department attorneys who determine that such cases do not meet certain legal standards. Often, an attorney could have detected legal deficiencies during the investigative process. IRS established a means whereby special agents can seek such assistance by prereferring a case to IRS attorneys at any point during an investigation. This prereferral mechanism has not been used in many cases and has not fully met IRS needs. Although the legal review process clearly needs restructuring, the best means for doing so is not clear. GAO presented various alternatives for revising the process, all of which call for partial or complete elimination of one of the three current review levels.

Recommendations to Congress: Congress should ensure that the Treasury and Justice Departments develop a streamlined legal review process for criminal tax cases and that any revised system realizes potential cost savings while safeguarding taxpayers' legal rights.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Attorney General and the Commissioner of Internal Revenue should jointly develop a streamlined legal review process for criminal tax cases.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Justice and IRS have made a series of changes directed at improving the review process. Further actions are still warranted.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY

Potential Problem With Federal Tax System Postemployment Conflicts of Interest Can Be Prevented *(GGD-81-87, 9-15-81)*

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Ethics in Government Act of 1978 (18 U.S.C. 207).

GAO evaluated the administration of the post-Federal employment restrictions by the Departments of Justice and the Treasury, including the Internal Revenue Service (IRS), to determine if their controls were adequate to prevent, identify, and remedy conflicts of interest in the Federal tax system. The positions covered in the review were selected because they involved responsibilities conducive to postemployment conflicts of interest and were most likely to be filled by persons who did not intend to make public service a career.

Findings/Conclusions: Results of a questionnaire sent by GAO to former employees indicated that: (1) 86 percent of the respondents were involved in Federal tax matters; (2) 44 percent of the respondents noted that they had not been informed of postemployment restrictions; and (3) an additional 29 former employees did not receive complete information on the restrictions from their former agencies. Justice, Treasury, and IRS do not know how many former employees are working in private tax practice. They do not monitor their former employees' subsequent involvement in Federal tax matters either to detect violations of the restrictions or to determine if postemployment problems exist. The number of former employees working in private sector tax jobs and facing conflict-of-interest situations is great enough to require that compliance with the postemployment restrictions be monitored to ensure that violations are detected. Once they are detected, violators must be disciplined in accordance with the applicable statute and regulations. Although Treasury has a system for disciplining violators, few suspected violations have been processed through the system. Final regulations have been issued which require that agencies: (1) establish education and counseling programs to cover postemployment matters, (2) take prompt and effective administrative actions to remedy actual or potential violations, and (3) periodically evaluate the adequacy and effectiveness of their postemployment enforcement systems.

Recommendations to Agencies: The Attorney General and the Secretary of the Treasury should require separating employees to certify, in the presence of their supervisors, that they have read, understand, and will comply with the postemployment statute, the regulations governing practice before IRS, and the legal profession's code pertaining to former Federal employees.

Status: Action completed.

The Secretary of the Treasury should direct the Commissioner of Internal Revenue to emphasize the postemployment restrictions at seminars during which employee conduct is discussed.

Status: Recommendation no longer valid/action not intended. *Treasury is satisfied that the recommended action is being accomplished.*

The Attorney General and the Secretary of the Treasury should determine if postemployment conflicts of interest are a problem in the tax system by monitoring the postemployment activities of a sample of former employees.

Status: Recommendation no longer valid/action not intended. *Justice and Treasury disagree with this recommendation and plan no action.*

The Secretary of the Treasury should direct the Commissioner of Internal Revenue to revise the power of attorney form used at IRS to state that the person executing the form is aware of the postemployment restrictions applicable to former tax administration employees and their associates.

Status: Action completed.

The Secretary of the Treasury should give the Director of Practice responsibility for ensuring that postemployment restrictions are not violated in identified conflict-of-interest situations.

Status: Recommendation no longer valid/action not intended. *The Director of Practice believes that this responsibility already exists although it has not been formalized.*

The Secretary of the Treasury should direct the Inspector General, the IRS Chief Counsel, and the Commissioner of Internal Revenue to establish procedures for coordinating their postemployment responsibilities with the Director of Practice.

Status: Recommendation no longer valid/action not intended. *Treasury has established procedures for coordination.*

The Attorney General and Secretary of the Treasury should determine and establish the level of enforcement needed to reasonably ensure that conflicts of interest are resolved in compliance with the postemployment restrictions and that violations of the restrictions are detected.

Status: Recommendation no longer valid/action not intended. *Treasury and Justice stated that they have no legal authority to take the recommended action.*

The Secretary of the Treasury should direct the Inspector General, the IRS Chief Counsel, and the Commissioner of Internal Revenue to coordinate their postemployment responsibilities with the Director of Practice and to inform him of the conflict-of-interest situations and potential violations of the postemployment restrictions that come to their attention.

Status: Recommendation no longer valid/action not intended. *Treasury believes that the recommended action is being done.*

The Secretary of the Treasury should direct the Director of Practice to review isolation statements filed with his office and disapprove those which do not adhere to the minimum isolation procedures to be set forth or which would involve conditions for which isolation would not eliminate the appearance of impropriety.

Status: Recommendation no longer valid/action not intended. *The Director of Practice stated that all statements received are being reviewed as GAO suggested.*

The Attorney General and the Secretary of the Treasury should establish uniform regulations to enforce the postemployment restrictions that apply to associates of former employees which set forth the minimum procedures that former employees' associates must follow to isolate former employees from participation in tax matters.

Status: No action initiated. Date action planned not known.

The Attorney General and the Secretary of the Treasury should establish uniform regulations to enforce postemployment restrictions that apply to the associates of former employees which define the situations in which the disqualification of the former employees' associates should stand because isolation of the former employee would not remove the appearance of impropriety.

Status: No action initiated. Date action planned not known.

The Attorney General should develop a postemployment manual which: (1) states the postemployment restrictions that apply to former Federal employees who practice in the tax system, the purpose of the restrictions, the former employee's responsibilities for complying with the restrictions, and the penalties for violating the restrictions; (2) explains how the restrictions apply to the functions performed by tax administration employees; and (3) instructs former employees to direct questions about the restrictions and their applicability to their agencies' ethics counselors.

Status: Action in process.

The Secretary of the Treasury should develop a postemployment manual which: (1) states the postemployment restrictions that apply to former Federal employees who practice in the tax system, the purpose of the restrictions, the former employee's responsibilities for complying with the restrictions, and the penalties for violating the restrictions; (2) explains how the restrictions apply to the functions performed by tax administration employees; and (3) instructs former employees to direct questions about the restrictions and their applicability to their agencies' ethics counselors.

Status: Action completed.

Agency Comments/Action

Treasury is currently establishing a new system to address the 6-month response requirement of OMB Circular A-50. The system will be used department-wide with first priority going to the GAO recommendations. The agency has just taken definite actions on the recommendations. Justice has not sent a 6-month letter; the responsible individual was not aware of the requirement. Justice is responding by establishing an ethics coordinator for each operating group.

DEPARTMENT OF JUSTICE
United States Marshals Service
DEPARTMENT OF THE TREASURY

Better Care and Disposal of Seized Cars, Boats, and Planes Should Save Money and Benefit Law Enforcement *(PLRD-83-94, 7-15-83)*

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Tariff Act of 1930 (19 U.S.C. 1301 et seq.). Controlled Substances Act (21 U.S.C. 801 et seq.). Antismuggling Act (19 U.S.C. 1701 et seq.). Currency and Foreign Transactions Reporting Act (31 U.S.C. 5301 et seq.). Violent Crime and Drug Enforcement Improvements Act of 1982. Property and Administrative Services Act (40 U.S.C. 481(c)). 41 C.F.R. 101-46. S. 829 (98th Cong.). S. 948 (98th Cong.). S. 830 (98th Cong.). H.R. 3963 (97th Cong.). P.L. 76-618. P.L. 95-582. 21 U.S.C. 781 et seq. 19 U.S.C. 1581(e). 8 U.S.C. 1324. 31 U.S.C. 1344. 40 U.S.C. 304h. 40 U.S.C. 304i. 31 U.S.C. 1343.

GAO reported on the Government's storage, care, and use of vehicles, vessels, and aircraft that are seized and forfeited for transporting controlled substances and illegal aliens.
Findings/Conclusions: GAO found that seized conveyances are normally held by law enforcement agencies for prolonged periods awaiting forfeiture to the Government, during which time they receive little care, maintenance, or protection. GAO noted that, when the conveyances are sold, they often sell for only a fraction of their appraised value at seizure, largely because of their poor condition and ineffective sales practices. Further, if the agencies acquire the forfeited conveyances for their official use, they usually have high startup and continual repair costs. GAO also noted that storage problems with seized property have periodically hindered law enforcement efforts. GAO concluded that these problems, if not resolved, will likely become more extensive as the use of seizure as a means of fighting crime increases.
Recommendations to Congress: Congress should enact legislation to: (1) raise or remove the administrative forfeiture limit for conveyances transporting illegal narcotics, other forms of prohibited merchandise, and illegal aliens; (2) establish special funds from the proceeds of forfeited conveyances seized by the Customs Service, the Drug Enforcement Agency, and the Immigration and Naturalization Service to enable these agencies, in such amounts as provided in annual congressional appropriations acts, to adequately inventory, store, protect, and maintain seized property and to properly clean, repair, and advertise the property for increased sales revenue; and (3) require agencies to report to Congress the number and value of conveyances that are retained for use or that are exchanged or sold to obtain new conveyances so they can be easily monitored.
Status: Action in process.

Recommendations to Agencies: The Secretary of the Treasury and the Attorney General should: (1) establish information systems to measure the effectiveness of their agencies' management of seized property, including forfeiture timeframes, conveyance values at seizure, appraisal source, sales return, sales return as a percent of seizure valuation, storage and maintenance costs, and incidents of deterioration, vandalism, and theft; and (2) institute policies that require property managers to consider the costs of property devaluation and lower sales returns in addition to the direct costs for security, storage, and maintenance, when determining the extent and quality of care to be provided for seized property.
Status: Action in process.

The Secretary of the Treasury, to reduce the Customs Service's lengthy forfeiture process, should: (1) adopt procedures for notifying owners that their property has been seized which request that titles and contracts be submitted with the petitions for return of the property; (2) require petitioners seeking return of seized property to state the basis on which such claims are made, provide available evidence to support such claims, and provide proof of ownership or interest to assist the agency in conducting its investigations; (3) reduce the timeframes for petitioners to post claims and for Customs to investigate petitions; and (4) reduce the review levels for property valued over $25,000.
Status: Action in process.

The U.S. Marshals Service should continue to seek court procedure changes that will appoint the Customs Service as the substitute custodian for the property it seizes to reduce staff time and unnecessary expenditures and to increase sales proceeds.
Status: Action in process.

Agency Comments/Action

The U.S. Customs Service has agreed to implement all of the recommendations. Although the Department of Justice has not responded, GAO understands that it will also implement all of the recommendations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL RESERVE SYSTEM

Bank Merger Process Should Be Modernized and Simplified
(GGD-82-53, 8-16-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Banking Agency Audit Act (31 U.S.C. 67). Bank Merger Act (12 U.S.C. 1828(c)). Bank Holding Company Act (12 U.S.C. 1841 et seq.). Clayton Act (Trusts) (15 U.S.C. 12 et seq.). Sherman Antitrust Act (15 U.S.C. 1 et seq.). Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221). Financial Institutions Regulatory and Interest Rate Control Act of 1978 (12 U.S.C. 3301 et seq.). McFadden Act (Banking) (12 U.S.C. 36). Douglas Amendment (Bank Holding Companies) (12 U.S.C. 1842(d)). Community Reinvestment Act of 1977 (12 U.S.C. 2901 et seq.). 12 U.S.C. 214a et seq.

Because of recent increases in the number of bank mergers and the potential for further increases, GAO reviewed the Federal laws and regulatory supervision for approving bank mergers.

Findings/Conclusions: Broadly speaking, in acting on merger applications, Federal and State agencies consider the following factors: (1) the financial condition of the applicant banks, (2) the character and experience of the management of the surviving bank, (3) whether the convenience and needs of the community will be served, and (4) the effects of the merger on competition. Although Federal bank regulators' assessments of the competitive effects of proposed mergers receive the most consideration and involve the most controversy, the agencies' evaluations are not uniform, and specific criteria have not been developed for making the evaluations. The ways by which the regulators defined the relevant market to be used in evaluating competitive effects of proposed mergers differed and lacked uniform criteria in applying the line of commerce and potential competition concepts. This has resulted in conflicting decisions by Federal regulators and encourages "agency shopping" whereby parties to a merger seek out the Federal bank regulator possessing the most lenient standards for assessing mergers. GAO also found that, despite its frequent use, the phantom bank merger process is expensive, time consuming, and burdensome to banks, bank holding companies (BHC), and Federal regulators. This complicated process is used because banking laws do not provide for shell corporations which serve similar purposes for nonbank corporations. Finally, GAO concluded that changes are needed in both agency practices and merger law to reduce the processing time for merger applications.

Recommendations to Congress: Congress should amend the Bank Merger Act to provide that the banking agencies, to the extent practicable and within available data limitations, consider competing nonbank financial institutions in evaluating the competitive effects of a bank merger.
Status: Action in process.

Congress should amend the Bank Holding Company Act to permit a BHC to acquire, by an exchange of stock, total control of an operating national bank subject to approval of the Federal Reserve and upon the affirmative vote of the shareholders owning at least two-thirds of that bank's outstanding capital voting stock. The amendment should provide that: (1) the appropriate BHC application be accompanied by a plan of acquisition; (2) the shareholders of the target bank voting against the acquisition could receive stock in the holding company; (3) the exchange of stock qualify as a tax-free exchange; (4) the acquired bank continue as a Federal Deposit Insurance Act insured bank; (5) the plan of acquisition be in compliance with all applicable Federal securities laws; and (6) for similar acquisitions of State-chartered banks, the BHC application be accompanied by a plan of acquisition rather than a merger application.
Status: Action in process.

Congress should amend the Bank Merger Act to exempt phantom mergers and corporate reorganizations from competitive effects assessments. This would remove the requirement that the responsible agency obtain reports on a proposed merger's competitive aspects from the Attorney General and the other two bank regulatory agencies. These types of mergers should also be exempted from the 30-day period for Attorney General review prior to consummation.
Status: Action in process.

Congress should delete the publication and comment requirement for phantom mergers and corporate reorganizations and reduce the publication period for regular mergers to a period more consistent with that of other types of corporate change applications.
Status: Action in process.

Recommendations to Agencies: The three Federal bank regulatory agencies should, with the advice of the Department of Justice, work together to formulate a useful and consistent method of analysis for considering what effect a proposed merger would have on future competition in the market area of the bank being acquired.
Status: Action in process.

The three Federal bank regulatory agencies should jointly establish a more consistent method of analysis for defining

the relevant market when evaluating the competitive aspects of a proposed merger.

Status: No action initiated. Date action planned not known.

The Federal regulators should take steps to ensure that competitive factor reports are furnished to the requesting agency within the required 30 days and that the requesting agency properly considers the comments received and reconciles major conflicting conclusions.

Status: Action in process.

The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation (FDIC) should delegate responsibility to their regional offices for approving less complicated mergers.

Status: Action completed.

FDIC should permit regional offices to officially accept all merger applications and immediately begin their processing.

Status: Action completed.

The Federal Reserve System and FDIC should jointly work with State bank regulators to: (1) coordinate the Federal-State review of merger applications, and (2) develop common merger application forms.

Status: Recommendation no longer valid/action not intended. *Because of the limited extent to which the Federal Reserve Board works with State applications, it suggested that the cost effectiveness of the recommendation might not make implementation workable. GAO did not study this aspect of the recommendation in sufficient detail to dispute this. However, the Federal Reserve System agreed to cooperate with States to the greatest extent possible.*

Agency Comments/Action

The extent to which the agencies have taken action varies within and among them. For example, the Office of the Comptroller of the Currency is drafting proposed legislation which it plans to submit to Congress during the spring of 1984 to accomplish the objectives of the recommendations to Congress. On the other hand, the three bank regulatory agencies have been unable to jointly reach agreement on a uniform method of analysis for defining the relevant market when evaluating the competitive aspects of a proposed merger as recommended by GAO.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DISTRICT OF COLUMBIA

Millions of Dollars in Charges for Housing D.C. Prisoners in Bureau of Prisons' Institutions Are in Dispute
(GGD-83-44, 6-1-83)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)
Legislative Authority: D.C. Code tit. 24 §423. 18 U.S.C. 5003.

GAO reviewed the dispute between the Bureau of Prisons and the District of Columbia Government concerning payments to house D.C. prisoners in Federal correctional institutions.

Findings/Conclusions: GAO noted that, according to the Bureau's records, the D.C. Government owed it more than $20 million as of August 1982. This deficit existed even after the D.C. Government paid the Bureau $12.5 million in January 1982 to partially offset the deficit. GAO found that the agencies cannot agree on the amount of money owed or how the interest charges should be applied. The Bureau applied the January 1982 payment to the interest due on the outstanding debt and the portion of the debt that had been in arrears the longest. However, the position of D.C. is that it should not pay interest charges on all of the outstanding debt because a large part of the balance consists of questionable costs. GAO also noted that the Bureau has little incentive to resolve billing disputes with the D.C. Department of Corrections because the funds, by law, are not available to the Bureau, but are deposited to the U.S. Treasury. GAO concluded that the Bureau and the D.C. Government need to resolve their dispute over payments to house D.C. prisoners in Federal correctional institutions and to take steps to prevent such disputes in the future.

Recommendations to Agencies: The Attorney General should require the Director of the Bureau of Prisons to formulate legislation to authorize the Bureau of Prisons to use reimbursements collected from the D.C. Government to offset the Bureau's operating expenses for housing D.C. prisoners.
Status: No action initiated. Date action planned not known.

The Attorney General should require the Director of the Bureau of Prisons to enforce the terms of the recently revised billing procedures that require Bureau of Prisons' institutions to submit negative quarterly reports to the Department of Corrections when no D.C. prisoners are being housed.
Status: Action completed.

The Attorney General should require the Director of the Bureau of Prisons to enforce the terms of the recently revised billing procedures that require Bureau of Prisons' institutions to submit negative quarterly reports to the Department of Corrections when no D.C. prisoners are being housed.
Status: Action completed.

The Attorney General should require the Director of the Bureau of Prisons to meet with D.C. Government officials to: (1) resolve how the $12.5 million the District paid in January 1982 is to be applied by the Bureau; and (2) determine how debt resolution and the application of payments will be handled in the future.
Status: Action completed.

The Mayor of the District of Columbia and the Attorney General should set a timetable for resolving the disputed charges and outstanding debts that are now on the Bureau of Prisons' records.
Status: Action in process.

Agency Comments/Action

Both the D.C. Department of Corrections and the Department of Justice stated that they will work to resolve the disputed billings. On October 28, 1983, the Federal Bureau of Prisons and the D.C. Department of Corrections concluded a memorandum of understanding which: (1) established billing procedures; (2) required the D.C. Department of Corrections to immediately pay $12.1 million for bills that had been verified; and (3) proposed to cancel $5.8 million for bills that were difficult to verify. They want to cancel the $5.8 million because of the substantial costs both agencies would incur to verify the bills making up this total. The cancellation of the $5.8 million is still unresolved since the proposal has not yet been approved by the appropriate authorities.

DEPARTMENT OF JUSTICE
JUDICIAL CONFERENCE OF THE UNITED STATES

U.S. Marshals Can Serve Civil Process and Transport Prisoners More Efficiently
(GGD-82-8, 4-22-82)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Judiciary Act (1 Stat. 73). P.L. 87-621. Fed. R. Civ. P. 4. Fed. R. Civ. P. 45. H.R. 3580 (97th Cong.). S. 951 (97th Cong.). S. 2377 (96th Cong.). H.R. 4272 (96th Cong.). 28 U.S.C. 1921. 28 U.S.C. 569(b). 1 Stat. 87.

GAO examined the operations of the U.S. Marshals Service and evaluated the Marshals Service's efforts to serve civil process for private litigants and to transport Federal prisoners between judicial districts.

Findings/Conclusions: Marshals have been required by law to serve civil process when directed by the courts. Civil process is served and fees are charged in accordance with judicial rules and Federal statute which are causing the process-serving function to be uneconomical and inefficient. Rule 4 of the Federal Rules of Civil Procedure governs the service of process and causes marshals to be excessively involved with the performance of this function. It also restricts the use of an efficient method of service for summonses and complaints, certified mail. Although recent changes have been made to Rule 4 to broaden the range of people with blanket authorization to serve civil process and the ability of courts to specifically appoint persons to service civil process, these changes have not had a significant impact. Rule 4 allows the use of certified mail to serve summonses and complaints to individuals, business concerns, and unincorporated associations. However, most States do not specifically allow the routine use of certified mail to serve civil summonses and complaints. GAO found that certified mail was an effective and efficient method of service and did not hamper court operations. In an effort to reduce the cost of transporting Federal prisoners across Federal judicial district boundaries, the National Prisoner Transportation System was developed. However, it is not being used to its full potential which results in unnecessary transportation costs and danger to the public.

Recommendations to Congress: Congress should revise 28 U.S.C. 1921 to give the Attorney General authority to periodically revise the fees that marshals charge for serving civil process for private litigants in Federal court.

Status: Action in process.

Congress should require that the established fees provide full recovery of marshals actual operating costs to serve private civil process exclusive of the costs incurred to serve process for indigents.

Status: Action in process.

Recommendations to Agencies: The Attorney General should: (1) implement a definitive and detailed prisoner-movement priority system for trip coordinators to use when scheduling trips; (2) gather more specific deadline information for each prisoner movement; (3) require U.S. Attorneys' Offices to provide marshal personnel more timely information in order that the maximum amount of lead times are provided trip coordinators when scheduling trips; and (4) direct trip coordinators to critically evaluate each proposed prisoner movement for cost-effectiveness.

Status: Action completed.

The Judicial Conference should develop amendments to Rule 4 of the Federal Rules of Civil Procedure which would require that civil process be served by persons specially appointed or approved by the courts to perform this function, except in those situations when service of process by marshals is specifically required by law or is deemed necessary by the courts.

Status: Action completed.

The Judicial Conference should develop amendments to Rule 4 of the Federal Rules of Civil Procedure which would authorize all Federal judicial districts to use certified mail as one of the methods of serving summonses and complaints except when service is to be made to an infant or an incompetent and complaints should designate the person who may properly sign for the receipt of such process.

Status: Recommendation no longer valid/action not intended. *In passing P.L. 97-462, Congress has designated that first class mail be used rather than certified mail as the primary means of serving civil summonses and complaints. The use of first class is now authorized in every district regardless of whether a State's laws authorize it. This effort is consistent with the recommendation.*

Agency Comments/Action

The Judicial Conference has passed amendments which would achieve the purpose of the GAO recommendations. The implementation date of these amendments was October 1, 1983. Justice has taken specific actions to accomplish the intent of the recommendations relating to prisoner transportation. These actions were verified and an accomplishment report issued.

DEPARTMENT OF LABOR
DEPARTMENT OF THE TREASURY
Internal Revenue Service
PENSION BENEFIT GUARANTY CORPORATION

Better Management of Private Pension Plan Data Can Reduce Costs and Improve ERISA Administration
(HRD-82-12, 10-19-81)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Employee Retirement Income Security Act of 1974. Claims Collection Act (31 U.S.C. 952). 4 C.F.R. 102.1.

The Department of Labor, the Internal Revenue Service (IRS), and the Pension Benefit Guaranty Corporation (PBGC) are responsible for administering and enforcing the Employee Retirement Income Security Act (ERISA). Private pension plans are required to report substantial information to these agencies under the Act. GAO investigated the ERISA information managerial activities of Labor, IRS, and PBGC to determine the adequacy and effectiveness of: (1) the agencies' efforts to make sure that pension plans file ERISA annual reports, annual premium filings, and summary plan descriptions; and (2) the IRS efforts to assure that annual reports filed by plans are complete.

Findings/Conclusions: Information required to be reported annually by private pension plans is not being effectively, efficiently, or economically managed. Although the agencies believe that almost all of the required annual report information is critical for them to administer the Act, GAO found that some plans may not be filing reports and that many of the reports filed are incomplete. In 1979, both Labor and IRS attempted to assure that the plans filed reports. These efforts wasted labor and resources and irritated plan administrators. The agencies did not use all the information on reports filed nor did they establish controls to ensure that data they used were accurate. When information was missing from reports filed, IRS did not take adequate action to obtain the missing data and accepted reports with critical information items missing. GAO found no evidence that IRS plans to take more forceful action to obtain information missing from filed reports. PBGC has not made certain that insured plans pay required premiums every year, or at all, and does not use ERISA annual report information for collecting unpaid premiums; thus, millions of dollars in premiums may have been lost. The extent to which planned improvements can be implemented is questionable because of the restricted ability of PBGC to overcome unreliable data with limited resources. Both IRS and PBGC are paying for improving and maintaining the accuracy of data for the same plans on two separate files, and there is an additional cost for their reconciliation. Filing plan summaries with Labor is costly and unnecessary.

Recommendations to Congress: Congress should amend the Employee Retirement Income Security Act to: (1) eliminate the requirement that employee benefit plans routinely file copies of plan descriptions and plan summaries with Labor; (2) require the plans to provide Labor with copies of plan summaries at the request of Labor; and (3) require Labor to obtain, on behalf of plan participants and others, copies of plan summaries from the plans when so requested. Congress should make these amendments before plans have to meet summary refiling requirements in 1982
Status: Action in process.

Recommendations to Agencies: The Secretaries of Labor and the Treasury and the Executive Director of the Pension Benefit Guaranty Corporation should reassess the need for each annual report information item and eliminate the reporting requirement for those not needed to carry out the Employee Retirement Income Security Act's overall participation protection goals.
Status: Action completed.

The Commissioner of the Internal Revenue Service should implement procedures to ensure that information items needed for the annual report are obtained, including invoking penalties when plans fail to provide the information
Status: Action completed.

The Executive Director of the Pension Benefit Guaranty Corporation and the Commissioner of the Internal Revenue Service (IRS) should establish and carry out a timetable for IRS to assume responsibility for receipt and processing of both premium collection and annual report information and, while these steps are being taken, undertake a cooperative effort to reconcile the differences between the annual report and premium files. The Executive Director should take action to collect unpaid premiums identified by this effort.
Status: Action in process.

Agency Comments/Action

The agencies advised GAO that they agree with the thrust of the recommendations and are taking actions to implement them. By October 1983, the agencies had reassessed the need for annual report information items and IRS had implemented procedures for better ensuring that needed information items are obtained. IRS and the Pension Benefit Guaranty Corporation have been evaluating the feasibility and costs of IRS assuming responsibility for receipt and processing of premium collection. According to IRS, however, premium collection responsibility cannot

be transferred until the computer capacity is increased in 1985, or later.

Congress is considering legislation to reduce private pension plan reporting requirements under ERISA and to improve the management information that is reported.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF STATE
DEPARTMENT OF THE TREASURY
UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
Agency for International Development

Changes Needed in U.S. Assistance To Deter Deforestation in Developing Countries
(ID-82-50, 9-16-82)

Budget Function: International Affairs (150.0)
Legislative Authority: Foreign Assistance Act of 1961. P.L. 80-480.

GAO reviewed the problem of deforestation in developing countries and evaluated whether forestry, agricultural, and rural development projects have been promoting improved and self-sustained forestry and natural resource conservation.

Findings/Conclusions: The forests of most developing countries are not regenerating themselves quickly enough to sustain an adequate natural resource base for supporting the growing populations. The forestry projects approved by the Agency for International Development (AID) and other donors are experiencing delays, because host-government forest service organizations have been unable to obtain the necessary financial and political commitments from their governments. Economic, political, and social problems limit the ability of developing countries to ease the pressures exerted by their agrarian populations on the mountains, hillsides, and other marginal lands not suited to intense cultivation and grazing. GAO questioned the allocation of much of the AID forestry project assistance for building fledgling forest service organizations which neither have the necessary support of their governments nor the extension service capability to focus immediately on subsistence farmers, the principal cause of deforestation. Coordination and cooperation among international donors at the country level is infrequent and is not encouraged by host governments.

Recommendations to Agencies: The Secretaries of the Treasury and State should request international organizations, in designing their projects, to give greater consideration to the impact on subsistence farmer populations residing in and around forested and watershed areas which are targeted for commercial timber harvesting, and road, dam, and irrigation construction projects.
Status: Action completed.

The Administrator, AID, should support forestry-related projects that are within host-government political and financial capabilities and work with countries to engender more positive government commitment to deforestation problems.
Status: Action in process.

The Administrator, AID, should assess the implementation problems which have delayed some projects and, where problems are attributable to limitations on host-government capabilities, adjust the projects to be better suited to developing country capabilities.
Status: Action completed.

The Administrator, AID, should: (1) implement strategies, such as those already endorsed by the agency's forestry policy paper, which encourage program officials to incorporate forestry assistance with agricultural and rural development programs whose principal focus is the subsistence farmers; and (2) seek the cooperation of other donors and the developing countries, where appropriate, to develop the needed links for using established developing-country agricultural service extension systems as a more direct and economic vehicle for improving the forestry and natural resource conservation practices of subsistence farmers.
Status: Action in process.

The Secretaries of State and the Treasury should request that the U.S. representatives to the international organizations stress the importance of improving the productive quality of the land now under cultivation by using more forestry elements in the agriculture programs supported by these institutions.
Status: Action completed.

Agency Comments/Action

AID said that the report's presentation of the forest destruction problem in developing countries would serve to foster an improved forestry program both within AID and among the donor community. AID continues to take exception with some of the recommendations. It asserts that the recommendations could: (1) have a negative influence on its institution building policy objectives and responsibilities; and (2) convey an impression that its forestry projects are not sufficiently integrated with established agricultural and rural development programs. Reference to the report's inaccuracies and oversights emanated from AID Latin America and Caribbean Bureau staff and their disagreement with the portrayal of AID projects as far exceeding the capabilities and commitment of host governments. The AID response is vague about plans to proceed with the implementation. Treasury said that U.S. directors at member development banks will discuss and assess the recommendations objectives.

DEPARTMENT OF STATE
UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
Agency for International Development

International Assistance to Refugees in Africa Can Be Improved
(ID-83-2, 12-29-82)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1961. Migration and Refugee Assistance Act of 1962. Refugee Act of 1980. P.L. 80-480.

GAO reported on improvements that could be made in international assistance to refugees in Africa.

Findings/Conclusions: Based on visits to four countries, GAO stated that efforts to meet refugee needs could be improved by better planning and coordination. GAO found that inequitable amounts and types of assistance have been provided to refugees in Africa, the U.N. programs tend to be open-ended and without plans for phasing out assistance, and continuous high levels of assistance often serve as a deterrent to refugees' voluntary repatriation. At two camps, the amount of assistance provided to refugees has exceeded the living standards of the local population. GAO believes that these problems occurred because comprehensive country-program plans and agreements with governments offering asylum and program guidance were not established nor was donor assistance effectively coordinated. African refugee programs are not sufficiently evaluated because of the Department of State's limited in-country assessment of, and reporting on, the U.N. High Commissioner for Refugees (UNHCR) activities and projects, and the fact that about 95 percent of U.S. contributions to the program were unrestricted and inherently difficult to track. GAO found that, in some countries, governments consider the refugees as guests and limit the extent to which refugees can effectively resettle and integrate into the economy. Less restrictive asylum-country policies are needed for Agency for International Development (AID) refugee assistance to be effective.

Recommendations to Agencies: The Secretary of State should encourage the UNHCR, in planning and implementing African refugee assistance programs, to: (1) develop a more comprehensive working agreement with asylum governments, defining the specific roles, responsibilities, and authority of the UNHCR and the asylum governments; and (2) develop a multiyear plan of operations for those countries where near-term solutions to refugee problems do not appear possible.

Status: Action in process.

The Secretary of State, in conjunction with the Administrator of AID should, where appropriate, establish a means to better evaluate and report on specific UNHCR refugee programs. State Department oversight of UNHCR programs should determine whether such programs: (1) provide assistance to all refugees who require assistance; (2) provide reasonable amounts and types of assistance in keeping with UNHCR standards and objectives; (3) are effectively coordinated with other donors and private voluntary organizations; and (4) promote lasting solutions to refugee problems.

Status: Action in process.

The Administrator, AID, should closely monitor AID plans for bilateral refugee assistance to assure that asylum countries remove barriers to economic integration of refugees before making direct U.S. commitments.

Status: Action in process.

Agency Comments/Action

The Department of State and AID have reported taking action on all of the recommendations. They plan to press the UNHCR to develop multiyear plans of operation to encourage it to better plan and implement its programs. They also note UNHCR development of a "Handbook for Emergencies" to improve in-country programs. To improve U.S. evaluation and monitoring of UNHCR programs in Africa, State and AID are planning to: (1) more judiciously earmark U.S. funding of UNHCR programs; (2) add a third African country program officer at State; (3) establish a refugee affairs coordinator position in Khartoum, Sudan; and (4) consider ways to enhance and evaluate UNHCR programs. AID has indicated that in planning refugee programs/activities financed from the special $30 million appropriation, it will continue to ensure that refugees are not restricted in their attempts to integrate economically in the asylum countries. Final obligation of these funds is expected by the end of 1983.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
FEDERAL ENERGY REGULATORY COMMISSION

Interior's Program To Review Withdrawn Federal Lands
(RCED-83-26, 10-7-82)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Land Policy and Management Act. Mineral Leasing Act. Geothermal Steam Act of 1970. Quadrennial Authorization Act of 1978 (P.L. 95-352). Power Act (Water) (16 U.S.C. 818). Mining Claims Rights Restoration Act of 1955 (30 U.S.C. 621). 43 C.F.R. 2310. BLM Organic Act Directive 79-28. 43 U.S.C. 1214.

Congress required the Department of the Interior to review certain types of Federal lands that have been withdrawn by Federal agencies from mineral exploration and development. GAO was requested to examine: (1) how Interior is implementing the program to review existing Federal withdrawals, and (2) what actions Interior is taking to review withdrawals from lands not formally withdrawn but restricted from mineral exploration and development.

Findings/Conclusions: GAO found that the withdrawal reviews, conducted by Interior's Bureau of Land Management (BLM), could be more consistent with the objectives of Congress and, therefore, more responsive to congressional expectations. Although the Federal Land Policy and Management Act requires BLM to review requests for land withdrawal, BLM is giving priority to reviewing lands not specified by Congress for review and not closed to mineral entry. Further, GAO found that, although Interior seems intent on opening more Federal lands to multiple use, it is allowing management to make decisions to informally withdraw lands from mineral exploration and development. GAO also identified other problems with program implementation which need attention, such as confusion among program officials about the requirement for mineral reports. The program's successful completion may be jeopardized by funding and support problems.

Recommendations to Congress: Congress should amend section 204(l)(3) of the Federal Land Policy and Management Act (FLPMA) deleting the words "$10 million" and substituting a revised appropriation ceiling, based on refined Interior budget estimates.
Status: No action initiated. Date action planned not known.

Congress should enact a line item appropriation for withdrawal review activities to be appropriated to Interior for the use of all Federal agencies participating in the withdrawal review program.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of the Interior should direct BLM to allocate program resources proportionately for the remainder of the withdrawal review program to States with the most acreage withdrawn and the best potential for mineral development.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should direct BLM to use special project codes to track activities authorized under section 204(l) of FLPMA and submit this estimate to Congress as a new appropriation ceiling.
Status: Action in process.

The Secretary of the Interior should direct BLM to develop new budget estimates for the completion of the withdrawal review program based only on activities authorized under section 204(l) of FLPMA and submit this estimate to Congress as a new appropriation ceiling.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should direct BLM to seek program funding for the participating Federal landholding agencies through Interior's budgetary process and reimburse these agencies for their work related to the program.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should direct BLM to work with holding agency officials to determine which lands are closed to mineral exploration and development and allocate program resources to ensure a review of these lands first.
Status: Action in process.

The Secretary of the Interior should establish minimum standards for mineral reports required under the review program and for new withdrawal applications.
Status: Action in process.

The Secretary of the Interior should consolidate the responsibilities for performing and evaluating these mineral reports under one Assistant Secretary.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should establish criteria on which management decisions which preclude mineral leasing or mining on Federal lands must be based. The Secretary should also require BLM to maintain records of these decisions adequate enough to permit periodic congressional oversight.
Status: Action in process.

The Secretary of the Interior should establish standards and criteria for the use of restrictive stipulation on oil and gas leases, such as surface disturbance and "no surface occupancy" restrictions. Leasable lands should then be inventoried to determine the extent of use of such stipulations and to verify if the stipulation use meets the standards and criteria. Stipulation uses which are determined to be unjustified should be removed.
Status: Action in process.

The Federal Energy Regulatory Commission should establish a policy to remove the segregative effect on Federal lands of a hydroelectric power project application when consideration of the application is terminated without the issuance of a license.
Status: Action completed.

Agency Comments/Action

Interior generally agreed with the recommendations concerning minerals matters and program operations but expressed some reservation about implementing some of the budgetary recommendations. As a result, Interior has taken action to implement 6 of the 12 recommendations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
OFFICE OF MANAGEMENT AND BUDGET

The Federal Audit Function in the Territories Should Be Strengthened
(AFMD-82-23, 3-25-82)

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)
Legislative Authority: Inspector General Act of 1978 (5 U.S.C. App. 9). P.L. 94-241. H. Rept. 90-1521. H.R. 7329 (90th Cong.). OMB Circular A-102. Dep't of the Interior Order 3009. 48 U.S.C. 1422d. 48 U.S.C. 1599. 48 U.S.C. 1681b.

The principal U.S. territories of American Samoa, Guam, the Northern Mariana Islands, the Virgin Islands, and the Trust Territory of the Pacific Islands have had longstanding problems in their financial management systems. The Department of the Interior's U.S. Government Comptrollers are presently responsible for auditing all significant aspects of governmental operations and Federal programs in these territories. Because of the substantial Federal assistance provided to the territories and the difficulty they have improving and maintaining adequate financial management systems, the Federal audit function is still needed. GAO reviewed the organization and the functions of the offices of the U.S. Government Comptrollers as part of its continuing efforts to improve the Federal internal audit capability.

Findings/Conclusions: GAO stated that the Comptrollers are located in a line organization that has management responsibility for the activities being audited and do not report to a high enough level in the Interior. Consequently, their independence has been impaired. Also, the establishment of close relationships between auditors and territorial officials may have affected the Comptrollers' ability to work in an impartial manner. GAO also found that a large portion of the Comptrollers' limited audit staff is devoted to preparing an ill-defined annual report of the fiscal condition of the government, and this is reducing their audit coverage of other territorial programs and operations. GAO concluded that a strengthened Federal audit presence alone is not enough to improve the economy and efficiency of the territorial governments. The territories need to assume greater responsibility for establishing and maintaining strong financial management systems to ensure proper control and accountability over Federal and local funds, but they cannot do the job alone; they need Federal technical assistance. Such assistance, coupled with an improved territorial government internal audit capability, would further enhance Federal audit effectiveness.

Recommendations to Congress: Congress should, upon termination of the agreement under which the United States administers the Trust Territory of the Pacific Islands, enact legislation to provide Federal audit oversight in the Northern Mariana Islands.

Status: Action completed.

Congress should amend the organic acts for Guam and the Virgin Islands and public laws relating to the Northern Mariana Islands and Trust Territory of the Pacific Islands to: (1) transfer the audit authority and staff from the U.S. Government Comptrollers to the Office of the Inspector General, Department of the Interior, for the purpose of establishing an independent organization which will maintain a satisfactory level of audit oversight of the governments of Guam, the Virgin Islands, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands; and (2) eliminate the provision requiring the U.S. Government Comptrollers to provide reports at the request of the territorial Governors and High Commissioner.

Status: Action completed.

Congress should enact legislation to transfer the audit authority and staff from the U.S. Government Comptroller for American Samoa to the Office of the Inspector General, Department of the Interior, for the purpose of establishing an independent organization which will maintain a satisfactory level of audit oversight of the government of American Samoa.

Status: Action completed.

Congress should amend the organic acts for Guam and the Virgin Islands and the public laws relating to the Northern Mariana Islands and Trust Territory of the Pacific Islands to eliminate the provisions requiring the U.S. Government Comptrollers to submit an annual report of the fiscal condition of the government to the territorial Governors, High Commissioner, and the Secretary of the Interior.

Status: Action completed.

Congress should amend the organic acts for Guam and the Virgin Islands and the public laws relating to the Northern Mariana Islands and the Trust Territory of the Pacific Islands to require the Governors of Guam, the Northern Mariana Islands, and the Virgin Islands, and the High Commissioner of the Trust Territory of the Pacific Islands to: (1) prepare, publish, and submit a comprehensive annual financial report in conformance with the standards of the National Council on Governmental Accounting within 120 days of the close of the fiscal year to the Secretary of the Interior and Congress; (2) arrange for an independent audit of the comprehensive annual financial report in conformance with generally accepted government auditing standards for governmental units; and (3) submit to the cognizant Federal auditors, the Secretary of the Interior, and Congress a written statement of actions taken on Federal audit recommendations within 60 days of the issuance date of the audit report.

Status: Action completed.

Congress should enact similar legislation to require the Governor of American Samoa to arrange for an independent audit of the comprehensive annual financial report in conformance with generally accepted government auditing standards for governmental units.

Status: Action completed.

Congress should enact similar legislation to require the Governor of American Samoa to prepare, publish, and submit a comprehensive annual financial report in conformance with the standards of the National Council on Governmental Accounting within 120 days of the close of the fiscal year to the Secretary of the Interior and Congress.
Status: Action completed.

Congress should enact similar legislation to require the Governor of American Samoa to submit to the cognizant Federal auditors, the Secretary of the Interior, and Congress a written statement of actions taken on Federal audit recommendations within 60 days of the issuance date of the audit report.
Status: Action completed.

Recommendations to Agencies: The President's Personal Representative for Micronesian Status Negotiations should, when negotiating the remaining agreements terminating the Trust Territory of the Pacific Islands, specifically the subsidiary agreement on auditing, develop a Federal audit capability with respect to the new governments of the Marshall Islands, the Federated States of Micronesia, and Palau with authority and responsibilities comparable to those of the U.S. Government Comptrollers.
Status: Action in process.

The Director, Office of Management and Budget, should designate the Office of the Inspector General, Department of the Interior, as the cognizant Federal audit agency in the territories under the single audit concept.
Status: Action completed.

The Secretary of the Interior should direct the Inspector General to establish formalized audit report followup systems in the Interior's territorial audit offices.
Status: Action completed.

The Secretary of the Interior should develop and submit to Congress a comprehensive technical assistance plan, including a determination of what resources are needed, to establish effective financial management systems for the governments of American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands.
Status: Action completed.

The Secretary of the Interior should report to Congress on the resources needed to assist the new governments of the Marshall Islands, the Federated States of Micronesia, and Palau in establishing their financial management system requirements.
Status: Action completed.

The Governor of American Samoa should strengthen his internal audit function by increasing the size of staffs, improving staff capabilities, expanding the scope of audit coverage, and ensuring audit independence.
Status: No action initiated. Date action planned not known.

The Governor of American Samoa should establish an audit followup system to ensure that recommended corrective actions on all Federal and independent audit reports are implemented and followed through to completion.
Status: No action initiated. Date action planned not known.

The Governor of Guam should establish an audit followup system to ensure that recommended corrective actions on all Federal and independent audit reports are implemented and followed through to completion.
Status: No action initiated. Date action planned not known.

The Governor of Guam should strengthen his internal audit function by increasing the size of staffs, improving staff capabilities, expanding the scope of audit coverage, and ensuring audit independence.
Status: No action initiated. Date action planned not known.

The Governor of the Northern Mariana Islands should establish an audit followup system to ensure that recommended corrective actions on all Federal and independent audit reports are implemented and followed through to completion.
Status: No action initiated. Date action planned not known.

The Governor of the Northern Mariana Islands should strengthen his internal audit function by increasing the size of staffs, improving staff capabilities, expanding the scope of audit coverage, and ensuring audit independence.
Status: No action initiated. Date action planned not known.

The Governor of the Virgin Islands should establish an audit followup system to ensure that recommended corrective actions on all Federal and independent audit reports are implemented and followed through to completion.
Status: No action initiated. Date action planned not known.

The Governor of the Virgin Islands should strengthen his internal audit function by increasing the size of staffs, improving staff capabilities, expanding the scope of audit coverage, and ensuring audit independence.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

Interior concurred with the legislative recommendation and agreed to implement it as soon as H.R. 5139 was enacted. The bill (P.L. 97-357) was subsequently enacted and signed by the President on October 19, 1982. Interior also concurred with GAO recommendations to the agency and outlined corrective actions taken or to be taken on each recommendation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR
OFFICE OF MANAGEMENT AND BUDGET

Outlook for Achieving Fiscal Year 1983 Offshore Revenue Estimate: Possible but Not Likely
(EMD-82-83, 6-8-82)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978.

GAO was asked to review the Administration's estimate that Outer Continental Shelf revenues would total $18 billion for fiscal year (FY) 1983. Questions focused on: (1) the assumptions, data, and methodology used to develop the estimate; (2) the relationship of the estimate to prior years' receipts; (3) the accuracy of estimates for the past 10 years; (4) the role of the Office of Management and Budget (OMB) in developing the estimate; and (5) the difference between the Administration's estimate and the lesser estimate developed by the Congressional Budget Office (CBO).

Findings/Conclusions: The estimate was reduced to $15.7 billion after various groups suggested that the original estimate was a means of reducing projected budget deficits. Under the areawide lease offering approach, sale sizes will increase substantially. The Department of the Interior has developed a new method to forecast bonus receipts; however, its track record shows that accurately forecasting receipts for any one year is difficult. The high revenue estimate for FY 1983 is unprecedented. The realization of the estimated revenues depends largely upon how precisely bonuses for two sales in the Gulf of Mexico were estimated, since these account for about two-thirds of the original bonus estimate. Bonuses of this size seem questionable because most of the Gulf areas have already been considered by industry. Resource estimates for these two areas vary widely, and the last two sales in the Gulf of Mexico brought in substantially lower bonuses than expected. The OMB estimate was more than $1 billion higher than the original Interior estimate; the major difference was that OMB assumed that about $1.5 billion held in escrow would be released to the Department of the Treasury in FY 1983. The CBO estimate was about $5.2 billion lower than the Administration's original estimate. The CBO estimate was based on different projections for bonus and royalty receipts and different assumptions about the release of monies held in escrow. Achievement of even the latest Administration offshore revenue estimate for FY 1983 is possible, but not likely.

Recommendations to Agencies: The Secretary of the Interior should evaluate future leasing experience against the methodology and assumptions used in the current forecasting model. Such analyses should lead to validations or necessary adjustments to the model needed to increase the reliability and confidence in future revenue forecasts.

Status: No action initiated. Affected parties intend to act.

The Director of OMB should provide, concurrent with future offshore revenue estimates, a full discussion of the rationale used in developing the estimate. This discussion would keep Congress and others better informed, and should include complete descriptions of the various factors that could impact on the accuracy of the estimate, type and quality of the data used to develop the estimate, and likelihood of achieving that level of revenue.

Status: Recommendation no longer valid/action not intended. *OMB states that information on the development of OCS revenue estimates is available upon request and does not believe that routine publication of this information would provide sufficient public benefit to justify the publication costs.*

Agency Comments/Action

Interior plans to test and verify its OCS revenue estimating methodology in future offshore lease sales. This action is in concert with the GAO recommendations. OMB recognizes that information regarding the formulation of OCS revenue estimates should be available to the public but prefers to provide such information on a request basis rather than through formal publication.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL
FEDERAL RESERVE SYSTEM

The Federal Structure for Examining Financial Institutions Can Be Improved
(GGD-81-21, 4-24-81)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Banking Act of 1933 (12 U.S.C. 1811 et seq.). Depository Institutions Deregulation and Monetary Control Act of 1980. Federal Reserve Act (12 U.S.C. 221 et seq.). National Bank Act. P.L. 95-630. P.L. 96-221. 12 U.S.C. 481. 12 U.S.C. 1725(c)(5).

Congress took a giant step to improve coordination among the Federal regulators by establishing the Federal Financial Institutions Examination Council. GAO reviewed the field office structure of the bank regulatory agencies to determine if there were inherent problems with each agency having its own national network of examiners.

Findings/Conclusions: GAO identified problems with the present field office structure which include: (1) there are no field offices in some cities and separate field offices in other cities because the agencies do not share their examining capabilities or colocate their field offices; (2) high costs are incurred in examining some banks because of the scattered distribution of financial institutions which each agency examines; (3) the agencies have experienced some difficulties in managing their examination workload; and (4) many examiners have to travel quite extensively. This frequent travel creates an undesirable quality of life which results in high turnover and makes it difficult to maintain an experienced staff. GAO believes that consolidation of the Federal regulatory agencies' examiner forces is a reasonable solution to overcome the inherent problems of each agency maintaining separate networks of examiners.

Recommendations to Agencies: The Federal Financial Institutions Examination Council should establish a task force to determine the feasibility of consolidating the examination forces of the Federal regulatory agencies.

Status: Recommendation no longer valid/action not intended.

The Board of Directors of the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System, and the Comptroller of the Currency should establish procedures for making periodic evaluations of their internal organizational structure and take actions to realign their field structure whenever opportunities exist to improve the dispersal of their examiner forces.

Status: Action in process.

The Federal Financial Institutions Examination Council should prepare a plan, including proposed legislation, whereby bank examinations would be conducted, to the extent feasible, by the closest Federal regulatory agency.

Status: Recommendation no longer valid/action not intended.

Agency Comments/Action

The Council planned no action on the recommendations on consolidating the examination forces or on having the closest Federal regulatory agency conduct bank examinations. However, on January 31, 1984, the Vice President's Task Group on Regulation of Financial Services endorsed a proposal to reorganize the Federal agencies which regulate commercial banks. While none of the existing agencies would be eliminated, the proposal would substantially consolidate bank supervision and examination into two Federal agencies. This proposal would mitigate some of the problems GAO found with the existing structure for examining financial institutions. All recommendations of the Task Group will be submitted to the President for approval as proposed legislation. The Federal regulatory agencies have taken a number of actions to realign their field structure. The Comptroller of the Currency substantially reorganized its field structure by establishing six district offices to replace its 12 regional offices. During 1983, it established 21 of 23 planned new field offices. The Federal Deposit Insurance Corporation has made several changes to its field structure since 1981, including closing two regional offices. The Federal Reserve System has not changed its field structure to any extent since 1981

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL HOME LOAN BANK BOARD
FEDERAL RESERVE SYSTEM
NATIONAL CREDIT UNION ADMINISTRATION

Financial Institution Regulatory Agencies Can Make Better Use of Consumer Complaint Information
(GGD-83-31, 8-25-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Federal Trade Commission Improvement Act (Magnuson-Moss Warranty) (15 U.S.C. 57a). Federal Trade Commission Act. Fair Housing Act. Equal Credit Opportunity Act. Consumer Credit Protection Act. Fed. Reserve Reg. AA.

The Federal Deposit Insurance Corporation (FDIC), the Federal Home Loan Bank System (FHLBS), the Federal Reserve System (FRS), the National Credit Union Administration (NCUA), and the Office of the Comptroller of the Currency accept, investigate, and resolve consumers' complaints against the banks and saving institutions they regulate. In response to a congressional request, GAO reviewed these agencies' handling of consumer complaints against banks and other regulated financial institutions, including how complaint information is used for supervisory and policymaking purposes.

Findings/Conclusions: GAO found that agency complaint systems often help consumers solve significant problems about financial matters. Most favorable resolutions involved situations in which financial institutions had made errors or had violated laws or regulations. However, GAO analyzed 119 serious complaints that uncovered violations of laws or regulations and found that information from these complaints was often not used during subsequent compliance examinations. A review of these examinations showed that only one-third of the time was an examiner even aware that any of the 119 complaints had been filed against an institution since the last examination. In its investigation of how well agencies handled consumers' complaints about credit discrimination, GAO discovered that Federal agencies did give some discrimination complaints the special handling suggested by agency procedures. However, this investigation did not allow GAO to conclude that special handling should have been used more often because the agencies did not require complaint handlers to document reasons for the type of discrimination investigations they performed. GAO also studied complaints that dealt with the treatment of inactive and dormant accounts to determine how these complaints were used by agencies in setting policy for banking and savings industries. GAO found that the information contained in complaint files was not organized in a way that would be most useful to policy makers concerned with unfair or deceptive practices.

Recommendations to Agencies: The Chairmen of FDIC, FHLBS, FRS, and NCUA and the Comptroller of the Currency should add an additional code to their complaint data systems to assist in identifying and evaluating potentially unfair or deceptive practices that require further study.

Status: No action initiated. Date action planned not known.

The Chairmen of FDIC and FRS and the Comptroller of the Currency should devise and implement consistent industry-wide complaint classification and reporting procedures to make consumer complaint information more accessible and usable for policy analyses.
Status: No action initiated. Date action planned not known.

The Chairmen of FHLBS and NCUA should consider adopting similar classification codes to facilitate broader comparisons through the entire regulated financial industry.
Status: No action initiated. Date action planned not known.

The Chairmen of FDIC, FHLBS, FRS, and NCUA and the Comptroller of the Currency should require local complaint handlers to document reasons for selecting the types of discrimination investigations they perform and require that unverified information supplied by institutions during investigations be verified during subsequent compliance examinations.
Status: No action initiated. Date action planned not known.

The Chairman of FHLBS should require agency staff to identify and refer fair housing complaints to the Department of Housing and Urban Development, as specified in their 1980 memorandum of understanding.
Status: Action completed.

The Chairmen of FDIC, FHLBS, FRS, and NCUA and the Comptroller of the Currency should revise their complaint handling and examination procedures to include specific requirements for coordinating complaints, examinations, and supervisory efforts. In particular, they should require followup during subsequent examinations to ensure that measures were taken to correct identified violations and to ensure that violations are not affecting similarly situated customers and require at least minimal documentation of all work performed.
Status: Action in process.

The Chairman of FHLBS should take steps to ensure that the followup code currently in the FHLBS data system is consistently applied.
Status: No action initiated. Date action planned not known.

The Chairmen of FDIC, FRS, and NCUA and the Comptroller of the Currency should alter their computerized complaint data systems to identify which complaints require followup or which provide information that may be useful in the examination or supervision process.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

FHLBS adopted and has implemented the recommendation that agency staff identify and refer fair housing complaints to the Department of Housing and Urban Development. FHLBS has also agreed that its complaint handling procedures need revision according to the recommendation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE TREASURY
Internal Revenue Service
PENSION BENEFIT GUARANTY CORPORATION

Tax Revenues Lost and Beneficiaries Inadequately Protected When Private Pension Plans Terminate
(HRD-81-117, 9-30-81)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001 et seq.). Internal Revenue Code (IRC).

In response to a congressional request, GAO reviewed the effectiveness of the practices and procedures of: (1) the Internal Revenue Service (IRS) and the Pension Benefit Guaranty Corporation (PBGC) for ensuring that pension plan terminations are reported; (2) IRS for processing plan terminations; and (3) IRS for ensuring compliance with income tax requirements by individuals receiving pension payouts.

Findings/Conclusions: The review showed that, for about two-thirds of reported terminations, plan sponsors were not requesting IRS reviews at the time of termination because they are not mandatory under the Internal Revenue Code. Termination actions were not being reported to PBGC, which is responsible for insuring participants' benefits. Thus, at the time of termination there is no assurance that, for many such plans, the participants are adequately protected as required by the Employee Retirement Income Security Act and the Internal Revenue Code. IRS reviews of terminating pension plans requested by plan sponsors have not been effective in protecting participants' benefits, and IRS processes for collecting taxes due on plan asset disbursements are incomplete. Substantial tax revenues have been lost because IRS had not fully compared employer and employee tax reporting information on asset disbursements to individuals. PBGC and IRS have begun actions to correct some of these problems.

Recommendations to Congress: Congress should enact legislation requiring plan sponsors to request an IRS determination for tax qualification of terminating pension plans before plan dissolution.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Commissioner of IRS should: (1) establish quality control procedures to ensure that termination applications approved contain all necessary data for making such determinations; (2) establish a level of turnover for reviewers to use in deciding whether to question participant departures before plan termination; and (3) identify documentation for reviewers to obtain when questioning possible discriminatory vesting, participant forfeitures, and questionable benefit distributions.

Status: Action completed.

The Commissioner of IRS, in cooperation with PBGC, should use the automated records of both agencies to identify nonreporters of plan terminations.

Status: Action completed.

The Executive Director of PBGC, in cooperation with IRS, should use the automated records of both agencies to identify nonreporters of plan terminations. In addition, the Executive Director should establish procedures for timely follow-up with potential nonreporters to ensure participants in terminated plans, entitled to retirement benefit insurance, are afforded the protection intended by Congress under ERISA.

Status: Action completed.

The Commissioner of IRS should determine for tax year 1982 the amount of pension payouts reported by employers as capital gains to employees and whether an effective method to compare such reporting with individual tax returns can be developed. If an effective comparison method cannot be developed, the employer reporting requirements of pension payouts as capital gains should be discontinued.

Status: Action in process.

The Commissioner of IRS should use relevant reporting areas on individual tax returns, such as a reported rollover for computer matching with employer pension payout reports, to alleviate the need for manual reviews.

Status: Action in process.

The Commissioner of IRS should develop procedures for testing employers' filing compliance of pension payouts by obtaining, on pension plan annual reports, summary information on the number of payouts made above established dollar tolerances during the year to be compared with employer summary miscellaneous income reports.

Status: Action in process.

Agency Comments/Action

The agencies concurred with the recommendations and actions have been taken or are planned to implement them. IRS began efforts to improve evaluation and matching of employer/employee reporting of pension payments in 1981. These efforts will be completed in conjunction with a computerized system targeted for initial implementation covering tax year 1985 data.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
OFFICE OF MANAGEMENT AND BUDGET

Further Improvements Needed in EEOC Enforcement Activities
(HRD-81-29, 4-9-81)

Budget Function: Nondiscrimination - Equal Opportunity Programs (990.3)
Legislative Authority: Civil Rights Act of 1964 (42 U.S.C. 2000e). Rehabilitation Act of 1973 (29 U.S.C. 791). Fair Labor Standards Act Amendments of 1974 (29 U.S.C. 633a). Equal Pay Act of 1963 (29 U.S.C. 206(d)). Age Discrimination in Employment Act of 1967 (29 U.S.C. 621 et seq.). Speedy Trial Act of 1974 (P.L. 93-619). Consumer Product Safety Act (15 U.S.C. 2076). Civil Service Reform Act of 1978. Executive Order 11246.

The Equal Employment Opportunity Commission (EEOC) enforces title VII of the Civil Rights Act which prohibits discrimination in employment on the basis of race, color, religion, sex, or national origin. The President's 1978 Reorganization Plan increased the authority and responsibility of EEOC and made it the principal agency for enforcing Federal equal employment opportunity requirements. In 1976, GAO reported that EEOC management problems were thwarting its enforcement activities.

Findings/Conclusions: Since the previous GAO report, EEOC has made many changes to correct its problems in handling individual charges of employment discrimination and in developing and investigating self-initiated charges. However, many of these improvements represent only the potential for success because they are still relatively new and in their implementation stages. Additional matters need to be considered to help ensure that EEOC reforms fulfill their potential, such as: (1) not settling charges that lack reasonable cause under the rapid charge process; (2) authorizing EEOC to sue State and local governments under title VII; and (3) improving the collection of employment data from private employers and aggressively monitoring conciliation agreements and consent decrees.

Recommendations to Congress: Congress should amend title VII of the Civil Rights Act of 1964 to provide that EEOC may initiate litigation on a charge against a State or local government if the Department of Justice decides not to sue within a specified time. Suggested legislative language for such an amendment is in appendix V.

Status: Recommendation no longer valid/action not intended. *No bill has been introduced. Congressional staff members have indicated that they are reluctant to introduce any amendments to title VII now or in the near future.*

Recommendations to Agencies: The Acting Chairman of EEOC should expedite revising the EEO-1 report to provide improved data including employee wage and salary data.

Status: Action in process.

The Acting Chairman of EEOC should direct the Executive Director to use alternatives to the present contracting procedures, such as contracting on a nonreimbursable basis.

Status: Recommendation no longer valid/action not intended. *EEOC said that, based on its information, State and local agencies would not be willing to process charges on a nonreimbursable basis.*

The Acting Chairman of EEOC should direct the Executive Director to consider revising the criteria for contracting with State and local fair employment practices agencies to include agencies presently excluded.

Status: Action completed.

The Acting Chairman of EEOC should direct the General Counsel to file suits more timely and adopt a standard that suits should be filed within a certain time, such as 90 days after a decision is made to litigate.

Status: Action completed.

The Acting Chairman of EEOC should emphasize the importance of compliance monitoring and establish procedures to ensure that monitoring is performed promptly and that onsite visits are made to verify reports, as appropriate.

Status: Action completed.

The Acting Chairman of EEOC should direct the Executive Director to discontinue negotiating settlements on charges lacking reasonable cause and to close them with a no-cause decision or advise charging parties to withdraw them.

Status: Action completed.

The Director of the Office of Management and Budget should advise the President that the contract compliance function under Executive Order 11246 should be transferred from the Office of Federal Contract Compliance Programs to EEOC.

Status: Recommendation no longer valid/action not intended. *No action has been taken to implement this recommendation. Instead, EEOC and the Office of Federal Compliance Programs are attempting to address the problems identified by improving interagency coordination and revising their memorandum of understanding and regulations.*

Agency Comments/Action

EEOC generally agreed with the recommendations and has taken or planned action to implement them.

VARIOUS DEPARTMENTS AND AGENCIES

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

Federal Capital Budgeting: A Collection of Haphazard Practices
(PAD-81-19, 2-26-81)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Postal Reorganization Act. Veterans Health Care Amendments of 1979 (P.L. 96-22). Mass Transportation Assistance Act of 1970. Public Transportation Act of 1978. Water Pollution Control Act. Clean Water Act of 1977. P.L. 92-500. S. 2080 (96th Cong.).

The Federal Government has enormous amounts of capital assets and helps fund State and local projects. Much of these federally owned and financed items are deteriorating, and the Government is faced with the prospect of either repairing or rehabilitating them, or risking a staggering replacement burden in the future. Industry and most States and municipalities follow a capital budgeting procedure, but the Federal Government does not. A study was conducted of capital investment data and the planning and budgeting experiences of numerous public and private organizations.
Findings/Conclusions: GAO concluded that a policy-level approach to capital investment must be added to the Federal Government's decisionmaking process, and sound, up-to-date information is needed to support that approach. Government agencies need to closely monitor the implementation of capital investment programs, audit their results, and check the condition of operating facilities and equipment. GAO found that deteriorating public capital assets are partly the result of State and local neglect. Federally owned assets appear to be in better condition than State and local assets, but they too suffer from obsolescence and deterioration. The Postal Service was the agency which had the most desirable planning, budgeting, and control features that could be readily adopted by other Federal agencies. Many factors have contributed to the problems of capital investment in the Federal Government: managers' views, congressional authorization and budgetary procedures, limited resources available for capital, and too little monitoring or oversight of ongoing and completed capital projects. Short-term strategies are implemented in capital investment areas, increased costs of Federal capital programs are passed on to States without recognition, and no effective national capital improvement plan exists. Consequently, the Federal Government's ability to stop the decline of physical capital is severely limited. Uncontrollable outlays have reduced the funds available for physical capital investments.
Recommendations to Congress: The congressional oversight committees should require executive reports to focus on broad policy decisions (timed to congressional cycles) before Congress authorizes and funds individual projects. Reports should inform Congress of: (1) long-term needs, (2) status of projects already approved, (3) long-term plans for meeting needs, and (4) budget year plans addressing long-term needs.
Status: Action in process.

The congressional oversight committees should consider capital investment programs in a way that will not penalize the programs because they are fully funded in the first year they are begun. So that valid program comparisons can be made, Congress and the executive agencies should regularly use longer-term costs for the other programs in the budget.
Status: Action in process.

The congressional oversight committees should set realistic goals and information requirements for policies, programs, and projects so the public is aware of the condition of the Nation's infrastructure and what is going to be done. The committees should grant the administrators of Federal agencies the authority and resources to render congressional goals and expectations plausible. Requisite authority and resources should be set out in legislation and in committee and Federal agency reports to minimize the gap between expectations and what is feasible. When resources are limited, this would involve explicitly reducing goals to match resource levels.
Status: Action in process.

The congressional oversight committees should consider the financial ability of State and local governments to operate and maintain capital facilities built mainly with Federal funds. If the financial ability of the State or local government is questionable, the committees should consider: (1) requiring the States or localities to prove financial ability; (2) financing part of the operations and maintenance costs, as in the case of mass transit grants; or (3) not implementing the projects. The views of State and local governments and Federal agencies on these alternatives should be explained in agency budget justifications and in agency comments on proposed legislation.
Status: Action in process.

Both Congress and the executive branch should specify the information and analytical support they need from Federal managers. Congress should give a Senate and a House committee the policy-level oversight responsibility for Federal capital investment and for assessing infrastructure needs and conditions. A component of the Executive Office of the President should be designated as a focal point for executive policy directions.
Status: Action in process.

Recommendations to Agencies: The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should devise and propose to Congress a strategy and establish an overall policy for the

Nation's infrastructure needs and physical capital development. Such a strategy should take into account: (1) maintenance of facilities not outdated to minimize future costs; (2) planned obsolescence, abandonment, demolition, or salvage of specific facilities; and (3) construction or renovation to meet technological and program needs.
Status: No action initiated. Date action planned not known.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should work with lead Federal agencies and OMB to ensure that consistent management practices and policies are adopted by all Federal agencies and priorities are set for the Nation's capital investment projects.
Status: No action initiated. Date action planned not known.

The Office of Management and Budget should build linkages between oversight and audit, evaluation, and planning functions by requiring Federal agencies to conduct periodic post-audits of capital assets to assess: (1) the condition of the infrastructure of interest to the agency; (2) the projected requirements for the infrastructures within the agency's area of responsibility; (3) the effectiveness of maintenance standards; and (4) the plans for infrastructure development within the agency's area of responsibility.
Status: No action initiated. Date action planned not known.

The President's Domestic Policy staff, or a newly established group with the Executive Office of the President, should work with Federal agencies and State and local organizations to make sure that federally financed physical capital is adequately maintained.
Status: No action initiated. Date action planned not known.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should take an active part in reviewing Federal agencies' budgets as they pertain to capital investment and work with OMB to ensure that stated capital investment policies and strategies are fully considered.
Status: No action initiated. Date action planned not known.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should work with lead Federal agencies to review and streamline the guidance on analyses used to justify capital projects. The streamlined guidance should ensure that all agencies, before requesting project approval, conduct analyses of life cycle costs for all capital projects and analyses of alternatives for meeting capital needs.
Status: No action initiated. Date action planned not known.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President, should in January of each even-numbered year submit to Congress a 4-year outlook report summarizing the plans for at least 4 future years of Federal capital investment programs and their expected contributions to the Nation's infrastructure.
Status: No action initiated. Date action planned not known.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should work through State and local organizations to develop periodic assessments of the condition of federally financed physical capital that is owned by State and local governments.
Status: No action initiated. Date action planned not known.

The Office of Management and Budget should direct Federal agencies that acquire or finance physical capital to explain in their annual budget to Congress the relationships of their proposals to the long-range capital needs and investment plan, and to the priorities contained in the 4-year outlook.
Status: No action initiated. Date action planned not known.

The Office of Management and Budget should build linkages between oversight and audit, evaluation, and planning functions by requiring Federal agencies to analyze completed capital projects to verify that the project is accomplishing its intended purposes.
Status: No action initiated. Date action planned not known.

The President's Domestic Policy staff, or a newly established group within the Executive Office of the President should provide leadership and guidance to Federal agencies to tailor their report information to meet the specific needs of the President and Congress for decisions on capital investment policy, legislation, and budget analysis. Leadership and guidance should take the form of: (1) requiring the Federal agencies to develop, use, and submit (timed to the budget cycle) capital investment information focusing on identification of long-term needs, long-term plans for meeting needs, budget-year plan addressing long-term needs, and status of projects previously approved; and (2) summarizing information on Federal capital investment activities and submitting it to Congress with the President's budget.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

OMB disagreed with the basic philosophy of the report and its recommendations. Legislation pending before Congress may require OMB to address these issues.

Several bills were introduced during the 98th Congress to require the President's annual budget submissions to include identification and analysis of long-range capital investments, assessments of capital investment needs, and policies and other factors impacting on capital investment needs. All of the bills are generally directed at alleviating the problems to which the recommendations were addressed. The House Committee on Public Works and Transportation held hearings on H.R. 1244 and reported the bill in May 1983. Hearings on S. 1432, a companion bill to H.R. 1244, were held by the Senate Committee on Governmental Affairs in September 1983. The Senate Committee on Environment and Public Works held hearings and reported S. 1330 in November 1983. The House Committee on Government Operations has scheduled additional hearings on H.R. 1244 during March 1984.

VARIOUS DEPARTMENTS AND AGENCIES

FEDERAL LABOR RELATIONS AUTHORITY
OFFICE OF PERSONNEL MANAGEMENT

Steps Can Be Taken To Improve Federal Labor-Management Relations and Reduce the Number and Costs of Unfair Labor Practice Charges
(FPCD-83-5, 11-5-82)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Civil Service Reform Act of 1978 (P.L. 95-454). 29 C.F.R. 203.2. 5 C.F.R. 2423.2. Executive Order 11491.

GAO reported on the efficiency of the unfair labor practice (ULP) process under the Civil Service Reform Act to determine the nature of ULP charges and complaints and to identify ways to avoid them.

Findings/Conclusions: GAO believes that many disputes between agencies, employees, and unions could be resolved informally, thereby improving labor-management relations and avoiding the high costs associated with the formal ULP process. GAO found that many ULP charges are filed as a result of allegations that managers failed to negotiate changes in working conditions. GAO believes that assessment of these changes to determine whether they substantially effect employees could reduce the number and cost of ULP charges. GAO also found that an alternative to the ULP process, the negotiated grievance/arbitration procedure, is not used because unions incur greater costs when using this procedure. Precedent decisions and precharge discussions can be used more frequently to resolve disputes. GAO also found that, if managers are properly trained in collective bargaining and if agencies monitor and evaluate the ULP process, the number and costs of ULP charges can be further reduced.

Recommendations to Agencies: The Director of the Office of Personnel Management, to help prevent situations giving rise to ULP's, should develop guidelines for agencies to use in assessing managers' labor relations performance, where appropriate, and in implementing systems to monitor and evaluate the ULP process.

Status: Action in process.

The Director of the Office of Personnel Management, to help situations giving rise to ULP's, should work with the General Counsel of the Federal Labor Relations Authority (FLRA) to determine how ULP information accumulated by FLRA can best be used to monitor and evaluate the ULP process.

Status: Action completed.

FLRA should require the parties involved in alleged ULP's to hold discussions to try to informally resolve issues before having a formal ULP charge investigated by FLRA.

Status: Action completed.

Agency Comments/Action

FLRA has proposed amendments to its regulations which provide that an investigation of a ULP charge will not normally begin until the parties have been afforded a reasonable amount of time, not to exceed 15 days from the filing of the charge, during which time the parties are urged to informally resolve the ULP allegation. The proposed amendment was published for public comment in the Federal Register on January 10, 1983. It was adopted by FLRA and became effective on June 20, 1983.

GENERAL SERVICES ADMINISTRATION
OFFICE OF MANAGEMENT AND BUDGET

Federal Civilian Agencies Can Better Manage Their Aircraft and Related Services
(PLRD-83-64, 6-24-83)

Budget Function: Transportation (400.0)
Legislative Authority: OMB Circular A-76.

In response to a congressional request, GAO conducted a followup review of activities to improve aircraft management at Federal civilian agencies and traced actions related to recommendations made in a 1977 report.

Findings/Conclusions: GAO noted that, during fiscal year 1981, civilian agencies operated at least 675 Government-owned aircraft at a cost of about $326 million and used several thousand more private-sector aircraft, costing about $99 million. GAO found that no action has been taken on recommendations made in its prior report, and recent reports indicate that little has changed in aircraft management at civilian agencies. Specifically, agencies are not using adequate systems to accumulate and report aircraft costs and, therefore, costs are understated. Further, GAO found that some agencies have spent millions to acquire aircraft without adequate justification or compliance with Office of Management and Budget (OMB) Circular A-76 to determine whether needed services could be provided at lower cost by the private sector. Additionally, GAO found that some agency aircraft were underused and that agencies are not coordinating aircraft operations. GAO believes that the Department of the Interior's Office of Aircraft Services has effectively managed aircraft services and developed a program that other agencies could use.

Recommendations to Agencies: The Administrator of General Services should establish a single coordinating office to operate a Government-wide aircraft management system similar to the one operated by the Office of Aircraft Services.

Status: Action in process.

The Director, OMB, should develop uniform policies and procedures for aircraft management, including guidance on how, when, by whom, and for what purposes aircraft might be used.

Status: Action completed.

The Director, OMB, should work with agencies in developing overall criteria for a uniform cost accounting system that will standardize aircraft program cost elements and require agency compliance.

Status: Action in process.

The Director, OMB, should revise Circular A-76 to clarify its application to the acquisition of aircraft and related services and enforce compliance with it through the OMB budget review process.

Status: Action completed.

The Director, OMB, when developing the Government-wide policy guidance for aircraft use and management, should clarify the Government's travel policy and regulations accordingly.

Status: Action completed.

The Director, OMB, should require civilian agencies, in accordance with OMB policies, to implement uniform, clear, and specific guidelines that: (1) require individuals responsible for managing aircraft to compare the full cost of transporting passengers commercially with the cost of transporting them by Government aircraft; (2) require the use of commercial airlines, or other less costly means, to transport passengers when it is more economical and does not interfere with mission accomplishment; (3) prohibit or more severely limit the transporting of spouses, dependents, and other nonofficial travelers on Government aircraft, except when such travel is for official Government business; and (4) require that aircraft-use justifications contain sufficient information for each flight to determine whether the use of the aircraft was prudent, practical, and economical and was in conjunction with an agency mission, as spelled out in the 1981 OMB report on interagency travel management.

Status: Action completed.

The Administrator of General Services, to provide greater assurance that civilian agency aircraft are operated economically and effectively, should establish aircraft utilization standards to ensure that Government-owned and leased aircraft are justified based on their use for mission purposes.

Status: Action in process.

The Administrator of General Services, to provide greater assurance that civilian agency aircraft are operated economically and effectively, should require agencies to dispose of those aircraft that cannot be justified for mission purposes due to their low and uneconomical utilization.

Status: Action in process.

The Director, OMB, should direct each civilian agency that has substantial aircraft needs to establish offices responsible for aircraft oversight and management.

Status: Action completed.

Agency Comments/Action

On September 28, 1983, GSA said that it will implement the three report recommendations. On October 26, 1983, OMB said that it concurred with and has implemented three of the four report recommendations that were directed to it. Concerning the recommendation that OMB work with agencies in developing overall criteria to standardize aircraft program cost elements, OMB believes that GAO is a more appropriate agency to do this. GAO is currently working with OMB and agencies on this matter.

VARIOUS DEPARTMENTS AND AGENCIES

GENERAL SERVICES ADMINISTRATION
OFFICE OF MANAGEMENT AND BUDGET
SMALL BUSINESS ADMINISTRATION

Misuse of SBA's 8(a) Program Increased Cost for Many ADP Equipment Acquisitions
(AFMD-82-9, 10-16-81)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Small Business Act (P.L. 95-507; 15 U.S.C. 637(a)). Automatic Data Processing Equipment Act (P.L. 89-306). Walsh-Healey Act (Government Contracts) (41 U.S.C. 35(a)). 13 C.F.R. 121.3-8(e). 13 C.F.R. 124.1. F.P.R. 1-4.11. F.P.R. 1-4.1104(k). B-195118 (1981).

GAO reviewed the use of contracts under Section 8(a) of the Small Business Act by various Federal agencies as a means of acquiring automatic data processing (ADP) equipment. GAO sought to determine whether Government computer acquisition opportunities are being made available to as many small and disadvantaged businesses as possible under the 8(a) program and if Federal procurement policies and regulations are being violated by SBA, Federal agencies, or contractors when ADP equipment is acquired under Section 8(a) contracts.

Findings/Conclusions: GAO believes that SBA management of the ADP resource acquisition portion of the 8(a) program has been deficient. GAO found that: (1) only a limited number of minority-owned firms capable of supplying ADP equipment had been recruited into the 8(a) program; (2) the 8(a) firms supplying ADP equipment were functioning as brokers, not as regular dealers; (3) SBA failed to follow its own procedures, which contributed to the brokering and increased the cost of the ADP equipment; (4) Federal agencies were able to acquire specific items of ADP equipment through the 8(a) program which they had not justified for acquisition without competition; (5) requirements concerning cost and pricing data and preaward audits were not met; and (6) SBA frequently ignored the small business regulations and SBA procedures concerning size requirements. GAO believes that awarding these contracts is not achieving the program goals of helping firms to gain the experience and financial viability necessary to prosper in the competitive market place. Agencies and SBA are paying the firms to perform a function for which there is no competitive market, and this has unnecessarily cost the Government substantial sums of money. GAO believes that the program objectives would best be served if individual 8(a) contract opportunities in computer sciences were limited to annual awards not exceeding 50 percent of an appropriately defined size standard for such services. Such a limitation would allow 8(a) firms to acquire ADP contracts while minimizing the impact on other small and minority businesses.

Recommendations to Agencies: When the Government acquires supplies and equipment, the Administrator of SBA should issue a directive requiring compliance with all appropriate procurement laws and regulations, as well as small and minority business regulations and procedures. Specific emphasis should be placed on the requirements of the Walsh-Healey Act, the Brooks Act, the Federal Procurement and Defense Acquisition Regulations, and SBA requirements for 8(a) firms to perform substantial portions of contracts with their own workers.

Status: Action completed.

The Administrator of SBA should review all existing 8(a) contracts for electronic data processing equipment to identify those in which the 8(a) firm is acting as a broker and those in which it is in the best interest of the Government to initiate contract termination proceedings or take other action to eliminate the brokerage situation.

Status: Action completed.

The Administrator of SBA should direct SBA program officials to select 8(a) subcontractors through an equitable selection process which encourages technical competition among 8(a) firms and gives due consideration to the firm's capabilities and development needs.

Status: Action in process.

The Administrator of General Services, with the advice of the Director of the Office of Management and Budget under the general commission of the Paperwork Reduction Act and the Brooks Act, as well as other authorities, should place in subpart 1-4.11 of title 41 of the Federal Procurement Regulations, and other appropriate places, guidance on the size of electronic data processing and data communication contracts appropriate for award to small business and 8(a) firms.

Status: Action in process.

Agency Comments/Action

The General Services Administration (GSA) and SBA agree with the recommendations and have taken or promise to take prompt action to correct problems. The Department of Defense (Army and Navy) has also taken action on two very large contracts. OMB has delayed action on a GSA-proposed amendment to the Federal Procurement Regulations.

The Chairman of the House Committee on Government Operations urged the Administrators of SBA and GSA and the Secretary of Defense to take prompt and rigorous action to correct deficiencies.

INTERSTATE COMMERCE COMMISSION
SECURITIES AND EXCHANGE COMMISSION

Accounting Changes Needed in the Railroad Industry
(AFMD-81-26, 2-4-81)

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reporting (998.6)
Legislative Authority: Staggers Rail Act of 1980 (P.L. 96-448). Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). P.L. 96-613.

Betterment accounting is the method that railroads are required to use to account for the track structure in reports to the Interstate Commerce Commission (ICC), and is generally used in reports to the Securities and Exchange Commission (SEC) and stockholders. Under betterment accounting, the original cost of the track structure is added to the asset account, and no systematic depreciation is taken. The cost of replacements of track structure material of equal quality is charged to expense in the periods when replacements occur. "Betterments" occur when track structure materials are replaced by superior quality assets. The added cost of the new superior material over the current cost of the material removed is also added to the asset account.

Findings/Conclusions: The use of a depreciation accounting system by the railroad industry would improve expense recognition and net income determinations, improve balance sheet presentations, and enhance comparability of financial information between railroads. These improvements would assist Congress in deciding regulatory and subsidy questions for the industry and would aid Federal agencies in exercising regulatory responsibilities. In addition, depreciation accounting would help shippers in assessing rates and investors in making financial decisions. Since the industry's net income will probably be greater if it uses depreciation accounting, concern has been expressed over the resulting increase in Federal income taxes. However, legislation has been enacted which mitigates the impact of higher taxes on railroads.

Recommendations to Agencies: The Commissioners of SEC should complete the April 1977 Advance Notice of Proposed Rulemaking on railroad accounting by adopting depreciation accounting for the track structure.
Status: Action completed.

The Commissioners of ICC should complete the October 1978 Advance Notice of Proposed Rulemaking and adopt depreciation accounting for the track structure.
Status: Action in process.

The Commissioners of ICC should coordinate future changes in deferred maintenance reporting requirements with SEC to guard against conflicting requirements being placed on the railroad industry.
Status: No action initiated. Date action planned not known.

The Commissioners of SEC should complete the study of deferred maintenance reporting covered by the April 1977 Advance Notice of Proposed Rulemaking and require railroads to report deferred maintenance information which fulfills SEC needs yet does not conflict with ICC requirements.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

ICC plans to complete the Advanced Notice of Proposed Rulemaking and adopt depreciation accounting for track structures. ICC coordinates deferred maintenance information with the Department of Transportation and SEC monitors ICC/SEC actons. SEC does not intend to act until ICC completes the Advance Notice of Proposed Rulemaking.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
SMALL BUSINESS ADMINISTRATION

NASA-Ames Research Center Should Not Have Awarded Computational Services Contract to SBA and Technology Development of California
(AFMD-83-40, 6-9-83)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Small Business Act (15 U.S.C. 637(a)).

In response to a congressional request, GAO reviewed the National Aeronautics and Space Administration's (NASA) Ames Research Center contract that was awarded for computational services. The contract was noncompetitively awarded to the Small Business Administration (SBA) which then subcontracted to Technology Development of California (TDC) under the Minority Business Program.

Findings/Conclusions: GAO found that the contract is not in the best interests of the Government, because the Government will pay more than it would have if the equipment had been leased directly from TDC. Further, separate purchases of the computer equipment would have been a lower cost alternative than the contract approach followed by NASA. GAO concluded that the purchase cost to the Government would have been significantly reduced by a different acquisition method.

Recommendations to Agencies: The Administrator, SBA, should reexamine continued TDC participation in the Small Business Act, Section 8(a) program.

Status: No action initiated. Date action planned not known.

The Administrator, NASA, should direct that this contract not be further extended without careful consideration of needs and alternatives. The Administrator should require the Director of the Ames Research Center, before the next contract extension, to: (1) revalidate long-term, large-scale computing needs; (2) evaluate available alternatives; and (3) document why Ames' procurement approach is in its and the Government's best interests.

Status: Action in process.

Agency Comments/Action

The agency concurred with the GAO recommendations on the need to further analyze its requirements but raised questions on seven of the report's key findings. During July-September 1983, the agency revalidated its long-term, large-scale computing needs. Available alternatives are being evaluated at present. A selected strategy was due October 31, 1983. No comments have been received from SBA.

NATIONAL INSTITUTES OF HEALTH
NATIONAL SCIENCE FOUNDATION

Better Accountability Procedures Needed in NSF and NIH Research Grant Systems
(PAD-81-29, 9-30-81)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251.0)
Legislative Authority: Science Foundation Act (42 U.S.C. 1861 et seq.). Federal Grant and Cooperative Agreement Act of 1977.

GAO assessed the systems used by the National Science Foundation (NSF) and the National Institutes of Health (NIH) to determine which research proposals by colleges, universities, and other nonprofit research institutions are to be funded and how scientific performance on the grants is assessed when continued support is provided. Specifically, GAO focused on the peer review system of the scientific performance accountability system which is used in large measure to determine which research proposals are to be funded and how scientific performance on the grants is assessed when continued support is provided.

Findings/Conclusions: Although the scientific performance accountability systems are basically the same at NSF and NIH, the procedures differ significantly. GAO believes that some of the NIH peer review procedures have certain advantages over those at NSF. At NIH, peer review prevented 17 percent of the researchers who sought additional grant funding from continuing their research, and their comments directly affected some of the other continued research. At NSF, none of the researchers who sought continued funding had their requests denied, but comments did eliminate some research objectives and the time requested to do the research was reduced. Unlike NIH, NSF does not ask peer reviewers to comment on the performance of the immediately preceding grant. For new project proposals, neither NSF nor NIH requires researchers to discuss prior grant results or to identify prior grant publications. NIH automatically forwards peer review comments to researchers; whereas, NSF forwards them only on request. NSF, NIH, or the universities do not uniformly monitor the progress or evaluate the results of research grants. Most of the researchers who were awarded renewal grants did not accomplish all of the objectives of the immediately preceding goal, but the researchers were expected to attempt the grant's objectives. Neither NSF nor NIH specifies the extent to which researchers can deviate from a grant's original objectives without prior agency approval.

Recommendations to Agencies: The Director of NSF should require that renewal proposal progress reports identify the objectives; show evidence of the progress toward their achievement; and any major changes in direction or emphasis and rationale for such changes, publications, and other input from a researcher's immediately preceding grant.

Status: Action completed.

The Director of NSF should require that peer reviewers be asked when reviewing renewal proposals to specifically comment on a researcher's performance on the immediately preceding grant.

Status: Action completed.

The Director of NSF should require that the documentation of panel peer review deliberations include the major elements required of the NIH peer review group summary statement when individual peer reviewers' written reviews do not provide this information.

Status: Action completed.

The Director of NSF should require that peer review comments be automatically sent to researchers.

Status: Action completed.

The Director of NSF should require that proposals identify the research objectives to be undertaken during the grant period.

Status: Action completed.

The Directors of NSF and NIH should require that proposals for new projects include evidence of progress from prior grants.

Status: Action completed.

The Directors of NSF and NIH should require that peer reviewers be furnished any available final technical reports and listings of publications from prior grants when researchers seek funding for new projects.

Status: Action completed.

The Directors of NSF and NIH should require that more systematic and uniform review of annual progress reports be made by the program officers.

Status: Action in process.

The Directors of NSF and NIH should require that more specific guidelines be established regarding the extent to which researchers can change grant objectives without prior agency approval.

Status: Action in process.

Agency Comments/Action

NSF said that reviews of individual written peer reviewers mitigated the need for requiring a detailed summary such as NIH requires as NIH usually does not have individual written reviews, and NSF does. GAO agrees with NSF and recommends that the NSF panel summaries show the kind of information required in the summaries only when such data do not appear in any of the individual written reviews.

DEPARTMENT OF AGRICULTURE

Forest Service Efforts To Change Timber Sale Payment Method
(RED-75-396, 7-16-75)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)

The primary timber sale method used in the Forest Service's western regions has been log measurement. Under this method a purchaser agrees to pay for logs on the basis of a Forest Service or scaling bureau estimate of the marketable volume of wood in logs that have been cut. In recent years, the Service has been trying to increase its western regions' use of the tree measurement method of selling timber. Under this method the purchaser agrees to pay a specific amount for the timber in a sale area on the basis of a Forest Service estimate of the marketable volume of wood in the trees before they are cut down. Because of industry opposition to this method, the Service has attempted, through test sales, to obtain data to compare the two methods.

Findings/Conclusions: In a report to Senator Pete V. Domenici, GAO pointed out that, because the Service had not provided special funds and adequate guidelines and procedures for conducting test sales, (1) there had been inconsistencies among the regions in carrying out the test sales, and (2) the relative accuracy and cost of the two methods had not been determined. The Service issued revised guidelines and procedures in March 1975 but had not established a test-sale program completion date or plans for special funding. Until the program is completed, the Service will not be able to provide well-documented evidence to settle the questions of effectiveness and cost of the two methods.

Recommendations to Agencies: The Secretary of Agriculture should direct the Chief of the Forest Service to: (1) set dates for timely completion of test sales and give high priority to meeting those dates; (2) take steps to provide the Forest Service's regions with the funds needed to conduct adequate and timely test sales; (3) evaluate and report to the appropriate congressional committees the results of test sales as they are completed for specific forests, tree species, and timber conditions; and (4) use the tree measurement method for all forests, tree species, and timber conditions for which test sales have shown net benefits to be gained from its use and where Forest Service personnel have the capability to prepare tree measurement sales professionally and accurately.

Status: Action in process.

Agency Comments/Action

The Forest Service basically agreed with the recommendations in 1975 and considered tree measurement to be a valuable and necessary technique applicable to a variety of forests. Test sales have been made only on a limited basis in the western regions. It allocated $225,000 to the three western regions for such test sales during fiscal year 1982. No new funds have been allocated for test sales in fiscal year 1983. The Forest Service plans to develop a National Forest Tree Measurement Handbook by the end of 1984 and implement the tree measurement system in applicable type forests.

DEPARTMENT OF AGRICULTURE

The Special Supplemental Food Program for Women, Infants, and Children (WIC)--How Can It Work Better? *(CED-79-55, 2-27-79)*

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Child Nutrition Act of 1966 (42 U.S.C. 1786). Child Nutrition Amendments of 1978 (P.L. 95-627; 92 Stat. 3603).

A follow-on review of the Special Supplemental Food Program for Women, Infants, and Children (WIC), Department of Agriculture, was conducted.

Findings/Conclusions: Several WIC programs did not provide needed health services as requested by Congress. Many of the programs were affected by the following: (1) required professional assessments of applicants' nutritional status were not being made in some locations; (2) States used different criteria for judging whether applicants were nutritional risks and eligible for the program and supplemental food packages seldom were tailored to participants' individual nutritional needs; (3) nutrition education and program evaluation have not received the priority and attention they deserve; and (4) program regulations contain provisions hindering effective evaluations.

Recommendations to Congress: Congress should revise authorizing WIC legislation to clearly require that participants receive needed health services where such services are available, accessible, and acceptable, with possible exceptions based on participants' religious beliefs.

Status: No action initiated. Date action planned not known.

Congress should address the problem of whether benefits of the food supplement part of WIC alone warrant its expansion to areas where needed health services cannot be delivered.

Status: No action initiated. Date action planned not known.

Congress should monitor the Department of Agriculture's actions on the GAO recommendation that Agriculture work with the States and local agencies and with the Department of Health, Education, and Welfare to provide needed services in those present and planned program areas where adequate health services are not available, accessible, and acceptable.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Agriculture should ensure that all States, especially Illinois and Washington, are properly interpreting Federal program regulations as requiring that needed health services, including prenatal and pediatric care, be made available to WIC participants.

Status: Action completed.

The Secretary of Agriculture should require that the Department evaluate and report on State monitoring of the content and overall effectivenesss of nutritional education given to participants at the local level.

Status: Action in process.

The Secretary of Agriculture should arrange for Agriculture and HEW to jointly determine whether sufficient acceptable health services will be available for an expanded WIC program to operate as an adjunct to good health care. If problems appear likely in this regard, the executive branch should consult Congress and, within the framework of the Government's overall budget policy, consider various alternative solutions geared to maximizing the effectiveness of available health resources.

Status: Action completed.

The Secretary of Agriculture should preclude disincentives to food package tailoring by specifically prohibiting States from considering food costs in distributing administrative funds to local agencies.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should require that nutritional risk assessments be made at specified intervals by competent professionals in accordance with established uniform criteria, and that the results of all such assessments, including assessments by outside providers, be made available to clinic staff for program purposes.

Status: Action completed.

The Secretary of Agriculture should direct that research be started to obtain the needed information to enable Agriculture to effectively implement the legislative provision in the newly enacted Child Nutrition Amendments.

Status: Action completed.

The Secretary of Agriculture should make certain that the Department's regional offices and its internal audit staff systematically evaluate and report on State management controls over (1) the nature, extent, and frequency of the nutritional risk assessments of program participants, and (2) the basis for, and extent of, food package prescriptions made to enable individual participant's nutritional/health needs to be met.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should work with HEW and recognized professional groups, such as the American College of Obstetricians and Gynecologists and the American Academy of Pediatrics to develop uniform standards and criteria for determining what constitutes bonafide nutritional/health risks for the different classes of WIC program participants (women, infants, and children). Such criteria should be uniformly applied across the board to ensure equitable and consistent treatment of the program's target population.

Status: Recommendation no longer valid/action not intended. *The agency will not agree to act on this recommendation. It says that there is no need for, or benefit to be gained from, the development and use of uniform standards and criteria.*

The Secretary of Agriculture should require that individual food packages be prescribed to provide the kinds and quantities of foods needed to meet the specific nutritional needs of each recipient. Such prescriptions should be

based on systematic feedback from nutritional risk assessments make by competent professionals and should specifically provide that greater or lesser amounts of food than contained in the current standard package be authorized and prescribed in accordance with case-by-case professional determinations of need.
Status: Action completed.

The Secretary of Agriculture should require that States and other authorized grantees take more effective measures to ensure that health services will be available to all potential participants in WIC before approving new local programs or major program expansions. Such measures should include a requirement that specified documentation from sponsor applicants show detailed information about public and private health service capacity in the target area, including firm agreements with private doctors and other health providers that would assure needed care for low income WIC participants.
Status: Action completed.

The Secretary of Agriculture should provide more specific guidance and direction to the States, and through the States to the local programs, as to how to structure and implement an effective nutrition education program for WIC participants. Part of this effort should entail designating a Service headquarters official responsible for the nutrition education component of the WIC program. It also should involve close coordination with HEW to develop and implement an appropriate nutrition education policy and to prepare, distribute, and update related teaching materials for the WIC program.
Status: Action completed.

The Secretary of Agriculture should, to ensure that future legitimate program evaluators have access to needed information on participants' health status, direct the Food and Nutrition Service to revise its regulations to give Agriculture and GAO personnel access to participants' medical information, but require that these personnel protect the privacy of the participants.
Status: Recommendation no longer valid/action not intended. *The agency will not act on this recommendation. It takes the view that confidentiality of participant medical information must be preserved.*

The Secretary of Agriculture should make certain that Department reviewers keep close watch on State efforts to arrange for appropriate health services for WIC program participants and to ensure that such services are actually available to participants as needed.
Status: Action completed.

The Secretary of Agriculture should, where adequate health services are not available, accessible, and acceptable in present and planned WIC program areas, direct that the Department work with the States and local public and private agencies, and with HEW, to provide the needed services.
Status: Action completed.

The Secretary of Agriculture should drop from program regulations the proposed provision that participants not be denied supplemental food for failure to attend or participate in nutrition education activities. In light of the need for local WIC programs to fully integrate nutrition education into WIC program regulations, such restrictions on methods by which this can be effectively accomplished would be counterproductive and at odds with program goals.
Status: Recommendation no longer valid/action not intended. *The agency will not act on this recommendation. It believes that WIC participants should be encouraged, but not required, to receive nutrition education.*

Agency Comments/Action

Agriculture agreed with most of the GAO findings and has taken action on most of the report's recommendations. The agency disagreed with the conclusions and recommendations in three areas: (1) the need for uniform criteria and standards for medical/nutritional risk; (2) Agriculture and GAO access to certain participant medical information; and (3) required participation in nutrition education activities.

DEPARTMENT OF AGRICULTURE

Lessons To Be Learned From Offsetting the Impact of the Soviet Grain Sales Suspension
(CED-81-110, 7-27-81)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: Food Security Wheat Reserve Act of 1980 (P.L. 96-494; 94 Stat. 2578). Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.). Export Sales Reporting Act (7 U.S.C. 612c-3). Export Administration Act of 1979 (50 U.S.C. App. 2401). Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913). P.L. 96-234. 94 Stat. 333.

On January 4, 1980, the President announced that, for foreign policy and national security reasons, the Federal Government was suspending the shipment of about 18 million metric tons of agricultural commodities to the Soviet Union. The President directed the Department of Agriculture to take actions to offset the suspension's impact on farmers. These offsetting actions, most of which were concerned with stabilizing market prices, included removing the suspended grain from the market by increasing the wheat and corn price-support loan rates, adjusting the farmer-owned reserve program, purchasing grain directly from farmers and country grain elevators, and purchasing exporters' undeliverable grain contracts with the Soviet Union.
Findings/Conclusions: Because of the short time between the decision to suspend shipments and the suspension's announcement, Agriculture was not able to analyze thoroughly the suspension's potential impact and to develop a comprehensive plan of offsetting actions. The lack of adequate planning caused Agriculture to: (1) erroneously anticipate that the farmer-owned reserve would efficiently remove the undeliverable grain; (2) purchase the exporters' Soviet contracts valued at about $2.4 billion with little documentation that such purchase was necessary; and (3) implement inefficiently the offsetting actions. Since any future suspension of the export of agricultural commodities may have a severe effect on the grain production and marketing industries, it is important that the potential effects of the various actions that could be taken to offset the potential impact of any further suspensions be identified and analyzed. Agriculture's purchase and resale of the exporters' Soviet contracts and its purchase of corn and wheat from farmers were implemented in a manner which led to Federal losses or increased Federal costs. A Government monitoring program set up to identify illegal shipments to the Soviet Union was reasonably successful in identifying and discouraging direct shipments from U.S. ports to the Soviet Union. However, it was not feasible to closely monitor for possible unauthorized transshipments. The Soviet Union was able to substantially offset the suspension's impact by increasing imports from other countries and drawing down its reserves.
Recommendations to Agencies: The Secretary of Agriculture should develop and keep current a contingency plan that would include: (1) an assessment of whether existing farm programs are flexible enough to efficiently and effectively offset the impact of a grain sales suspension on farmers; (2) an evaluation of the types and availability of data needed to determine on short notice the extent and severity of a suspension's impact on farmers, grain elevators, grain transporters, and exporters; and (3) an analysis of the extent, if any, to which the impact on each of the agricultural sectors should be offset.
Status: Action in process.

The Secretary of Agriculture should, after assessing existing farm programs, develop and submit to Congress any legislative recommendations for modifying existing programs or instituting new programs that the Secretary finds are necessary in developing a contingency plan.
Status: Action in process.

If the Commodity Credit Corporation again considers purchasing exporters' contracts to offset the impact of any future suspensions, the Secretary of Agriculture should direct it to: (1) prepare an economic justification for each commodity involved in the suspension to determine if such purchase is necessary; and (2) estimate any suspension-related benefits and detrimental effects to the exporters and use both estimates in determining the extent of Federal assistance needed.
Status: Action in process.

If the Commodity Credit Corporation again considers open-market purchases as an offsetting action, the Secretary of Agriculture should direct it to purchase only the types and grades of commodities suspended from shipment and to make such purchases at prices within a reasonable amount of the existing market price.
Status: Action in process.

Agency Comments/Action

Agriculture is opposed to the development of a grain suspension contingency plan. It agreed that, if a direct purchase is contemplated, an economic justification statement should be prepared on each commodity to determine if the purchase is necessary and that both beneficial and detrimental effects should be considered before providing Federal assistance to exporters. However, it did not agree with the last part of the recommendation. Congress passed section 1205 of the Agriculture and Food Act of 1981 which incorporates all of the recommendations.

DEPARTMENT OF AGRICULTURE

Continuation of the Resource Conservation and Development Program Raises Questions

(CED-81-120, 8-11-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Bankhead-Jones Act (Farm Tenant) (7 U.S.C. 1010; 7 U.S.C. 1011; 50 Stat. 525). Soil Conservation and Domestic Allotment Act (16 U.S.C. 590a et seq.; 49 Stat. 163).

GAO reviewed the Department of Agriculture's Resource Conservation and Development (RC&D) program and the administrative and legislative changes needed to improve the control and operation of the program.

Findings/Conclusions: GAO was unable to develop a clear picture or measure of overall benefits under the program because program accomplishments are not clearly distinguishable at either the project or measure level. The principal problems involved lack of useful data, the intangible nature of some benefits, and varying or unknown degrees of project involvement. GAO was able to obtain cost information on the program overall and on each project but not on individual project measures. Pertinent technical assistance costs were not shown for individual measures. The omission of technical assistance costs in reporting completed measures seriously limited any attempt to evaluate the program's benefits in relation to its costs. Funds appropriated for cost sharing with local sponsors under the program have been used to finance many measures for which other Federal programs have been established. Once projects are authorized, they remain on the rolls indefinitely. Federally assisted sub-State planning organizations have the potential to become an alternative delivery system for activities carried out under the program because they perform many of the same functions. Some projects' area plans which specify goals, objectives, and measures to be undertaken have not been updated as required by program procedures.

Recommendations to Congress: If Congress decides to continue the RC&D program, it should legislatively discontinue the use of program funds for installing project measures currently authorized for financing under cost sharing arrangements.

Status: Recommendation no longer valid/action not intended. *The Agriculture and Food Act of 1981 (P.L. 97-98) established an RC&D program and provided for the deauthorization of projects and for cooperative agreements with States and local units of government.*

If Congress decides to continue the RC&D program, it should legislatively require the Secretary of Agriculture to establish procedures for periodically reviewing project operations and deauthorizing projects which are no longer active or have developed the capabilities necessary to continue operating without Federal involvement.

Status: Action completed.

If Congress decides to continue the RC&D program, it should legislatively direct the Secretary of Agriculture to establish several pilot projects where sub-State organizations would assume the functions of RC&D projects. Upon completion of such tests, the Secretary should be required to provide Congress an evaluation of the test results with such recommendations as may be indicated for transferring additional RC&D project functions to sub-State organizations or the reasons for retaining the functions within the existing RC&D program structure.

Status: Recommendation no longer valid/action not intended. *The Agriculture and Food Act of 1981 (P.L. 97-98) established an RC&D program and provided for the deauthorization of projects and for cooperative agreements with States and local units of government.*

Recommendations to Agencies: The Secretary of Agriculture should require the Soil Conservation Service to account for and identify the costs of providing technical assistance for each project measure.

Status: Action in process.

The Secretary of Agriculture should require the Soil Conservation Service to improve its program information system to provide data which would permit better assessment of project benefits.

Status: Action in process.

The Secretary of Agriculture should require the Soil Conservation Service to monitor the program more closely to assure that the projects' area plans are up to date and reflect any changed conditions in project circumstances.

Status: Action completed.

The Secretary of Agriculture should require the Soil Conservation Service to develop and incorporate an approved evaluation procedure into the program's management process.

Status: Action in process.

Agency Comments/Action

In a June 19, 1981, letter, USDA agreed with the recommendations and outlined actions it was taking or planned to take. However, in its November 16, 1981, letter to GAO, USDA said that the administration's budget policy for RC&D was to discontinue the program; the recommendations were not being considered at that time. On January 7, 1982, officials of the Soil Conservation Service, which administers the RC&D program, told GAO that it plans to issue regulations to implement the provisions of the Agriculture and Food Act of 1981 and make revisions in its RC&D Program Handbook in accord with the recommendations. In February 1984, the Service advised GAO that it will not issue program regulations because funds are not being requested for the program in FY 1985. Target date for the Program Handbook is August 1984.

DEPARTMENT OF AGRICULTURE

Millions Could Be Saved by Improving Integrity of the Food Stamp Program's Authorization-To-Participate System
(CED-82-34, 1-29-82)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Food Stamp Act Amendments of 1980 (P.L. 96-249). Food Stamp and Commodity Distribution Amendments of 1981 (P.L. 97-98).

GAO reviewed the Department of Agriculture's use of the Authorization-to-Participate (ATP) system, the Food Stamp Program's principal benefit-delivery method. The purpose of the review was to make a preliminary assessment of the Food and Nutrition Service's efforts to assure the integrity of the system which will deliver about $8 billion of the estimated $10.6 billion of food stamp benefits in fiscal year 1982.

Findings/Conclusions: GAO found that the ATP system has serious weaknesses. While losses through the system have been reported to be about $12 million annually, the inaccurate and incomplete reconciliation reports submitted by some food stamp agencies and the lack of reconciliation reports by others indicate that actual losses are greater. As a result, the Food and Nutrition Service does not know the full extent of the losses. Moreover, it has opted to assume the fiscal liability of these losses when in fact some could have been prevented by food stamp agencies. The Service has issued regulations requiring the use of photo identification at all food stamp projects. The new regulations also limit ATP card replacements, but duplicate transactions may still occur. GAO found that not all food stamp agencies that have serious ATP problems are required to use photo identification under the current criteria.

Recommendations to Agencies: The Secretary of Agriculture should direct the Acting Administrator of the Food and Nutrition Service to take specific measures to improve the Authorization-to-Participate (ATP) system's fiscal integrity, including: (1) determining those elements of existing ATP delivery systems which are most effective in preventing program losses and direct that the more effective methodologies be used where appropriate; (2) verifying data on the reconciliation reports by reviewing food stamp agencies' ATP issuance and reconciliation systems and records, identifying through these reviews food stamp agencies that may be more likely to have recurring duplicate ATP transactions, and analyzing these weaker systems and requiring the food stamp agencies to correct flaws contributing to program losses; (3) requiring photo identification at all food stamp agencies experiencing significant duplicate ATP transactions but not currently covered by the regulations; (4) including enforcing program regulations making States and local food stamp agencies liable for program losses that should have been prevented; and (5) including reevaluating the new ATP replacement regulations to determine if weaknesses in the regulations can be eliminated.

Status: Action in process.

Agency Comments/Action

The agency contracted with a research firm to evaluate the effectiveness of all issuance systems currently operating in the Food Stamp Program. The service issued proposed regulations allowing States to use the direct pickup issuance system for ATP cards. The agency required its regional offices to: (1) conduct detailed reviews of the ATP, reconcile reports to identify deficiencies with State systems; (2) provide technical assistance; and (3) visit State agencies that appeared to be reporting inconsistent/questionable data and review their reconciliation systems. The agency required additional food stamp project locations to use photo identification and established criteria to identify other locations where use of photo identification would be appropriate. The agency disagreed with the recommendation that States should be held liable for duplicate transaction losses and is reevaluating ATP replacement regulations to determine if noted weaknesses can be eliminated.

DEPARTMENT OF AGRICULTURE

Savings Are Possible Through Better Management of Government-Owned Dairy Products
(CED-82-79, 5-18-82)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: Agricultural Act of 1949 (7 U.S.C. 1421 et seq.). Agriculture and Food Act of 1981 (P.L. 97-98).

GAO reviewed the Department of Agriculture's (USDA) policies and procedures for storing dairy products acquired through the dairy price-support program. The purpose of the review was to evaluate how these products were managed, because the Government-owned inventories of butter, cheese, and nonfat dry milk increased substantially during fiscal years 1980 and 1981, and these products comprise the largest share of Government-owned commodities.

Findings/Conclusions: USDA successfully located sufficient storage space for the dairy products, which increased from about 705 million pounds in fall 1979 to more than 2 billion pounds by fall 1981. GAO concluded that USDA would realize an estimated annual savings of up to $1.4 million if it purchased its requirements for 1-pound packages of butter directly from suppliers. Butter in 1-pound packages is used in the domestic school lunch and food-for-the-needy programs and is supplied by repackaging blocks of bulk butter. USDA did not act on previous recommendations to buy 1-pound packages of butter because of the large inventory of bulk butter on hand and its concern that the older stock would deteriorate before it was used. GAO concluded that warehouses storing the dairy products are examined more often than necessary. It was estimated that approximately 2600 staff hours of warehouse examiners' time could be saved annually if the frequency of examinations were reduced from three times to two times a year for warehouses that have good performance records. This would provide time for the decreasing staff of examiners to cope with an increasing workload.

Recommendations to Agencies: The Secretary of Agriculture should direct the Administrator of the Agricultural Stabilization and Conservation Service to establish a policy to buy the Department's requirements for 1-pound packages of butter directly from suppliers whenever possible. The Administrator should implement this policy immediately so that part of the requirement for the next full quarter could be acquired in this manner based on an analysis of projected needs and present inventory. For each succeeding quarter, the Administrator should reevaluate Government-owned butter inventories to determine the amount such purchases can be increased so that eventually all requirements can be obtained by direct purchases.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should direct the Administrator of the Agricultural Stabilization and Conservation Service to identify those warehouses that have good performance records and reduce the examination frequency for these warehouses to twice a year.

Status: Action completed.

Agency Comments/Action

Agriculture agreed with the recommendations; however, it does not plan to implement the first recommendation until the current inventory of aging bulk butter stocks have been used up.

DEPARTMENT OF AGRICULTURE

Agricultural Marketing Act Inspections Should Be Administered by Single USDA Agency
(CED-82-69, 5-21-82)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.). Grain Standards Act (7 U.S.C. 71 et seq.). P.L. 83-480.

GAO reviewed the Department of Agriculture (USDA) food and inspection grading activities carried out under the Agriculture Marketing Act of 1946. Responsibility within USDA for these activities is currently shared by the Agricultural Marketing Service (AMS) and the Federal Grain Inspection Service (FGIS); GAO also reviewed this division of responsibility.

Findings/Conclusions: GAO found that FGIS relies on local individuals under annual personal service contracts called contract samplers rather than its own employees to do contract compliance inspections. AMS provides contract compliance services for most Act products and it usually has employees near or in the immediate area of plants under FGIS jurisdiction who could absorb most of the FGIS workload. Therefore, the AMS employees could probably provide higher quality and more reliable services. Since testing processed grain products in connection with contract compliance inspections is the primary mission of the FGIS laboratory, it could also be transferred to AMS, because AMS has three laboratories that do similiar testing. FGIS now diverts a certain amount of testing work to private laboratories to keep them under contract in case their facility cannot handle peak workloads. FGIS provides other services under the Act besides contract compliance services. GAO believes that transferring the Act functions would be desirable, even though such a transfer would not necessarily result in higher quality or more efficient services. Without these Act responsibilities, FGIS could devote more attention to its primary grain inspection mission and could better maintain that program's integrity despite staff cutbacks. FGIS already has personnel at major ports. Therefore, it could provide export inspection services more efficiently.

Recommendations to Agencies: The Secretary of Agriculture should transfer to AMS responsibility for inspecting and grading commodities covered by the Agricultural Marketing Act of 1946 that are now assigned to FGIS.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should transfer a sufficient number of FGIS personnel with expertise in grading rice and other commodities which FGIS now grades under the Act.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should transfer the FGIS commodity testing laboratory in Beltsville, Maryland.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should instruct the Administrators of FGIS and AMS to execute a memorandum of understanding providing for FGIS personnel to continue inspection and testing services they now provide on exported commodities.

Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should instruct the Administrator of AMS to establish a formal policy and system for maximizing cross-utilization of AMS personnel on contract compliance inspection work.

Status: Action completed.

The Secretary of Agriculture should instruct the Administrator of (FGIS) to either: (1) transfer grain research work now done by the Beltsville laboratory to the FGIS laboratory in Grandview, Missouri, or (2) effect a memorandum of agreement with the Administrator of AMS providing for the Beltsville laboratory to continue this work on a reimbursable basis.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

USDA disagreed with all but one of the recommendations. While agreeing that centralized management of like functions is normally desirable, USDA maintained that a split in responsibilities for Agriculture Marketing Act inspection and grading activities is justified because of similarities in inspections conducted under the U.S. Grain Standards Act. Accordingly, USDA plans no action on the recommendations except to cross-utilize, where practical, personnel assigned to the two agencies which carry out the activities in question. After studying this approach, the agencies concluded that cross-utilization nationally, while desirable, would not be practical. In March 1983, the agencies agreed to cross-utilize personnel and transfer responsibility for individual plants on a case-by-case basis so that personnel from both agencies would not be inspecting different products of the same contractor's plant. Such actions had been taken at eight individual plants.

DEPARTMENT OF AGRICULTURE

Congressional Decision Needed on Necessity of Federal Wool Program
(CED-82-86, 8-2-82)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: Wool Act (7 U.S.C. 1781 et seq.). Insecticide, Fungicide and Rodenticide Act (7 U.S.C. 136 et seq.).

GAO reviewed the Department of Agriculture's wool incentive payment program to determine whether it is accomplishing its objectives and whether these objectives are still valid.

Findings/Conclusions: The Federal wool incentive program has had little effect on encouraging wool production and improving wool quality because decisions to raise sheep are based primarily on the profitability of the lamb market. Since most producers decide to raise sheep regardless of Federal encouragement, program payments do not necessarily encourage production. Furthermore, the increased use of synthetic fibers in military items, once made entirely of wool, and in commercial products has reduced the need for wool, and it is no longer on the list of strategic commodities. GAO found that, although program payments to producers have been substantial, wool production has declined by over 50 percent since the inception of the program. Furthermore, reports on the domestic wool market indicate that wool quality has not improved. Therefore, the major reasons for establishing a program to encourage wool production are not as important as they were when the program was initiated.

Recommendations to Congress: Congress should consider whether Federal financial assistance should: (1) continue to be provided to encourage wool production; and/or (2) be provided to generally assist the sheep industry.

Status: No action initiated. Date action planned not known.

Congress should, if the program is retained, eliminate payments to noncommercial producers and payments for unshorn lambs because these payments are not accomplishing their intended objectives.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Agriculture agreed with the GAO recommendations. However, up to the present time Congress has taken no action nor is any planned.

DEPARTMENT OF AGRICULTURE

Agricultural Economics Research and Analysis Needs Mission Clarification
(RCED-83-89, 1-31-83)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Agricultural Research, Extension, and Teaching Policy Act (National). Food and Agriculture Act of 1977 (P.L. 95-113). Organic Act of 1862 (7 U.S.C. 2201 et seq.).

GAO examined and clarified the Department of Agriculture's (USDA) economics research and analysis activities. GAO made its review in terms of the USDA Economic Research Service's (ERS) overall mission and program priorities and its relationship to that of State land-grant institutions. GAO also reviewed USDA activities with regard to planning, priority setting, and coordination of public sector agricultural economics research and analysis.

Findings/Conclusions: GAO found that there is a disagreement within the agricultural community on the roles of ERS and the land-grant institutions' departments of agricultural economics. Contributing to this problem is the lack of clear roles between ERS and land-grant institutions in their economics research. A systematic determination of research needs is important because some research needs must be given higher priorities than others. However, very little has been done to plan for, set priorities for, or coordinate overall public sector agricultural economics research and analysis activities. Decisions are often made on an ad-hoc basis with little coordination between USDA and the land-grant institutions. GAO concluded that, during the past few years, ERS has conducted socioeconomic research which GAO believes is questionable from a subject matter perspective, while other priority research and analysis needs have not been given adequate attention.

Recommendations to Agencies: The Secretary of Agriculture, in cooperation with the State land-grant institutions, should: (1) examine and clarify the Federal role in agriculture economics research and analysis, including the ERS role in relation to that of the land-grant institutions; and (2) prepare a statement of the ERS mission and role in relation the the State land-grant institutions and submit it to the appropriate congressional committees for their information and review.

Status: Action in process.

The Secretary of Agriculture should provide leadership in planning and coordinating agricultural economics research and analysis by directing the Administrator, ERS, to actively encourage joint program planning for, and coordination of, agricultural economics research and analysis with the land-grant institutions as well as other interested Federal and State agencies.

Status: Action completed.

Agency Comments/Action

ERS recognizes the need to work with the land grant universities to clarify the ERS research role. As part of this effort, ERS has established a new position, Deputy Administrator for Planning and Organizational Relations. ERS is preparing a new mission statement which will eventually be released as a public document. ERS is using coordinating mechanisms to enhance planning and cooperation between ERS and the land grant universities.

DEPARTMENT OF AGRICULTURE

Need For Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud
(RCED-83-40, 2-4-83)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act. Food Stamp Act of 1964. Food Stamp Act of 1977. Food Stamp Act Amendments of 1979. Food Stamp and Commodity Distribution Amendments of 1981. Omnibus Budget Reconciliation Act of 1981. Omnibus Budget Reconciliation Act of 1982. Agriculture and Food Act of 1981. Debt Collection Act of 1982 (P.L. 97-365). H.R. 6394 (97th Cong.). H. Rept. 97-759. S. Rept. 97-128. S. Rept. 97-504.

GAO conducted a review of the Food Stamp Program to see if improvements have been made in the identification and recovery of overissuances and the adjudication of cases involving alleged fraud since a 1977 report.

Findings/Conclusions: During fiscal years 1980 and 1981, the Federal Government lost about $2 billion through State overissuances of food stamp benefits, and eligible households received about $500 million less than they should have. The erroneous issuances resulted from administrative and recipient errors and fraud. Only about 1 cent of each overissued dollar was recovered. Using semiannual quality control results, the Food and Nutrition Service (FNS) can project the total amount of overissued and underissued benefits, but it has no reliable data on how many of these errors States identify with specific households. Data from six States indicated that, compared with total estimated overissuances, relatively few specific cases have been identifed. GAO stated that the use of computer matching to identify and ultimately recover specific overissuances holds considerable promise, and legislation implemented in recent years provides needed financial incentives to identify more overissuance cases. Although States are required to establish claims against households identified as receiving overissuances, they have not always done so because collection was difficult; however, recent legislation provides financial incentives and requires offsets against benefits to households still in the program of recipient-caused errors. GAO found that States have not investigated or adjudicated many identified cases of potential fraud because of the problems they perceived in pursuing them and FNS has not acted in a concerted way to solve or lessen barriers to State fraud pursuit.

Recommendations to Congress: Congress should amend the Food Stamp Act of 1977, as amended, to require recovery of overissuances by reducing monthly benefits of recipient households regardless of the reason for the improper issuance.
Status: No action initiated. Date action planned not known.

Congress should add a new section 13(b)(3) to require States to promptly take all necessary steps to recover any overissuances from households no longer participating in the program.
Status: No action initiated. Date action planned not known.

The congressional legislative and appropriations committees should direct the Secretary of Agriculture to evaluate and inform them of the results of any legislative changes and administrative efforts to improve the identification and collection of overissuances and the potential impact of any additional initiatives being considered in this area.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Agriculture should issue regulations specifically requiring States to identify and correct erroneous issuance cases, either: (1) as a by-product of routine program procedures required for other purposes, such as recertifications; or (2) through computer matching and other specific identification techniques that can detect multiple program participation and discrepancies in household-reported eligibility/benefit data. These regulations should require that each State, as a minimum, identify erroneous issuances caused by classes of eligibility criteria that quality control results or other available information shows as causing substantial dollar errors in that State. Adequate implementation of this aspect of State operations should be specifically considered by FNS in determining whether administrative sanctions are warranted.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should explore with the States ways in which error-prone profiles could be used, in conjunction with computer matching and other identification techniques, to pinpoint household circumstances which have high error potential so that States' administrative resources can be directed toward corrective actions that will result in maximum benefits.
Status: Action in process.

The Secretary of Agriculture should require FNS to solicit, compile, and distribute to the States information on the availability of different kinds of data files that could and should be used to verify household data items that have a major bearing on program eligibility and benefit levels.
Status: Action in process.

The Secretary of Agriculture should require FNS to revise the present claims report received from the States monthly to include information on the number and value of erroneous issuance cases identified through each of the various identification methods that are available. This information should be assessed and distributed to inform the States of the effectiveness of the different identification methods being used.
Status: Action in process.

The Secretary of Agriculture should evaluate each State's performance in establishing and collecting claims. Such evaluations should reveal individual State's, as well as programwide, strengths and weaknesses in the claims establishment and collection process and provide a basis for a

FNS determination of whether administrative sanctions are warranted. As a minimum, these evaluations should include: (1) a review of the information in States' Status of Claims Against Households reports to assure that all claims and collection activity is reported accurately; (2) systematic reviews of Office of Inspector General reports, State management evaluations, and other analytical reports and statistical information on the States' success in claims and collection activity; and (3) onsite reviews of the effectiveness of each State's collection techniques, especially the required offset procedure.
Status: Action in process.

The Secretary of Agriculture should provide technical assistance, based on evaluation and monitoring efforts and other available information, to improve State claims establishment and collection activity as may be needed. Such assistance should include but not be limited to: (1) advice and help to States in developing appropriate accounting systems and controls needed to use the offset procedures most effectively, particularly in cases involving amounts owed from prior periods of households' participation; (2) identification and dissemination of available information on alternative and innovative collection techniques that States use in other programs, and that some States may use in this program, which could be used, or used more, to enhance collection of food stamp overissuances not subject to offset authority; and (3) assistance in implementing alternative collection strategies that hold promise for good results.
Status: Action in process.

The Secretary of Agriculture should determine the extent of recipient fraud within the Food Stamp Program and establish the appropriate level of State pursuit and adjudicative efforts needed to control recipient fraud.
Status: Action in process.

The Secretary of Agriculture should require that States' program operating plans include adequate: (1) methods and criteria for identifying cases in which a question of fraud may exist; (2) procedures, developed in cooperation with States' legal authorities, for referring to law enforcement officials cases in which a valid reason to suspect fraud exists; and (3) procedures for referring to an administrative fraud hearing process all cases not referred to or accepted for court prosecution for reasons other than insufficient evidence.
Status: Action in process.

The Secretary of Agriculture should require States to periodically report pertinent information on their fraud pursuit activities. These reports should include information on all phases of fraud pursuit and adjudication, including the numbers and dollar amounts of all referrals to and from various levels of the investigative and adjudicative processes and the ultimate dispositions of the cases. Such data should identify backlogs in any of the investigative steps or adjudication procedures used.
Status: Action in process.

The Secretary of Agriculture should periodically evaluate States' investigation and adjudication efforts to determine whether States collectively and individually are adequately pursuing potential food stamp fraud.
Status: Action in process.

The Secretary of Agriculture should assess the problems that State officials have reported or may report as barriers to adjudicating alleged food stamp fraud and, to the extent practical, provide the guidance and technical assistance necessary for resolving or decreasing the adverse effect of those problems.
Status: Action in process.

Agency Comments/Action

In general, Agriculture agreed with the report findings and promised to take the actions recommended. The agency pointed out that many of the issues addressed were being given top priority, but that it could take a couple of years for its efforts to produce results.

DEPARTMENT OF AGRICULTURE

Improvements Needed in Internal Controls at the National Finance Center
(AFMD-83-37, 2-7-83)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

GAO summarized the results of its review of internal controls over procurement-related payments made by the Department of Agriculture's (USDA) National Finance Center (NFC).

Findings/Conclusions: GAO found that internal controls at NFC were inadequate to prevent payments from being made too early, which may cause the loss of more than $1.6 million in interest annually. Further, almost $3 million might have been saved if recently enacted late payment penalties had previously been required. Procedural weaknesses increased the vulnerability of the payment systems to fraud and abuse. Inadequate verification of authorizing signatures on payment vouchers processed through the miscellaneous payments system may have allowed improper payments to be made. The purchase order system had more than $10 million in old, inactive purchase orders which had not been canceled, creating the possibility of payments being made for goods or services not received. In addition, the gasoline credit card system did not provide field offices with reasonable means of verifying charges to the field offices' funds and relied on inappropriate audit procedures to identify improper charges. GAO made recommendations to NFC officials on ways to improve internal controls over payment processing.

Recommendations to Agencies: The Secretary of Agriculture should require USDA to monitor the corrective actions planned, taken, or discussed in this report.

Status: Action in process.

Agency Comments/Action

USDA has initiated action on all of the recommendations. They are all expected to be implemented by May 1984.

Skewed Bidding Presents Costly Problems for the Forest Service Timber Sales Program
(RCED-83-37, 2-9-83)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)

GAO was requested to examine the use of skewed bids on timber sales of the Department of Agriculture's Forest Service. Skewed bidding occurs when a bidder in a multispecies sale loads most of the bid value on a single tree species and offers the minimum price for the other species. GAO reviewed timber sales in the Service's three western regions where multispecies sales are common and skewed bidding occurs.

Findings/Conclusions: GAO found that the use of skewed bidding is causing costly problems for the Service timber sales program. During fiscal years 1980 and 1981, about $1.9 million in sales revenues was forgone on timber sales closed on 11 of the Service's western national forests, and the Forest must devote administrative resources to deal with the harvest management problems caused by skewed bidding. Timber harvesting on a species-by-species basis on skewed bid sales compounds the sale management problems. Species logging permits the purchaser to harvest the high-value trees on the sale last, thus delaying the receipt of sale revenues. Species logging also increases the risk that high-value tree will not be harvested and efforts to resell the timber may be unsuccessful in recouping the loss. Although skewed bidding affects the Service's three western regions, most Service efforts to control the practice have occurred at the individual region or forest levels rather than programwide. The three western regions have restricted bidding on minor species by setting various minimum volume bidding criteria. GAO found that restricting bidding to species with more than 10 percent of the sale volume had limited effect.

Recommendations to Agencies: The Secretary of Agriculture should direct the Forest Service to control the use of skewed bids on future timber sales. In the short term, the Service could adopt a bid premium distribution procedure whereby the total bid premium on a timber sale would be spread among the species offered for sale in proportion to the volumes and values of the individual species. In the long term, the Service could require adoption of the fixed-price, lump-sum, tree measurement sales method once industry's concerns about this method are resolved to the Service's satisfaction.

Status: Action in process.

The Secretary of Agriculture should require the Forest Service to prohibit logging on a species-by-species basis on skewed bid sales to reduce the adverse effects of past skewed sales.

Status: Action completed.

Agency Comments/Action

The Forest Service said that the report fairly and accurately treats the skewed bidding issue. It agreed that national direction is appropriate to control the use of skewed bidding in future timber sales and to reduce the adverse effects of past skewed bidding on existing sales. On May 31, 1983, the Forest Service advised GAO that it was developing a procedure to control skewed bidding which involves the distribution of bid premium and restriction of bidding on minor species as recommended in the GAO report. The Forest Service is also developing standards for tree-measurement sales and a National Forest Tree Measurement Handbook. The target date for these revised procedures is April 1984. The Forest Service also advised GAO that regional foresters have been instructed to consider the resource and financial implications for any request for two-stage logging, particularly when there has been skewed bidding on the timber sales.

DEPARTMENT OF AGRICULTURE

Research and Extension Programs to Aid Small Farms
(RCED-83-83, 2-9-83)

Budget Function: Agriculture: Agricultural Research and Services (352.0)

GAO reviewed the Department of Agriculture's (USDA) actions to implement the recommendations made in a 1975 GAO report to ensure that small-farm research and extension programs are practical, beneficial, and cost-effective.

Findings/Conclusions: The current GAO examination showed that research and extension services have been increased and that data collection activities have been expanded since the 1975 GAO report. However, to date USDA has neither: (1) developed data on the overall costs and benefits of small-farm extension activities; nor (2) adequately encouraged State extension services to establish procedures to identify small farmers most in need of assistance and to establish action plans to improve the participants' farming skills.

Recommendations to Agencies: The Secretary of Agriculture should direct the Administrator of the Federal Extension Service to work, cooperatively with the State extension services, to develop guidelines for carrying out special small-farm extension programs in a way that will provide technical assistance to the maximum number of small farmers and a means to collect data on and estimate the costs and benefits of small-farm extension program activities.

Status: Action in process.

Agency Comments/Action

USDA officials stated that special emphasis will be given to developing guidelines which will enable the Federal Extension Service to reach increased numbers of small farmers and assess the potential audience for these programs. Also, as part of the ongoing accountability and evaluation activities connected with the extension programs, USDA will collect additional data on small farm programs and estimate the costs and benefits of small farm extension program activities. Much of this will be done by having individual States perform impact studies regarding their programs with small farm operators.

DEPARTMENT OF AGRICULTURE

Changes Are Needed To Assure Accurate and Valid Wheat Deficiency Payments
(RCED-83-50, 3-29-83)

Budget Function: Agriculture: Farm Income Stabilization (351.0)
Legislative Authority: Agriculture and Consumer Protection Act of 1973 (P.L. 93-86).

GAO reviewed the Department of Agriculture's (USDA) system for making deficiency payments to wheat farmers. These payments are designed to supplement eligible wheat farmers' income in the years when wheat prices are low.

Findings/Conclusions: Farmers participating in the wheat crop program receive deficiency payments from USDA based on the difference between a target price and the lower national average market price of wheat. GAO believes that changes are necessary to ensure that accurate and valid payments are being made. Under the current system, overpayments or underpayments to farmers could be caused by: (1) inaccurate data which are used to establish the national average market price; (2) procedures used to determine production for the purpose of computing program payment amounts which overstate farmers' actual production; and (3) the imprecise method being used to calculate yields for farmers submitting evidence of actual production.

Recommendations to Agencies: The Secretary of Agriculture should direct the Administrator of the Statistical Reporting Service to adopt procedures to: (1) institute a system of quality control for the prices-received survey as suggested by the 1980 statisticians' report; (2) convey to enumerators the need for them to perform their job correctly and follow up to ensure that they do; (3) provide to each State a standard survey questionnaire with reporting instructions to eliminate possible reporting bias resulting from differing instructions and that clearly explain the purpose and importance of the survey; and (4) institute a followup program to obtain missing reports of quantities sold and amounts paid from grain buyers who were unable to provide requested data during the reported month; this would allow grain buyers more time to report accurate data and eliminate the need for using estimated average prices to compute the estimated average market price.

Status: Action in process.

The Secretary of Agriculture should direct the Administrator of the Agricultural Stabilization and Conservation Service to: (1) develop an acceptable adjustment for the deficiency payment program that properly accounts for the unharvested acreage on which payments are made; and (2) conduct a comprehensive analysis of the crop yield distributions to determine the extent to which program yields are inadequately assigned and develop crop yield frequency distributions for counties or similar areas to assist county committees in assigning yields to individual farms.

Status: Action in process.

Agency Comments/Action

The agency agreed with and is taking or plans to take action on six elements within the two recommendations. The agency stated that additional funding would be required to implement one of the elements and that it did not consider this a high enough priority to justify the funding.

DEPARTMENT OF AGRICULTURE

Federal Regulation of Meat and Poultry Products--Increased Consumer Protection and Efficiencies Needed *(RCED-83-68, 5-4-83)*

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Meat Inspection Act (21 U.S.C. 601). Poultry Products Inspection Act (21 U.S.C. 451 et seq.).

GAO reviewed the Department of Agriculture's (USDA) Food Safety and Inspection Service's (FSIS) regulation of processed meat and poultry products. The review was made to determine whether: (1) standards have been developed to help assure consumers of the uniformity and consistency of products; (2) products are properly labeled; and (3) sampling procedures are efficient and effective.

Findings/Conclusions: Products made with mechanically separated meat and poultry contain some pulverized bone, bone marrow, and certain potentially harmful minerals. Consequently, to protect the public, FSIS established specific standards and labeling requirements on mechanically separated meat (MSM). Although a USDA study has shown that similar health and safety problems exist for mechanically separated poultry (MSP), FSIS has not established specific requirements for these products. Because MSM is different from hand-separated meat in that it contains higher amounts of calcium and cholesterol, FSIS established product standards and labeling requirements to prevent MSM products with misleading labels from being sold to consumers. However, similar action has not been taken to protect consumers from products produced with MSP. In a related issue, FSIS has also established standards on the maximum fat and added water that cooked meat sausage products can contain to ensure the products' nutritional quality, but similar standards on cooked poultry sausage products have not been established. To ensure product compliance, FSIS takes three types of samples on processed meat products; however, GAO believes that changes could be made in each type of sample to improve efficiency and consumer protection.

Recommendations to Agencies: The Secretary of Agriculture should direct the Administrator, FSIS, to establish specific standards on MSP and labeling requirements on products made with MSP as has been done for MSM and products made with MSM.
Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FSIS, to establish standards on the maximum fat and added water that cooked poultry and sausages can contain and appropriate sampling procedures to measure compliance with the standards.
Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FSIS, to reduce verification sampling at plants with partial quality control systems that have good histories of compliance and reduce split sampling at plants that have accredited laboratories with good histories of compliance.
Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FSIS, to enforce its procedures on investigating and resolving major discrepancies on split-sample results between FSIS field laboratories and the accredited laboratories.
Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FSIS, to provide inspectors with timely results on product compliance. This could be accomplished by reducing the backlog of samples that need to be analyzed at the FSIS field laboratories. By reducing the number of samples as recommended above, fewer samples would be analyzed by the FSIS field laboratories and the sample results would be returned to the inspectors faster. FSIS could also encourage plants to use nearby accredited laboratories.
Status: Action in process.

Agency Comments/Action

The agency said that the GAO recommendation on consumer protection and sampling efficiencies have come at an opportune time and that it is or will be in the process of taking action on all of the report's recommendations. Because action on two of the recommendations involve publication of proposed rules which must follow the Administrative Procedures Act, completion of the action will probably not take place until next year.

DEPARTMENT OF AGRICULTURE

Improved Management of Import Meat Inspection Program Needed
(RCED-83-81, 6-15-83)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Meat Inspection Act (21 U.S.C. 601 et seq.). Poultry Products Inspection Act (21 U.S.C. 451 et seq.).

GAO reviewed the Department of Agriculture's administration of its import meat and poultry inspection program.
Findings/Conclusions: GAO found that, at the 10 highest volume ports where variances in the quantities of meat rejected ranged from 0.1 to 1.5 percent, procedures for controlling, sampling, and inspecting meat products differed because of: (1) regulations and instructions which were generally outdated, unclear, and inconsistent; (2) a lack of adequate supervision and training of inspection personnel; and (3) workload imbalance. The Automated Import Information System compiles inspection-result histories for countries and foreign plants. These histories are the basis for assigning the scope and extent of inspections. GAO found that, in some ways, regulations and instructions do not conform with the system's revised procedures. GAO and Food Safety and Inspection Service officials found that most inspectors cited the need for periodic training and better communication between inspectors from different ports as a way of standardizing inspections. Despite the apparent improvement in plant conditions, program changes are needed to to better ensure that products are imported only from countries and plants meeting U.S. requirements. Recognizing the need for increased attention to foreign programs' regulatory comparability, the Service is developing a new systems approach for approving and monitoring foreign inspection systems. GAO believes that the new system should improve the Service's ability to assess these risks.

Recommendations to Agencies: The Secretary of Agriculture should direct the Food Safety and Inspection Service Administrator to revise the meat and poultry inspection regulations, the manual, and other written instructions to provide clear, concise, and up-to-date guidance on the procedures import inspectors are to use in controlling, sampling, and inspecting products offered for entry.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to develop criteria for distinguishing among minor, major, and critical defects in canned packaged meat products.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to authorize, through regulations, skip-lot sampling procedures for boneless manufacturing meat.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection System to prescribe the procedures for inspectors to use in handling skip lots.
Status: Action completed.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to prescribe procedures for adequately and consistently controlling import meat products and inspection samples.
Status: Recommendation no longer valid/action not intended. *Although the agency took some action on this recommendation, it does not agree with the major concern that inspectors supervise the breaking of country-of-origin seals on refrigerated containers. Since the agency will not take action on the matter, no further followup is necessary.*

The Secretary of Agriculture should direct the Food Safety and Inspection Service to provide guidance to inspectors on the correct procedures for selecting samples shipped in combination bins.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to establish new sampling techniques for wholesale cuts and carcasses which do not limit inspection to a predetermined portion of the product for major and critical defects.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to emphasize to import inspectors that foreign inspection certificates be prepared in accordance with Service-prescribed procedures.
Status: Action completed.

The Secretary of Agriculture should direct the Food Safety and Inspection Service Administrator to require that all inspection personnel be provided periodic refresher training and establish a structured on-the-job training program.
Status: Action completed.

The Secretary of Agriculture should direct the Food Safety and Inspection Service Administrator to assign an inspector-in-charge to all major ports, with appropriate written descriptions of responsibilities and duties, including a systematic review of case files.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to develop work measurement standards to use in ensuring that ports are adequately staffed by full-time and/or temporary inspectors.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to revise the meat and poultry inspection manual to specify the procedures foreign program officers are to follow in reviewing plants.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to develop more uniform objective criteria for use in reviewing and rating foreign plants.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to revise the foreign plant review form to better identify problems for future followup.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service Administrator to emphasize to foreign inspection system officials that they are responsible for identifying and correcting deficiencies and, if warranted, delisting plants and request that they advise the Service of the reason(s) for each delistment.
Status: Action in process.

The Secretary of Agriculture should direct the Food Safety and Inspection Service to develop a more systematic and objective way of compiling the results of plant reviews, using a statistically selected sampling of plants as a basis for apprising management of the overall effectiveness of foreign inspection systems in ensuring compliance with U.S. requirements. Periodic reviews of plants outside the sample should be made at least annually for considering such factors as volume of exports and rejections at U.S. ports. Plants not exporting to the United States should not be reviewed.
Status: Action in process.

Agency Comments/Action

Although the Department of Agriculture's Food Safety and Inspection Service was still in the process of developing revised procedures called for by the GAO recommendations as of November 1983, it had completed actions on the recommendations directed at improving inspection of and control over imported products and the training of inspection personnel.

DEPARTMENT OF AGRICULTURE

Equitable Interest Rates Are Needed for Farmers Home Administration Loans
(RCED-83-157, 8-12-83)

Budget Function: Interest: Other Interest (902.0)
Legislative Authority: Consolidated Farm and Rural Development Act (7 U.S.C. 1921). Housing Act of 1949 (42 U.S.C. 1471). 7 U.S.C. 1927. 7 U.S.C. 1946. 42 U.S.C. 1490a.

GAO reviewed the Farmers Home Administration's (FmHA) policies, procedures, and practices for setting and revising interest rates on farm, home, and community facility loans.
Findings/Conclusions: Between June 1981 and March 1982, FmHA approved about 94,000 housing and farm loans whose borrowers will receive subsidies or pay premiums totaling $112 million over the life of their loans. GAO noted that, because subsidies will exceed premiums, FmHA program costs on these loans could be increased by as much as $94 million. GAO found that FmHA has not developed an adequate rate review or decisionmaking process to allow judicious use of its discretionary authority to set interest rates on housing and farm loans. Specifically, the cutoff point for changing rates was an estimate established without analysis. Further, FmHA application of its own guidelines has resulted in inconsistencies. GAO stated that the lack of criteria resulted in inequitable treatment of borrowers within the same programs, and it questioned the 25-year period FmHA uses to set rates on real estate loans and the use of the municipal bond rate to set rates on community facility loans.
Recommendations to Agencies: The Secretary of Agriculture, to provide for changes in farm and home loan program interest rates in a timely, economical, and equitable manner, should direct the Administrator, FmHA, to revise interest rates monthly, setting new rates at the Treasury monthly cost-of-money rate with appropriate adjustments for limited-resource farm loans.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture, to facilitate this change without adversely affecting the FmHA workload, should direct the Administrator, FmHA, to implement rate changes by the 5th work day of each month and require FmHA county supervisors to determine the maximum rate applicants can pay.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should require the Administrator, FmHA, before extending FmHA authority, to develop specific, quantitative criteria to identify and weigh other factors in setting loan program interest rates.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture, to better comply with the requirements of FmHA authorizing legislation, should direct the Administrator, FmHA, to use a 30-year maturity period to set interest rates on farm ownership, including limited-resource farm ownership, and single family housing loans.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture, to ensure continued validity of the maturity period being used to set interest rates, should direct the Administrator, FmHA, to periodically determine the actual maturity period of FmHA loans.
Status: No action initiated. Date action planned not known.

The Secretary of Agriculture should direct the Administrator, FmHA, to use a revenue bond index to determine bond market rates for the purpose of setting interest rates on community facility loans.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

FmHA is making a thorough review of its lending policies and procedures to identify the changes needed to establish a comprehensive set of policies to control the establishment of equitable interest rates.

DEPARTMENT OF COMMERCE

After Six Years, Legal Obstacles Continue To Restrict Government Use of the Standard Statistical Establishment List
(GGD-79-17, 5-25-79)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Tax Reform Act of 1976. Privacy Act of 1974. Internal Revenue Code (IRC).

The Standard Statistical Establishment List (SSEL) maintained by the Bureau of the Census is a computerized file of information on 5.5 million U.S. corporations, partnerships, sole proprietorships, and other businesses which have employees.

Findings/Conclusions: The need for a centralized sampling list of businesses has been recognized since 1937. Three attempts to establish such a list have been made, and the third, in 1968, has been successful to the extent that the SSEL is being used within the Census Bureau. By using the SSEL for economic surveys, the Bureau has lowered costs and improved the quality of collected data. Although the SSEL would greatly benefit the data collection by other agencies and increase the efficiency of Federal statistical information collection, Census Bureau and Income Tax confidentiality laws prevent its use by other agencies. Since 1972, efforts have been underway to draft and submit legislation to Congress to amend the Census law and permit other agencies access to the SSEL. However, after 6 years, no proposals have been forwarded to Congress.

Recommendations to Congress: Congress should consider legislation to amend section 6103 of the Internal Revenue Code of 1954, as amended, and title 13 of the United States Code to allow the Census Bureau to provide SSEL information to Federal and State cooperative agencies for statistical purposes.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Commerce should direct the Census Bureau and the Office of Federal Statistical Policy and Standards to improve SSEL implementation planning by preparing cost estimates, holding technical meetings with future user agencies, exploring monitoring options to ensure SSEL confidentiality, and collaborating with the Department of Agriculture to develop plans for the farm portion of the SSEL.

Status: Action completed.

The Secretary of Commerce should direct the Office of Federal Statistical Policy and Standards to establish a priority date for submitting to Congress the proposed legislative changes and should add a provision to this legislation requiring consent of a company or establishment if information gathered in surveys or other statistical undertakings which draw samples from the SSEL is to be used in a manner other than specified in the legislative draft.

Status: Action completed.

Agency Comments/Action

Commerce agreed with the general thrust of the recommendations and submitted draft legislation for sending SSEL to OMB for review. As of February 1984, OMB was considering the SSEL proposal along with a broader sharing proposal. Commerce disagreed that a waiver provision was needed requiring respondent consent for uses other than that specified in legislation. Such uses would be expected to be rare, would be evaluated on an individual basis, and should be controlled under operating procedures developed for using SSEL. Commerce agreed and has subsequently: (1) developed cost estimates for priority items to be added to the SSEL; (2) held meetings with prospective user agencies concerning their use of the SSEL, including discussions with Agriculture officials for integrating its existing list of farm establishments as a part of the SSEL; and (3) prepared draft regulations for the use of the SSEL, including confidentiality requirements.

DEPARTMENT OF COMMERCE

A $4 Billion Census in 1980: Timely Decisions on Alternatives to 1980 Procedures Can Save Millions
(GGD-82-13, 2-22-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Privacy Act of 1974 (5 U.S.C. 55a(n)). Census Act. U.S. Const. art. I, §2, cl. 2. 13 U.S.C. 141. 13 U.S.C. 221. 31 U.S.C. 412. 39 U.S.C. 411.

To aid Congress and the Census Bureau in planning for the next census, GAO reviewed portions of the 1980 census program concerning mailing list development, followup on nonrespondents, and activities to reduce the number of persons missed.

Findings/Conclusions: Census results are extremely important to the Nation because they determine the apportionment of representation and affect the distribution of billions of Federal dollars annually. By changing current census procedures, millions could be saved in conducting the 1990 census. Attempting to get a complete count is a costly and complex process. GAO believes that the value of individual procedures in reducing the undercount should be reviewed and efforts made to control their costs while maintaining reasonable accuracy. Compiling a national mailing list prior to census day is critical to ensure as complete a count as possible. However, the cost of compiling mailing lists can be reduced by obtaining addresses directly from the Postal Service. Increasing the time between mailout and start of followup operations could alleviate wasteful followup practices. Programs aimed at reducing the undercount, namely the vacancy check program and the records check program, were the least cost-effective operations conducted during a census.

Recommendations to Congress: Congress should enact legislation, if the Secretary of Commerce decides to purchase address information for the 1990 census from the Postal Service, that: (1) specifically authorizes the Postal Service to provide the Census Bureau address information; and (2) protects the confidentiality of address information provided to the Census Bureau by the Postal Service.
Status: Action in process.

Recommendations to Agencies: The Secretary of Commerce should, in cooperation with the Postmaster General, comprehensively evaluate alternatives for developing address data for the 1990 census.
Status: Action in process.

The Secretary of Commerce should test the feasibility of using mail reminder cards and followup mailings. If one or both of the techniques prove to be adequate to meet the Department's needs, they should be used as alternatives to reduce the need for personal visit interviews for the 1990 census.
Status: Action in process.

The Secretary of Commerce should extend the time between census day and the start of followup operations to allow field staffs enough time to sort out duplicate and inappropriately mailed questionnaires and to allow them time to check in late mail returns.
Status: Action in process.

The Secretary of Commerce should evaluate the feasibility of increased use of imputation, where legally permissible, as a method for developing census information on difficult-to-enumerate households.
Status: Action in process.

The Secretary of Commerce should evaluate the cost and effectiveness of 1980 census coverage improvement programs to determine if they should be used in the 1990 census. When practical, the evaluation should: (1) identify the cost and result of each 1980 coverage improvement program for various geographical areas and target groups; (2) test the sensitivity of program costs and results to changes in the assumptions upon which the programs are based, such as increasing and decreasing the levels of program activity on target groups and in geographic areas; and (3) express 1990 estimates of cost and results for coverage improvement programs in ranges of values by target groups and geographic areas rather than just a single national value.
Status: Action in process.

The Secretary of Commerce should evaluate coverage improvement programs used in future censuses by compiling aggregate cost and results data on the operations. The data to be gathered should track the results of coverage improvement programs at the State and sub-State levels, also by target groups.
Status: No action initiated. Affected parties intend to act.

The Secretary of Commerce should, by 1984: (1) have the Census Bureau conduct pilot tests to develop better cost and effectiveness information on updating the 1980 mailing lists and for purchasing lists from the Postal Service to ascertain the quality and cost of mailing lists produced by these alternatives; and (2) compare the results of the pilot tests with comparable information compiled on the 1980 census and any other alternative the Census Bureau may identify and, after considering the quality and cost of the mailing lists produced, select the best method.
Status: Action in process.

Agency Comments/Action

The agency agreed with the message of the report and accepted all but two of the recommendations. It established "cost reduction" as a major objective for the 1990 census and made changes to its 1990 census plans, as recommended by GAO, to develop more cost-effective individual census programs and methods to minimize the cost of the 1990 census. For the recommendations rejected, the agency plans other alternatives to resolve the problems identified. It is awaiting the outcome of a court case before taking action on one other recommendation as suggested. An accomplishment report has been prepared to recognize the

management improvements already made (A-GGD-82-32, May 19, 1982). The agency set milestones, that tie into the time for planning the 1990 census, to complete action on the GAO recommendations. Congress enacted legislation (P.L. 98-166) which provided that the Postal Service may furnish lists of names and addresses to the Secretary of Commerce during fiscal year 1984 to assist the Census Bureau in improving its address list methodology. A specific provision was incorporated in the legislation to help ensure confidentiality of the lists provided. As a result of this legislative action, the Census Bureau is conducting tests to evaluate the usefulness of the Postal Service's lists.

DEPARTMENT OF COMMERCE

The Census Bureau Needs To Plan Now for a More Automated 1990 Decennial Census
(GGD-83-10, 1-11-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: OMB Circular A-109.

In response to a congressional request, GAO reviewed the 1980 census data processing procedures to identify the reasons for the time needed by the Bureau of the Census to publish the data and to determine whether changes in procedures and equipment could reduce the time and cost involved.

Findings/Conclusions: Processing 88 million questionnaires which contain 3 billion items of data on the Nation's population and housing is an enormous task: because of the large volume of data, the desire for accuracy, and a great reliance on manual procedures, the Bureau expects to take 3.5 years to process the data. The time required to perform clerical operations contributed to a 1-year slip in the publishing schedule. Other problems included: the underestimation of housing units, uncertain funding, data errors, and the need to update boundaries. Since the early 1970's, when planning started for the 1980 census, the automatic data processing (ADP) industry has made major technical advances which could provide the Bureau with the opportunity to automate much of the manual processing and lower future census processing time and costs. GAO stated that although the Bureau has expressed an interest in increased automation, its initial planning efforts for the 1990 census need better coordination and development coupled with a provision for the amount of time required to acquire and test new equipment.

Recommendations to Agencies: The Secretary of Commerce should require the Director, Bureau of the Census, to develop a 1990 census plan that includes decision points for evaluating the acquisition, testing, and installation of ADP equipment that are based on past times for planning the 1980 census and acquiring new ADP equipment. The plan should provide for: (1) an analysis of alternative data processing systems that meet census needs and identify the total cost to perform the task including acquisition, maintenance, and personnel; (2) the possibility of redesigning the 1980 census questionnaire to eliminate or reduce responses requiring manual coding; (3) an estimate of the expected time to release 1990 census data based on data processing improvements; (4) clearly defining the responsibilities of the organizational units working on Census Bureau ADP modernization and identify how their activities will be integrated with 1990 census planning; (5) a budget for implementing the plan with initial funding requested in the Census Bureau's fiscal year 1984 budget submission to Congress; and (6) internal periodic reports to assess the progress of the plan and identify any revisions needed.

Status: Action in process.

Agency Comments/Action

The Census Bureau has established a 1990 planning committee for automation. It has contracted with a consultant to document the 1980 census automation procedures and to recommend options for 1990. It has initiated work on testing and researching automated systems and designated a coordinator for automation in the decennial census division. It plans to issue quarterly progress reports on the planning and research activities related to the automation of the 1990 census.

DEPARTMENT OF COMMERCE

Federal Efforts Regarding Automated Manufacturing Need Stronger Leadership
(AFMD-83-68, 5-26-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Stevenson-Wydler Technology Innovation Act of 1980 (P.L. 96-480).

GAO determined how Federal efforts collectively influence the adoption of automated manufacturing technologies and whether any changes in overall Federal involvement or leadership are indicated.

Findings/Conclusions: GAO found that the Government is taking an uncoordinated approach in its activities and policy decisions that can facilitate or impede private sector adoption of automated manufacturing. GAO believes that, to improve the effectiveness of Federal automated manufacturing efforts and to keep pace with other countries adopting such technologies, more focused leadership is needed. The Department of Commerce should take on a leadership role to bring together interested parties and ensure that Federal efforts to encourage automated manufacturing are rational and cost effective.

Recommendations to Agencies: The Department of Commerce should assume leadership in guiding Federal efforts related to automated manufacturing. Specifically, Commerce should work with affected agencies and industries to develop an appropriate Federal mechanism for: (1) planning, assessing, and coordinating Federal efforts related to automated manufacturing; (2) evaluating the impact of these Federal efforts; (3) identifying research gaps; and (4) maintaining a continuing dialog with affected parties in both the public and private sectors.
Status: Action in process.

Agency Comments/Action

By letter of December 16, 1983, the Department of Commerce accepted the GAO recommendations within certain constraints. In the spirit of the report and recommendations, Commerce has completed a preliminary competitive assessment of the flexible manufacturing industry, and plans to make full assessments in FY 1984. Some assessments are anticipated under the Commerce Industrial Technology Partnerships Program.

DEPARTMENT OF COMMERCE

Cost Recovery Practices Inconsistent With Government Policy
(GGD-83-61, 7-27-83)

Budget Function: General Science, Space, and Technology (250.0)
Legislative Authority: OMB Circular A-25. 31 U.S.C. 9701.

GAO conducted a review to assess the economy and efficiency of the Environmental Data and Information Service (EDIS) of the National Oceanic and Atmospheric Administration. Although EDIS merged in December 1982 with the National Environmental Satellite Service to become the National Environmental Satellite Data and Information Service, GAO stated that this merger did not affect the thrust of its report.

Findings/Conclusions: The problems found by GAO involve the sale and exchange of environmental data and publications at the three EDIS data centers. GAO found that EDIS cost recovery and user-charge practices are inconsistent with Government policy and that these practices have resulted in both overcharges and undercharges. Specifically, EDIS needs to establish management controls to ensure that existing pricing policies are followed in determining the costs on which prices are based, applied uniformly and consistently across EDIS, and observed in decisions regarding the provision of free data.

Recommendations to Agencies: The Secretary of Commerce should direct EDIS to establish operating instructions to include a requirement to establish standard methods for determining what costs will be included to compute prices for services in accordance with existing legal and regulatory requirements.

Status: Action in process.

The Secretary of Commerce should direct EDIS to establish operations instructions to include a requirement to prohibit agency personnel other than those specifically designated from providing data free or in exchange.

Status: Action in process.

The Secretray of Commerce should direct EDIS to establish operating instructions to include a requirement to establish agencywide prices for items used at all data centers including staff time charges, postage charges, foreign-check processing charges, and standard media charges.

Status: Action in process.

The Secretary of Commerce should direct EDIS to establish operating instructions to include a requirement to establish the specific conditions under which data will be exchanged, identify the management level at which these decisions will be made, and maintain documentation to demonstrate that a reasonable exchange of information had taken place when data are received as an alternative to cost recovery.

Status: Action in process.

The Secretary of Commerce should direct EDIS to establish operating instructions to include a requirement to establish the conditions under which data will be provided free, identify the management level at which these decisions will be made, and require written justification which specifically identifies the public interest served.

Status: Action in process.

The Secretary of Commerce should direct EDIS to establish and disseminate operating instructions consistent with Commerce policies regarding user charges and cost recovery and to ensure that a plan for monitoring data center practices is developed and implemented.

Status: Action in process.

Agency Comments/Action

The Environmental Data and Information Service (EDIS) established a Cost Recovery Practices Task Force to provide the specificity needed by its data centers in pricing their products and services. Specifically, the task force was charged with: (1) developing and implementing a plan for monitoring data center user charges and cost recovery practices; (2) establishing and disseminating operating instructions consistent with Department of Commerce policies on user charges and cost recovery; and (3) reviewing the application of Commerce guidelines on the distribution of free data. EDIS will also be monitoring the implementation of the standard procedures to be developed for determining the costs to be included in computing prices for data center services and products. Further, EDIS data center directors will be designated the responsible individuals for approving the provision of data free or in exchange.

DEPARTMENT OF COMMERCE

NATIONAL TECHNICAL INFORMATION SERVICE

Proposed National Technical Information Service Revolving Fund
(RCED-83-218, 8-25-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: H.R. 2514 (98th Cong.). S. 808 (98th Cong.). 15 U.S.C. 1151 et seq.

In response to a congressional request, GAO examined selected activities and functions of the Department of Commerce's National Technical Information Service (NTIS) clearinghouse, focusing on the need to establish a new revolving fund as proposed by companion bills H.R. 2514 and S. 808. The current NTIS special fund facilitates payments to cover most operating costs associated with its information clearinghouse functions and acquiring inventory and equipment.

Findings/Conclusions: The proposed legislation would establish a revolving fund to permit NTIS to recover all clearinghouse costs, retain net earnings, and purchase equipment and inventory from the fund. GAO believes that, although the revolving fund would not substantially change clearinghouse operations and procedures, it could be an appropriate funding mechanism to finance clearinghouse operations. However, stricter controls would be needed on the fund because the proposed legislation does not provide for congressional oversight.

Recommendations to Congress: H.R. 2514 and S. 808 should be amended to increase congressional oversight over clearinghouse operations.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Although not required to respond to the recommendation to Congress, the agency did endorse the recommendation in a letter to the House Committee on Energy and Commerce on November 7, 1983.

DEPARTMENT OF EDUCATION

Use of Program Income by Evaluation, Dissemination, and Assessment Centers Supported by OBEMLA *(HRD-82-63, 4-14-82)*

Budget Function: Education, Training, Employment, and Social Services: Elementary, Secondary, and Vocational Education (501.0)

Legislative Authority: Bilingual Education Act. 34 C.F.R. 74. OMB Circular A-110.

GAO reviewed the use of income accrued by three Evaluation, Dissemination, and Assessment Centers established through Department of Education grants and supported by Education's Office of Bilingual Education and Minority Languages Affairs. The purpose of these centers is to assess, evaluate, and disseminate instructional materials for use in bilingual education. The objectives of the review were to: (1) determine whether the centers used program income according to Federal requirements; and (2) assess whether Education adequately monitored program income.

Findings/Conclusions: Education's monitoring of program income was lax. Centers have accumulated and retained large year-end balances of program income funds, and Education has not issued adequate rules or directives governing such funds. Centers have used program income to purchase equipment, and there is a serious question as to whether Education can transfer such equipment to succeeding grantees as can be done with equipment purchased with grant funds. Centers have also spent program income for purposes which may be inconsistent with the intent of the grant.

Recommendations to Agencies: The Secretary of Education should determine the total program income balances that the centers should have returned to Education, require centers to return such balances and, in the future, require the prompt return of any unobligated program income when completing a grant period, or offset such balances, against succeeding grants.

Status: Action in process.

The Secretary of Education should enforce administrative requirements that applicants include program income data in the financial status reports that they submit to Education.

Status: Action completed.

The Secretary of Education should require applicants to include, in the budgets that accompany their applications, the total program income they expect to receive and how they plan to use the income.

Status: Action completed.

The Secretary of Education should establish a Federal prerogative similar to that which exists for equipment purchased with grant funds. This would allow Education to transfer equipment purchased with program income funds to a third party upon termination of the grant or when no longer used for the grant purpose.

Status: Action in process.

The Secretary of Education should issue directives to clarify the appropriate use of program income funds and monitor the uses made of such funds.

Status: Action completed.

Agency Comments/Action

The Department of Education responded on June 29, 1982, in accordance with the requirements of OMB Circular A-50. It is in the process of reviewing its regulations and instructions to grantees regarding program income. The results of the reassessment of its policies dealing with program income will determine the specific actions needed to be taken to address most of the GAO recommendations in this report.

DEPARTMENT OF EDUCATION

Adverse Opinion on the Financial Statements of the Student Loan Insurance Fund for FY 1980
(AFMD-82-52, 7-8-82)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Higher Education Act of 1965 (20 U.S.C. 1071). 20 U.S.C. 1082(b)(2).

As required by the enabling legislation of the Guaranteed Student Loan Program, GAO reported to Congress its opinion on the Student Loan Insurance Fund's financial statements for the fiscal year (FY) ended September 30, 1980.

Findings/Conclusions: Since the Fund's inception, serious accounting and reporting problems have resulted from inadequate internal controls and noncompliance with generally accepted accounting principles. Although GAO has regularly reported these problems since 1969, Fund management has done little to correct them. In the opinion of GAO, the Fund's financial statements do not fairly present its financial position at September 30, 1980, or the results of its operations and the changes in its financial position for FY 1980. This adverse opinion was necessary because: (1) control account balances, representing 64 percent of the Fund's assets, could not be reconciled with computerized subsidiary records; (2) procedures have not been developed for several accounts, resulting in material misstatements; (3) cash transactions were not recorded in the correct FY; (4) canceled checks totaling $14 million were added to the Fund's cash balance without determining whether they had been recorded when initially issued; (5) supervisory reviews and other verification procedures were frequently ineffective; and (6) the uncollectible portion of insurance premiums receivable was not recorded.

Recommendations to Agencies: The Secretary of Education should delegate all accounting, recordkeeping, and financial statement preparation responsibilities to the Office of Student Financial Assistance.

Status: Recommendation no longer valid/action not intended. *The agency agrees with the problem statement but not with the recommendation. It does not intend to implement the recommendation and is pursuing other means of correction. For example, it plans to implement procedures to improve document control, more clearly define organizational responsibilities, and upgrade accounting controls in general with emphasis on payment and collection transactions.*

The Secretary of Education should direct the Office of Student Financial Assistance to: (1) prepare appropriate written accounting procedures; (2) record all cash transactions promptly; (3) analyze the Fund's collection experience and establish an allowance for loss rates which are based on this experience; (4) properly train and supervise accounting personnel; and (5) consistently verify manual computations when necessary to ensure the integrity of files and processing.

Status: Action in process.

Agency Comments/Action

The Department of Education does not agree with the recommendation to delegate all accounting, recordkeeping, and financial statement preparation responsibilities to the Office of Student Financial Assistance. It is, however, pursuing other ways of correcting the problems cited which led to that recommendation. The Department has also initiated action to correct problems cited in other recommendations. Most of the problems, except for establishing an allowance for loss rates based on actual experience, have reportedly been corrected. Procedures for recognizing and establishing an allowance are being developed. Many of the corrective actions focus on improving manual interface and accounting controls through the development of a procedure manual which describes organizational functions, responsibilities, and processes. This will be followed by improving ADP controls through initiation of a redesign of the administrative support system using life-cycle concepts.

Improved Administration of the Vocational Rehabilitation Program Would Provide More Effective Utilization of Program Funds
(HRD-82-95, 9-22-82)

Budget Function: Education, Training, Employment, and Social Services: Social Services (506.0)
Legislative Authority: Rehabilitation Act of 1973 (29 U.S.C. 701). 41 Stat. 735.

GAO reviewed certain activities of the Rehabilitation Services Administration (RSA) in five States to determine: (1) the extent to which State rehabilitation agencies are adhering to the eligibility requirements for accepting applicants into the program; and (2) the reliability of program statistics as measures of program performance and success in achieving the goals established in the Rehabilitation Act of 1973.
Findings/Conclusions: The review showed that there is an opportunity to maximize the utilization of funds made available for the program, as mandated by the Act, through: (1) providing rehabilitation services only to individuals who have substantial handicaps to employment and who can reasonably be expected to become gainfully employed; and (2) seeking other sources for funding the cost of any postsecondary educational training provided to individuals as a part of their rehabilitation services. The review also showed that statistics reported by State and local agencies on the number of individuals successfully rehabilitated as a result of the services provided under the program were exaggerated.
Recommendations to Agencies: The Secretary of Education should direct the Commissioner of RSA to emphasize to all State rehabilitation agencies the need to apply the program's eligibility criteria more stringently to avoid accepting cases where: (1) there is no reasonable expectation that the program would assist the individual in obtaining gainful employment; and (2) the individual does not have a handicap to employment. Also, the Secretary should direct the Commissioner to assure that each State rehabilitation agency is giving full consideration to obtaining grant assistance from other sources to pay for postsecondary education services. The Secretary should also direct the Commissioner to require State rehabilitation agencies to adhere to the criteria for closing cases as successfully rehabilitated.
Status: Action in process.

Agency Comments/Action

The agency concurred with all of the recommendations. The Commissioner of RSA has agreed to provide State agencies with the technical assistance needed to ensure correct use of eligibility criteria. RSA has agreed to establish followup procedures to ensure maximum utilization of grant assistance from other sources for education services. The Commissioner advised that State agencies will be directed to adhere to criteria for closing cases as successfully rehabilitated.

DEPARTMENT OF EDUCATION

Controls Over Foreign Students in U.S. Postsecondary Institutions Are Still Ineffective
(HRD-83-27, 3-10-83)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Immigration and Nationality Act (8 U.S.C. 1101). P.L. 97-116. S. 2222 (97th Cong.). H.R. 7357 (97th Cong.). 8 U.S.C. 1324(a)(4). 18 U.S.C. 371. 18 U.S.C. 1001. 18 U.S.C. 1341.

In response to a congressional request, GAO reviewed the recruitment of foreign students by U.S. colleges and universities and the controls over foreign students in the United States. GAO work focused on determining the current situation regarding foreign students, efforts made to resolve problems previously identified by GAO, and the status of criminal investigations now underway.

Findings/Conclusions: GAO found that the number of foreign students in the United States is increasing, and Iran continues to be the leading source of these students. Seventy institutions accounted for more than one-third of the foreign students in this country, although more than 2,700 schools reported that they had foreign students in 1980-81. It is estimated that the cost of foreign student education is about $2.5 billion a year. While problems in controls over foreign students noted in previous GAO reports continue to exist, legislation will be introduced and regulations have been proposed that are aimed at their solution. Legislation will be introduced that would require students to return home for 2 years before becoming eligible for immigration. Also, regulations have been proposed to strengthen controls over foreign students by the schools and the Immigration and Naturalization Service (INS). INS is developing a new data base on foreign students and approved schools that will enable it to better identify and monitor foreign student activity in this country. Criminal investigations are being conducted concerning illegal activities in connection with recruiting foreign students by postsecondary schools and foreign students illegally obtaining federally supported financial aid. In addition, regulations are being designed to prevent future recruiting abuses. Indictments have been made and are anticipated as a result of these investigations.

Recommendations to Agencies: The Secretary of Education should review the information disclosed by the investigations now being conducted by the Alien Student Loan and Grant Fraud Project. If this review shows that the problem of foreign students fraudulently receiving Federal financial aid is widespread, the Secretary should require each applicant for student aid to submit proof of citizenship or residency to the institution in which he or she is enrolled.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

The Department of Education basically agreed with the GAO recommendations. It advised GAO that appropriate actions will be taken if, upon completion of current investigations, it is found that the problem of foreign students receiving Federal assistance is widespread.

Review of the Upward Bound Program
(HRD-83-19, 3-18-83)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Higher Education Act of 1965.

GAO was requested to review the Department of Education's Special Programs for Students from Disadvantaged Backgrounds. As part of that review, GAO evaluated the administration of the Upward Bound Program.

Findings/Conclusions: GAO found that, although Upward Bound has been in operation since 1965, it is unclear whether the program is achieving its intended purpose. At the 12 Upward Bound projects visited, about 50 percent of the participants who entered the program dropped out before graduating from high school. Ten of the 12 projects either did not properly measure the academic improvements made in the remaining participants' skill levels or did not adequately report to Education the academic skills obtained. In addition, the projects generally did not assess the postsecondary performance of participants. Because of the lack of data on academic skills and postsecondary performance, neither Education nor the projects know whether all of the program's goals are being achieved.

Recommendations to Agencies: The Secretary of Education should consider project dropout rates, the changes in participants' academic skills levels, and participants' postsecondary success when awarding new Upward Bound grants.
Status: No action initiated. Affected parties intend to act.
The Secretary of Education should require Upward Bound projects to measure the academic growth of participants and to report such growth to Education.
Status: Action in process.
The Secretary of Education should develop a system to obtain accurate data on participants' postsecondary success.
Status: Action in process.

Agency Comments/Action

The Department of Education is developing a reporting format which would permit projects to submit information on academic achievement and participants' postsecondary success.

DEPARTMENT OF ENERGY

Uncertain Quality, Energy Savings, and Future Production Hamper the Weatherization Program (EMD-82-2, 10-26-81)

Budget Function: Energy: Energy Conservation (272.0)
Legislative Authority: Energy Conservation and Production Act (P.L. 94-385). Comprehensive Employment and Training Act of 1973. Energy Security Act (P.L. 96-294). OMB Circular A-102.

GAO reviewed the need to improve the administration and effectiveness of the Department of Energy's (DOE) low-income weatherization assistance program. This program uses Federal funds to help low-income people improve the energy efficiency of their homes. GAO considered the program's effectiveness, energy savings, financial controls, and compliance monitoring.

Findings/Conclusions: The number of homes weatherized by the program has substantially increased since the last GAO review. However, at the current level of funding, it is unlikely that DOE can maintain the present level of production beyond 1981. Program effectiveness has been hampered by: (1) continued overstatement of the number of homes weatherized; (2) incomplete or inadequate weatherization of homes; and (3) a low emphasis on rental units, where over half of the low-income population resides. Further, the energy efficiency of many homes served by the program may not have been improved very much because the weatherization work in many homes GAO inspected was incomplete or inadequate. The extent to which the weatherization program is actually reducing energy costs and consumption in low-income homes still is not known by DOE or the States. DOE recently completed a study of energy savings, but the reliability of the study is questionable because of sampling and data problems. Deficiencies in the financial management and monitoring systems continue to exist at all levels. Many of the local agency systems did not meet Federal requirements, and most of the State offices did not have financial management and monitoring systems which could be relied on for identifying and correcting accounting, inventory, and financial status reporting problems at local agencies.

Recommendations to Agencies: The Secretary of Energy should revise the progress reporting system to ensure that DOE regional operations offices and the States take adequate action to require accurate recordkeeping and reporting by local agencies.
Status: Action completed.

The Secretary of Energy should require that an adequate inspection of weatherized units be made by the local administering agency before the units are reported as completed.
Status: Action in process.

The Secretary of Energy should obtain statistically valid data to determine the energy savings resulting from the weatherization program.
Status: Action in process.

The Secretary of Energy should instruct DOE operations offices to periodically assess State weatherization programs for adequacy of State monitoring and accuracy of program reports.
Status: Action completed.

Agency Comments/Action

DOE concurred with all recommendations and stated that it had taken several actions including: (1) issuing clarifying instructions to its reporting procedures to obtain more accurate data; (2) requiring States to use DOE technical assistance and training funds to ensure adequate monitoring of the program; (3) funding an evaluation project to provide statistically valid energy saving data; and (4) providing minimum monitoring guidance to DOE operations offices.

DEPARTMENT OF ENERGY

DOE Funds New Energy Technologies Without Estimating Potential Net Energy Yields
(IPE-82-1, 7-26-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Nonnuclear Energy Research and Development Act of 1974 (P.L. 93-577). Energy Security Act (P.L. 96-294).

The Department of Energy (DOE) has questioned the feasibility and utility of using the net energy analysis method of determining the energy yield and efficiency produced by newly introduced technology as required by Public Laws 93-577 and 96-294. GAO examined the net energy concept to determine its methodological feasibility and cost effectiveness in DOE evaluations of programs which are eligible to receive energy funding.

Findings/Conclusions: DOE has not performed or used the net energy analysis method as required under the statutes. Future financial support of new energy technology is presently uncertain because it is not yet clear which, if any, Federal entities will carry out future responsibilities for research, development, and demonstration activities and under which authority the support will be provided. GAO found that, if DOE used the net energy method, its policymakers would have a better basis for minimizing total energy use, conserving domestic energy resources, and reducing the amount of premium fuel that has to be imported. The net energy method would measure physical energy flows and identify the types and amounts of energy consumed in the production of energy. However, by failing to use this method, a new technology may be funded because it appears economically attractive, even though its net energy yield has not been adequately estimated and may be unfavorable. GAO found no evidence that the net energy method has been considered in the DOE proposal evaluation process or that it has been performed in a manner responsive to statutory requirements. GAO concluded that the net energy analysis method is a useful tool for policymakers, because it helps them maximize effective energy use and conserve domestic energy resources in the production of new energy products. GAO believes that the arguments which have been advanced by DOE officials against the performance or use of the method do not hold up; the impediments to compliance have been or can be overcome.

Recommendations to Congress: Congress should require DOE, or succeeding entities, to demonstrate during oversight and appropriations hearings that the potential ability of proposed energy technologies to produce net rather than gross premium fuels and energy at their commercial stage was analyzed and considered before DOE funded the development of those technologies.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of DOE should issue directives necessary for ensuring that similar or comparable cost-estimating methods, based on acceptable levels of engineering effort, are used in developing proposal documents and that their results are tested for validity.

Status: No action initiated. Date action planned not known.

The Secretary of DOE should issue directives necessary for obtaining uniform data on the cost, performance parameter, energy, materials inputs, and final products and by-products of energy facilities in proposal documents, along with their associated quantitative uncertainties.

Status: No action initiated. Date action planned not known.

The Secretary of DOE should issue directives necessary for developing the additional data base for the analysis of indirect energy flows.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

On September 30, 1982, DOE sent its agency response to the Director of the Energy and Minerals Division. The response outlined the agency's objections to the findings and recommendations of this report. In that letter, DOE maintained that continuing theoretical and methodological controversies have made it impossible for the agency to use net energy analysis as mandated by Congress in Public Laws 93-577 and 96-294. DOE has taken no satisfactory corrective action in response to any of the report's recommendations. Further, DOE stated in its September 30 letter that no additional effort is indicated for the development and application of net energy analysis to be used in evaluating the overall value of new energy technologies which are soliciting Federal funding support.

DEPARTMENT OF ENERGY

Obstacles to U.S. Ability To Control and Track Weapons-Grade Uranium Supplied Abroad (ID-82-21, 8-2-82)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2011). Nuclear Nonproliferation Act of 1978 (P.L. 95-242; 92 Stat. 120).

Pursuant to a congressional request, GAO reviewed the ability of the United States to control and account for highly enriched, weapons-grade uranium supplied abroad. This report focuses on U.S. administrative controls, physical security reviews, international safeguards and the U.S. ability to keep track of exports of highly enriched uranium. Also addressed were U.S. efforts to develop a non-weapons-grade uranium fuel to be used as a substitute for highly enriched uranium.

Findings/Conclusions: The central computer system currently used by the Department of Energy (DOE) to track all U.S. highly enriched uranium exports to foreign countries is incomplete and inaccurate. Although DOE has been working to improve the information in the system, it has not used some readily available internal data. GAO believes that efforts to streamline and consolidate needed information are warranted. The United States attempts to regulate the exports of highly enriched uranium fuels with: (1) agreements for cooperation, (2) export licenses, and (3) subsequent arrangements made with other countries. To minimize the risks of having weapons-grade material accumulate abroad, DOE has the authority to accept returns of spent highly enriched uranium of U.S. origin from other nations. However, several factors relating to charges and shipping costs may be discouraging some nations from returning such fuel. The U.S. Government has become increasingly concerned with the physical security of highly enriched uranium due to the increase in terrorism. Current methods of conducting physical security reviews within nations receiving U.S. highly enriched uranium are inadequate due to the limitations placed on such reviews by foreign governments. However, officials stated that there is a growing effort to establish some universal safety standards. Nonproliferation efforts have centered around minimizing the use of highly enriched uranium by using a lower grade. GAO stated that a number of obstacles will have to be overcome if such a conversion is to occur.

Recommendations to Agencies: The Secretary of Energy should, as part of the review process relating to the extension and possible expansion of the authority to accept spent research reactor fuel, determine the principal reasons why only a small percentage of spent, highly enriched uranium has been returned in the past and adequately address the disincentives to some countries in returning such spent fuel.

Status: Action in process.

The Secretary of Energy should, in conjunction with the Chairman of the Nuclear Regulatory Commission, streamline and consolidate the information maintained on highly enriched uranium supplied abroad into a more accurate, comprehensive, and flexible system which meets the needs of the intended users in the most economical and efficient manner.

Status: Action completed.

The Secretary of Energy should direct that information from other readily available sources be used to verify and reconcile the data on highly enriched uranium exports within the system.

Status: Action completed.

Agency Comments/Action

DOE is presently considering possible ways to increase the accuracy and utility of the systems which maintain information on highly enriched uranium supplied abroad to meet the needs of intended users. DOE agreed that there may be a number of disincentives to countries to return to the United States highly enriched uranium of U.S. origin. To determine why a limited amount has been returned, DOE will survey individual countries' perceived disincentives. After the survey and analysis, DOE will consider what policy changes, if any, are possible for enhancing the timely return of U.S.-origin highly enriched uranium.

DEPARTMENT OF ENERGY

Major Financial Management Improvements Needed at Department of Energy
(OCG-82-1, 9-15-82)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255). Antideficiency Act (31 U.S.C. 665). Prompt Payment Act (P.L. 97-177). Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4213). OMB Circular A-123. OMB Circular A-73. OMB Circular A-34. OMB Circular A-102. OMB Circular A-110. 7 GAO 17.3. 7 GAO 25.6. 7 GAO 11. 7 GAO 12.2. 2 GAO 12.5. 7 GAO 24.2. DOE Order 1000.3. DOE Order 2300.1. DOE Property Management Reg. 109-60. FIPS Pub. 38. 1 Treasury Fiscal Requirements Manual 6-8030. 31 U.S.C. 200. 31 U.S.C. 66a.

GAO was asked to review selected areas of the Department of Energy's (DOE) financial management. Significant problems were found in the areas of internal controls, cash and property management, and contract administration.
Findings/Conclusions: GAO found that: (1) both the computerized and manual accounting controls need improvement at the headquarters and four field offices reviewed ; (2) DOE has not adequately monitored Government funds held by grantees and, contrary to Treasury regulations, large amounts of cash were provided to grantees before need; (3) DOE does not have an effective system for recording, managing, and disposing of Government property held by contractors; and (4) projects for the Strategic Petroleum Reserve project need to be better administered, particularly with regard to audit coverage.
Recommendations to Agencies: The Secretary of Energy should lead a cooperative effort with the Defense Contract Audit Agency (DCAA) Director to resolve the disagreement between the Strategic Petroleum Reserve (SPR) project and DCAA regarding audit recommendation followups.
Status: Action completed.

The Secretary of Energy should determine the status of incurred cost audits, make any necessary improvements to enhance the audit environment, and provide adequate coverage of contractors as agreed with DCAA.
Status: Action completed.

The Secretary of Energy should take more timely and complete action on all appropriate audit recommendations.
Status: Action completed.

The Secretary of Energy should require the Department's Inspector General to periodically report on the audit coverage of SPR activities and actions taken on audit findings.
Status: Action completed.

The Secretary of Energy should strengthen the monitoring of contractors' procurement activities and compliance with procurement requirements.
Status: Action completed.

The Secretary of Energy should require more effective coordination with Defense Contract Administrative Service property administrators to assure that all property reviews are communicated to Energy officials.
Status: Action completed.

The Secretary of Energy should reconsider earlier recommendations on the issue of functional and program responsibilities, with particular emphasis on giving direct line authority to the headquarters functional offices managers over all their respective field functional office staffs. In exercising this authority, headquarters functional office managers should ensure that the independence of functional offices is maintained in headquarters and in the field so that they can effectively carry out their missions; and that program Assistant Secretary-level managers receive functional support for actions that are considered critical for meeting established goals and objectives.
Status: Recommendation no longer valid/action not intended. *The agency disagrees with the recommendation.*

The Secretary of Energy should create, to the extent practicable, dedicated functional support staff for each program Assistant Secretary-level manager.
Status: Recommendation no longer valid/action not intended. *The agency disagrees with the recommendation.*

The Secretary of Energy should require that contractors meet all property reporting requirements within the allotted time.
Status: Action completed.

The Secretary of Energy should ensure that contractors are notified of property disposal procedures at the time of contract award.
Status: Action completed.

The Secretary of Energy should establish procedures for the timely disposal of property associated with major Energy facilities, such as pilot plants and demonstrated projects.
Status: Action completed.

The Secretary of Energy should establish procedures to require periodic reconciliation of procurement and accounting records at each operations office.
Status: Action completed.

The Secretary of Energy should establish procedures to require that monthly payment vouchers submitted by contractors itemize all property purchases, categorized by Energy funding and asset type, and that accounting and procurement offices record the information accordingly, regardless of funding.
Status: Recommendation no longer valid/action not intended. *The agency disagrees with the recommendation.*

The Secretary of Energy should establish procedures to require that property requirements be listed in individual contracts and that procurement offices verify subsequent property purchases against these lists.
Status: Action completed.

The Secretary of Energy should undertake a one-time project Department-wide to identify all Government-owned property held by offsite contractors, including contracts that have expired but are not yet closed out.

Status: Action completed.

The Secretary of Energy should clarify existing procedures concerning the accounting treatment of property purchased with Energy operating funds and plant and capital equipment funds to ensure uniform accounting throughout the Department.
Status: Action completed.

The Secretary of Energy should ensure that Department-wide cash management policies and procedures are complied with at all Energy offices administering grants. In this regard, lines of responsibility should be clearly delineated and officials held accountable for adherence to the established procedures. Each Energy office should adopt stronger techniques to follow in monitoring grantee cash balances and in ensuring that timely and accurate financial information is maintained.
Status: Action in process.

The Secretary of Energy should provide more specific instructions to existing and future grantees, informing them precisely of their cash management responsibilities, emphasizing that disbursements are to be made only to meet immediate program needs, and reaffirming that all excess cash or earned interest is to be returned to the Department.
Status: Action completed.

The Secretary of Energy should initiate further action with the Office of Management and Budget to obtain approval of needed forms and procedures that would enable the Department to better carry out its cash management responsibilities.
Status: Action completed.

The Secretary of Energy should require the field office managers to submit periodic statements certifying whether prescribed internal control procedures are being followed and attesting to their effectiveness.
Status: Recommendation no longer valid/action not intended. *The recently enacted Federal Managers' Financial Integrity Act now requires this type of certification. DOE compliance with the act will be examined as part of a separate review.*

The Secretary of Energy should form a task force at the highest level in the organization to address the wide range of internal control weaknesses and financial management problems that have been identified.
Status: Action completed.

Agency Comments/Action

DOE has responded to and generally agreed with the GAO findings. It did not agree with the recommendation that it reorganize the Department, create an automated suspense file for errors in financial information systems, or the method GAO recommended for handling property purchases. DOE stated that other procedures would be implemented which would achieve the same objectives as the property recommendations. The remaining open recommendation is expected to be completed in March 1984.

DEPARTMENT OF ENERGY

Internal Control Weaknesses at Department of Energy Research Laboratories
(AFMD-83-38, 12-15-82)

Budget Function: Energy (270.0)
Legislative Authority: Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255). Budget and Accounting Act. P.L. 95-91. OMB Circular A-123. OMB Circular A-120. 2 GAO 12.5.

GAO was asked to review selected functional areas at several Department of Energy (DOE) research laboratories; these areas included internal controls over procurement, property management, and payroll.
Findings/Conclusions: GAO found that: (1) DOE headquarters directed Government Owned Contract Operated (GOCO) research laboratories to procure the services of specific consultants and consulting firms, thereby circumventing effective procurement controls; and (2) laboratories improperly subcontracted for consultants and other professionals. GAO also noted that, in some cases, several practices involving subcontracting for consultants appear to have led to waste or misuse of Federal funds.
Recommendations to Agencies: The Secretary of Energy should ensure that the practice by DOE personnel of directing operating contractors to make procurements, which results in the circumventing of Federal Procurement Regulations, is eliminated.
Status: Action completed.

The Secretary of Energy should establish clear, minimum procurement requirements to be used by operating contractors, in meeting the intent of Federal Procurement Regulations, such as specific criteria for: (1) sole-source procurements; (2) using subcontractors for professional services; (3) approving payments for work done by subcontractors; and (4) hiring former employees as consultants. Also, these criteria should clearly prohibit situations where subcontractors start work prior to the execution of contracts.
Status: Action completed.

The Secretary of Energy should require the operations office to more closely monitor operating contractors' procurements by (1) improving the effectiveness of the systems reviews; and (2) lowering the monetary threshold for the advance review and approval of professional services enough to include a significant number of those contracts.
Status: Action completed.

The Secretary of Energy should require the operating contractors to establish and implement appropriate property management controls that will ensure that contractors: (1) adhere to DOE inventory intervals, specifically 2-year cycles for capital equipment and a 1-year cycle for sensitive or theft-prone items; (2) provide for segregation of duties between the custodial and inventory functions, that is, individuals having custody of property should not be responsible for taking inventory of that property; (3) maintain accountability over property by classifying theft-prone items over $500 as sensitive items, identifying and tagging theft-prone items, and documenting property transfers; and (4) adequately protect theft-prone property by improving security procedures.
Status: Action in process.

The Secretary of Energy should require the operating contractors to establish and implement appropriate property management controls that will ensure that contractors improve controls in the payroll-related area to: (1) require time and attendance reports that are certified for accuracy by both employees and immediate supervisors; (2) require leave to be charged for absences that exceed a reasonable period of time, similar to requirements for Federal employees; (3) establish appropriate criteria to ensure that tuition is reimbursed only for course work directly related to an employee's job; and (4) ensure that negotiable instruments are properly safeguarded by improving controls over blank checks, check signature plates, and payroll checks.
Status: Action in process.

The Secretary of Energy should: (1) ensure that all DOE divisions and operating contractors adhere to the reporting requirements and travel policies set forth in DOE foreign travel regulations including requiring that operating contractor employees report fees, travel, and expense reimbursements received from foreign hosts; and (2) require the operations offices to oversee the implementation of the above recommendation by operating contractors.
Status: Action in process.

The Secretary of Energy should require the development, implementation, and enforcement of an adequate property management system for use by the energy technology center (ETC) which should include procedures for: (1) conducting inventories of personal property with strict adherence to established inventory intervals; mandatory reconciliation of inventory results; and detailed instructions as to how inventories should be conducted to ensure an appropriate degree of independence, adequate coverage, and effective methods; (2) updating properly control records to ensure their accuracy by promptly adding new property to listings, deleting missing property, and changing property records when item are moved or transferred; and (3) promptly reporting thefts and missing items.
Status: Action completed.

The Secretary of Energy should require the implementation of procedures by ETC's to effectively control property held by offsite contractors, including establishing methods to verify the accuracy of contractor reports of DOE property, enforce contractor reporting requirements, and account for property when contracts are completed.
Status: Action completed.

The Secretary of Energy should require the establishment and implementation of written procedures at ETC's to adequately control small purchases. These procedures should limit the number of individuals who have authority to approve requisitions and ensure that: (1) purchases are made only within the small purchasing system; and (2) payments

for goods and services are made only after it has been verified that they have been delivered according to the terms agreed upon.
Status: Action completed.

The Secretary of Energy should transfer all remaining field auditor positions to the Inspector General.
Status: Action completed.

Agency Comments/Action

DOE has taken action on several of the recommendations. Specifically, corrective actions have been taken to: (1) stop directed procurements at GOCO's; and (2) improve GOCO property management time and attendance, tuition reimbursement, and foreign travel internal control procedures. DOE has taken steps to improve property management and purchasing procedures at the Energy Technology Centers. While the agency did not adopt some of the specific recommendations regarding the oversight of GOCO's, it promised to intensify attention to these areas using its current oversight techniques.

BONNEVILLE POWER ADMINISTRATION

Bonneville Power Administration Control System's Computer Security

(FOD, 3-18-83)

Budget Function: Security of ADP Systems (990.6)
Legislative Authority: OMB Circular A-71.

As part of its study of automatic data processing management at the Bonneville Power Administration (BPA), GAO reviewed computer security at the control system's Dittmer computer center.

Findings/Conclusions: GAO found that, although BPA has made some progress toward developing and implementing a computer security program agencywide, it needs to do more. Recently, BPA appointed a computer protection program manager, identified critical and sensitive data processing systems, and assessed risks and threats to the computer center. However, during its review of the center, GAO found that: (1) written computer security procedures had not been developed or implemented; (2) an automatic fire suppression system had not been installed; (3) physical access to the facility was not appropriately restricted; and (4) a contingency plan for implementation in the event the computer's becoming nonoperational had not been fully developed. GAO concluded that BPA must correct these problems at the computer center before it can fully install a computer security program.

Recommendations to Agencies: The Administrator of BPA should, after the security program is implemented, direct the chief auditor to periodically review the computer center's security program's implementation and its compliance with Office of Management and Budget Circular A-71 Transmittal Memorandum Number 1 and Department of Energy Order 1360.2.

Status: Action in process.

The Administrator of BPA should develop a time-phased action plan and feedback procedures to: (1) complete the Dittmer computer center security procedures; (2) install a fire suppression system at the computer center; (3) evaluate Division of System Operations policies and procedures regarding physical access to the computer center; and (4) complete, implement, and test the computer center's contingency plan.

Status: Action completed.

DEPARTMENT OF ENERGY

BONNEVILLE POWER ADMINISTRATION

Bonneville's ADP Resource Management Controls Show Improvement, but More Needs To Be Done *(AFMD-83-63, 6-22-83)*

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Privacy Act of 1974 (P.L. 93-529). OMB Circular A-121.

GAO reviewed the Bonneville Power Administration's (BPA) progress in making its automatic data processing (ADP) resource management controls effective.

Findings/Conclusions: GAO found that additional management controls and large-scale changes are needed to achieve effective and economical operations for computer systems integration, ADP resource management and use, computer protection, and contingency planning. GAO noted that BPA reliance on computer technology has increased and that an estimated $40 million will be spent to modernize and expand computer systems and facilities. GAO stated that, because of these actions, it is essential that BPA top management exercise oversight and commitment to the integration process.

Recommendations to Agencies: The Administrator, BPA, should adopt information resource management operational concepts, with an organizational framework that specifically assigns agency information responsibilities to a central leader who reports directly to the Administrator.
Status: Action in process.

The Administrator, BPA, should define a time-phased action plan for implementing and improving ADP management controls, such as planning, systems development, full ADP cost accounting and user chargeback, ADP equipment acquisitions, systems integration, compliance monitoring, and computer protection.
Status: Action in process.

The Administrator, BPA, should periodically report to the Department of Energy's information resource manager on BPA actions and progress toward cost effective control practices.
Status: Action in process.

Agency Comments/Action

The agency agreed with the GAO recommendations. A senior official has been appointed to manage information resources in an integrated manner and organizational responsibilities as assigned for improving ADP management controls. BPA will report its progress on March 1 of each year as a supplement to its long-range ADP plans.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Need for HEW To Recover Federal Funds in Uncashed AFDC Checks
(HRD-79-68, 4-5-79)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act (42 U.S.C. 601).

A review was completed of the requirements and practices for refunding or crediting the Federal Government's portion of checks that were issued to Aid to Families with Dependent Children (AFDC) recipients but never cashed. Federal AFDC expenditures in fiscal year 1977 amounted to over $5 billion.

Findings/Conclusions: The return of Federal AFDC funds for checks that were never cashed was generally left to the States' discretion. Although GAO did not determine why the checks were not cashed, information obtained on 11 of the 50 States showed that these States allowed AFDC checks to be negotiated 30 days to 2 years after they were issued, at which time they were canceled. In addition, once States acted to void the checks, there was no mechanism to ensure that the Federal Government received credit for its portion of these funds. The President's 1980 budget proposes a change in the procedure for transferring Federal funds to the States for public assistance programs, including AFDC. Presently, States are authorized to draw Federal funds on or before the day they pay their bills. For the AFDC program, this is generally when the States issue checks to recipients. Between the time the checks are issued and cashed by the recipients, many States invest the Federal funds and earn interest. Under the proposal, States would be authorized to draw Federal funds only when a recipient actually cashes the check and it is presented to the State's commercial bank for payment. When adopted and implemented, the procedure would also eliminate the problem of the Federal Government not receiving credit for its share of funds in uncashed AFDC checks.

Recommendations to Agencies: The Secretary of Health, Education, and Welfare (HEW) should direct the Commissioner of the Social Security Administration (SSA) to establish uniform requirements for States to credit the Federal Government for its portion of uncashed AFDC checks.

Status: Action in process.

The Secretary of HEW should direct the Commissioner of SSA to establish a mechanism for ensuring that these credits are timely and accurate.

Status: Action in process.

The Secretary of HEW should take action to identify and recover the total amount of Federal funds in uncashed AFDC checks that have not been refunded the Federal Government.

Status: Action in process.

Agency Comments/Action

The SSA regional offices were provided additional instructions in June 1982 for use in monitoring State inclusion of amounts refunded to SSA for uncashed checks in State quarterly expenditure reports. Its final regulation has not been published. Due to unexpected delays in the HHS clearing process, final publication of the new standard of timeliness for States to report credits for uncashed checks is scheduled for February 1984.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEW Must Improve Control Over Billions in Cash Advances
(FGMSD-80-6, 12-28-79)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Antideficiency Act (31 U.S.C. 665). 2 GAO 16.8c. 7 GAO 6.9. 7 GAO 5.4.

The Department of Health, Education, and Welfare's (HEW) Federal Assistance Financing System was established to improve the Department's cash management. However, it allowed premature cash withdrawals because of poor organizational aspects and serious design deficiencies. HEW has advanced over $38 billion to about 14,000 non-Federal organizations through the system.

Findings/Conclusions: The system used the direct Treasury check method and the letter-of-credit method to meet recipients' immediate cash needs. Despite Treasury Department regulations, the agreements for advances did not always state that recipients should limit cash withdrawals to only immediate needs. Therefore, many recipients withdrew cash far in advance of need. Letters of credit had not been extended to many eligible recipients because the system's staff was insufficient to handle this task. These letters of credit would allow recipients to operate with small or no Federal cash balances, further reducing public debt interest. There was no authority to handle loans and contract advances through the fund. Because of the significance of the Department's loan programs, the authority to make loans and contract advances would give Congress a chance to learn the extent of advances made and to specify operational reports needed for its oversight. The splitting of responsibilities within the system was inefficient. Staffing was inadequate and may have been the underlying cause of many of the problems. Since the Department advanced money without required information on the recipients' planned expenditures, there were no assurances that the advances would be spent in accord with approved assistance agreements or for authorized purposes. The system design did not provide for the generation of data needed for effective cash management.

Recommendations to Agencies: The Secretary of HEW should recover Federal cash excesses held by recipients wherever feasible.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should finish developing a control system that would emphasize recipients' monthly disbursement plans and that would provide for monitoring of all recipients' cash balances.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*
The Secretary of HEW should provide the system with adequate staff.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should extend letters of credit to all recipients eligible to use them.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should obtain specific congressional approval to handle loan funds through the grants accounting system.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should make sure that the new system is used for all aspects of cash management, such as the collecting of all excess advances.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should specify in agreements the terms and conditions of withdrawals, advise the recipients that advances will be discontinued if abuses persist, and provide for enforcing the discontinuance.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should work with the Treasury and Office of Management and Budget to have States remove

legal and administrative impediments that cause premature and excessive cash withdrawals and, when appropriate, have States use single letters of credit.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should provide resources to ensure that the new system becomes operational as scheduled, and should monitor the redesign efforts to ensure the fastest possible completion.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should require that the revised system have adequately detailed accounting records that will show the cash balances held by recipients and that will contain data to control cash advances by specific appropriations.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should develop a better approach to charge amounts of advances against specific appropriations, such as an approach that would use data furnished by recipients to support payment requests.

Status: Recommendation no longer valid/action not intended. *Problems with the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should require the Department's internal auditors to investigate disbursements reported in excess of authorizations, and to establish how much, if any, of the money should be recovered by the Government.

Status: Recommendation no longer valid/action not intended. *Problems in the system have been brought to the agency's attention on several occasions since the report was issued. On February 6, 1984, it implemented a new system, the Payments Management System, to replace the one covered by the recommendation.*

The Secretary of HEW should require the revised system to provide for promptly investigating and resolving excessive disbursements reported by recipients, for eliminating duplicative agency records, and for prompt reporting of Antideficiency Act violations.

Status: Action in process.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

INDIAN HEALTH SERVICE

Need To Clarify IHS Responsibilities for Maintaining Indian Water and Sanitation Facilities
(HRD-80-14, 7-28-80)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Indian Health Care Improvement Act (P.L. 94-437). 42 U.S.C. 2004a.

Since 1959, the Indian Health Service (IHS) has spent about $490 million to construct or improve Indian water and sanitation facilities primarily to support Indian housing programs administered by other Federal agencies. Legislation enacted in 1959 authorized IHS to transfer operating and maintenance responsibility of these facilities to Indian tribes or communities. As part of a survey conducted of the IHS water and sanitation facilities construction program, seven Indian reservations and nine Alaska Native communities were visited to observe the water and sanitation systems or system components that were not operating effectively.

Findings/Conclusions: The tribes or communities had agreed to assume operating and maintenance responsibilities before construction of the facilities and had accepted ownership responsibilities after construction. However, many of them were not willing or financially able to fulfill their agreements. IHS assisted the Indians in operating and maintaining the water and sanitation systems it transferred to them until 1976. At that time, the Department of Health and Human Services' Assistant General Counsel for Public Health concluded that IHS lacked the legislative authority to maintain water and sanitation systems transferred to tribes and communities. These circumstances have posed a dilemma: IHS is responsible for ensuring that adequate health care is provided to Indians and has invested heavily in the construction and improvement of Indian water and sanitation facilities; but it has been told by its General Counsel that it has no authority to maintain the water and sanitation facilities after the Indians accepted ownership responsibilities. The significant IHS capital investment could be lost because of lack of maintenance, and the overall health of the Indians could deteriorate, thereby placing a greater burden on the IHS health care system.

Recommendations to Congress: Congress should address IHS authorities and responsibilities for maintaining transferred sanitation facilities under the Indian Sanitation Facilities Act.

Status: Action in process.

Agency Comments/Action

In connection with the reauthorization of the Indian Health Care Improvement Act, a bill--H.R. 4567--was introduced on November 18, 1983, dealing with the issues raised in the GAO recommendation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Social Security Needs To Better Plan, Develop, and Implement Its Major ADP Systems Redesign Projects *(HRD-81-47, 2-6-81)*

Budget Function: Automatic Data Processing (990.1)

The efforts by the Social Security Administration (SSA) to redesign its retirement, survivors, disability, and health insurance automated system was reviewed. This redesign represented a major multifaceted automatic data processing system modification project undertaken to improve service to program beneficiaries.

Findings/Conclusions: Although substantial effort and resources were invested in this project, it was largely unsuccessful. Only one of the five major new features expected during the redesign was fully implemented successfully, and SSA suspended further efforts to complete the project as it was originally planned. GAO believes that inadequate planning and management of the redesign and deficiencies in the SSA systems modification process were primary reasons that the agency was unable to fully complete the redesign. Further, SSA systems modification efforts in general will not meet their objectives until these weaknesses are corrected. Specifically, SSA did not: (1) adequately involve key field office users in planning redesign changes to ensure that their needs would be met by the modified system; (2) adequately analyze costs and benefits of the redesign; and (3) provide for consistent management of the redesign.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Commissioner of Social Security to require periodic updating, including revision of priorities, of the existing inventory of user needs to make sure it is current and accurate and can serve as a reliable basis for future development of system modification proposals.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require periodic updating and modification of initial cost/benefit analyses for all major systems proposals, maintenance of accurate records of costs incurred and benefits realized to facilitate this updating, and use of these data to periodically reevaluate the merit of proceeding with the system change.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require provision for project leaders of major systems development/modification efforts to be assigned full time to managing such projects and conducting them apart from daily systems operations.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require assessment of the independence maintained by systems validators from systems development staff to make sure that they have sufficient control over program and systems changes, especially seeing that formal validation procedures are followed.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require participation by all users in establishing the functional requirements for proposed systems changes to ensure that these requirements can serve as the system performance criteria against which validation is conducted.

Status: Action in process.

The Secretary of Health and Human Services should direct the Inspector General to increase efforts to establish sufficient automatic data processing (ADP) audit capability within the Audit Agency so that reviews of the Social Security Administration's (SSA) system development/modification process and ADP systems audits can be carried out effectively at SSA.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require revision of Social Security Administration interim validation guidelines to include more detailed procedures and standards covering test case selection and inclusion of invalid data for testing program controls, testing changes throughout the system, determining the degree of processing accuracy that must be attained before implementation may proceed, and allocation of sufficient staff time to validating systems changes.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require quick finalization and implementation of detailed agency procedures for communicating with system users.

Status: Action in process.

Agency Comments/Action

The agency agreed with the thrust of the GAO recommendations. It stated that it was in the process of making a comprehensive set of decisions that will shape the future environment of agency ADP activities and that GAO views would be considered in arriving at these decisions. That comprehensive decisionmaking process resulted in the February 1982 issuance of the SSA Systems Modernization Plan, a comprehensive, multiyear ADP corrective action plan that is currently being implemented. SSA has indicated that its efforts to implement the open recommendations from this report have been incorporated into plan implementation. Because further agency actions to implement most of these recommendations will continue through the 7 to 10-year plan implementation period, recommendation status in most cases will probably not change until implementation is completed. GAO will continue to conduct intermittent monitoring of plan implementation progress during that period.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Action Needed To Avert Future Overpayments to States for AFDC Foster Care
(HRD-81-73, 4-20-81)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act. Adoption Assistance and Child Welfare Act of 1980 (P.L 96-272).

Until the Adoption Assistance and Child Welfare Act was enacted, the Department of Health and Human Services (HHS) matched payments available to the States under the the Aid to Families with Dependent Children (AFDC) program for foster home care of dependent children. The Act established fiscal year 1978 as a base year for the computation of future allotments of foster care moneys. A GAO review showed certain unallowable practices regarding fiscal year 1978 reimbursements which, if not given prompt attention, could continue to improperly increase future foster care allotments to some States.

Findings/Conclusions: GAO found that over $12 million in private nonprofit agency foster family home administration costs, not eligible for Federal sharing, were incurred by New York City and federally reimbursed. The States of New York and California were also reimbursed an undetermined amount for costs attributable to ineligible foster care enrollees. Since 1978, GAO has unsuccessfully attempted to have HHS take corrective action to recover amounts reimbursed to New York City for unallowable administrative costs. The longer HHS takes to correct the level of fiscal year 1978 Federal reimbursements, the larger the overpayments will be. Using fiscal year 1978 as a basis for allotments to New York and California without adjusting for incorrect Federal payments has resulted and will continue to result in reimbursements higher than those authorized. If there is a dispute between any State and HHS as to expenditures for a base year, the base amount may only be changed in the fiscal year after the one in which the dispute is resolved. The foster family home administrative services, in dispute in several New York City contracts with private nonprofit agencies, are normally provided by State social service agencies.

Recommendations to Agencies: The Secretary of HHS should recover overpayments made to New York city for unallowable administrative costs.

Status: Action in process.

The Secretary of HHS should (1) require that all foster care reimbursements to the States for fiscal year 1978 be audited to identify any unallowable costs, determine the correct level of fiscal year 1978 Federal reimbursements, and act to recover unallowable costs.

Status: Action in process.

Agency Comments/Action

The HHS Inspector General will report on the recommendation to HHS requiring that all foster care reimbursements to the States for fiscal year 1978 be audited to identify unallowable costs. The Office of the Inspector General has issued 20 reports to date; 5 reviews are in progress. About $35 million in unallowable costs have been identified in a report expected to be issued in April 1984 by the Office of the Inspector General.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HHS Moves To Improve Accuracy of AFDC Administrative Cost Allocation: Increased Oversight Needed
(HRD-81-51, 5-18-81)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act. P.L. 96-226. Federal Management Circular 74-4.

The Department of Health and Human Services (HHS) is responsible for assuring that State cost-allocation plans, upon which Federal financial participation in administrative costs for the Aid to Families with Dependent Children (AFDC) program are based, accurately reflect the Federal reimbursable share of costs.

Findings/Conclusions: The principle oversight agencies of HHS are not adequately reviewing, analyzing, and questioning data in State cost-allocation plans either before or after their approval. A GAO review of administrative costs in four States indicated that the Federal Government may be incurring unnecessary charges which, in two of these States, could amount to $6.6 million annually. Overcharges are occurring because HHS has not provided its oversight agencies with adequate review guidance, a clear definition of their respective roles for reviewing cost-allocation plan implementation, and sufficient staff to accomplish their work effectively. Erroneous reimbursement claims have been a longstanding problem. HHS has not required a uniform method of accumulating and allocating States' costs and has approved some methods which cannot assure that administrative cost expenditures in a given program are as directly proportional to the administrative support received as possible. The varying methods of cost allocation also preclude HHS from making meaningful comparisons of administrative cost expenditures among States. HHS has not developed guidelines for distributing costs in welfare cost-allocation plans and does not require States to distribute administrative costs on any standardized basis. States are allowed considerable latitude in developing cost accumulation and allocation methodology. By developing a welfare cost allocation guide, some corrective action is underway.

Recommendations to Agencies: The Secretary of HHS should define the specific cost-allocation plan review and monitoring responsibilities of the Division of Cost Allocation (DCA) and the Office of Family Assistance (OFA).
Status: Action completed.

The Secretary of HHS should develop adequate guidelines for DCA and OFA to use in future cost-allocation plan review efforts.
Status: Action completed.

The Secretary of HHS should instruct DCA and OFA to follow up on GAO's findings to assure that appropriate recovery of Federal funds occurs.
Status: Action completed.

The Secretary of HHS should issue guidelines establishing a system of uniform cost principles, procedures, and methodology for all welfare cost-allocation plans.
Status: Action in process.

The Secretary of HHS should evaluate existing staffing and workload levels to assure that both DCA and OFA have enough technical capacity and staff to effectively review, approve, and monitor the implementation of cost-allocation plans and quarterly claims for reimbursement.
Status: Action completed.

The Secretary of HHS should instruct DCA and OFA to conduct comprehensive reviews of State cost-allocation plans to identify areas in which the Federal Government may be bearing more than its fair share of AFDC administrative costs.
Status: Action completed.

Agency Comments/Action

HHS generally agreed with the findings and recommendations and has taken action. It has: (1) issued instructions defining cost-allocation plan review and monitoring responsibilities of DCA and OFA; (2) established a task force to study DCA and OFA staffing and workload levels; (3) issued regulations on development, submission, and approval requirements for cost-allocation plans; (4) instructed its regional staff to adequately review cost-allocation plans; (5) required State cost-allocations plans to be amended and has made appropriate fund recoveries; and (6) developed and issued adequate guidelines for DCA and OFA for future cost-allocation plan reviews. HHS plans to issue the cost-allocation guide already developed.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Improving Medicaid Cash Management Will Reduce Federal Interest Costs
(HRD-81-94, 5-29-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Intergovernmental Cooperation Act of 1938 (42 U.S.C. 4201 et seq.). Social Security Act. Social Security Amendments of 1965. 12 C.F.R. 204.5.

GAO reviewed the State systems for recovering Medicaid overpayments to providers and for returning the Federal share of these overpayments to the Department of Health and Human Services (HHS).

Findings/Conclusions: GAO found that over $11 million in Medicaid and other program funds were in noninterest-bearing checking accounts in three States. Because the banks had use of this money, the Federal and State Governments lost incurred interest of over $1.3 million. One of the banks involved reported earning $512,000 on the Medicaid funds it held for an 11-month period. Some States drew Federal funds in excess of current disbursement needs, invested the balances, and retained the interest earned. States had not returned the Federal share of $23 million in identified but uncollected overpayments. The time that elapsed between when States made cash collections and when they returned the Federal share enabled States to earn substantial amounts of interest on Federal funds.

Recommendations to Agencies: The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to establish procedures for uniform crediting of the Federal share of uncashed Medicaid checks and ensure that such credits are timely and accurate.

Status: Action completed.

The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to modify the procedures through which the Federal share of recovered Medicaid overpayments are returned to eliminate the long elapsed time between recovery and return of the Federal share.

Status: Action in process.

The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to review Medicaid cash management practices in all States (except the 10 largest where actions are currently underway) and take appropriate actions to minimize the amount of Federal money being held by the States.

Status: Action in process.

The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to require States or their fiscal agents to have written agreements with the banks used for Medicaid checks, which ensure that Medicaid checking services are obtained at reasonable costs considering both bank charges and the ability of banks to invest deposit balances.

Status: Action completed.

Agency Comments/Action

HHS concurred with all of the recommendations and, as of December 1, 1983, action was completed or underway to implement them. In August 1982, the Health Care Financing Administration issued program guidance covering fiscal agents' written agreements with banks that are used for Medicaid checking services and instructions on establishing uniform procedures for handling uncashed Medicaid checks. On April 5, 1983, a notice of proposed rulemaking was published for comment. HHS is currently refining the final rule and expects it to be forwarded to the Secretary by May 1984. About 30 States have taken action to minimize the amount of Federal money being held by operating under a delay-of-drawdown letter of credit procedure. Other States have statutory or constitutional restraints prohibiting their participation. The Office of Management and Budget is currently involved in the implementation of this recommendation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Family Planning Clinics Can Provide Services at Less Cost but Clearer Federal Policies Are Needed *(HRD-81-68, 6-19-81)*

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Family Planning Services and Population Research Act (P.L. 91-572). Social Security Act. Social Security Amendments of 1967 (P.L. 90-248). Public Health Service Act (42 U.S.C. 300). Economic Opportunity Amendments of 1967 (P.L. 90-222).

In fiscal year 1980, the Department of Health and Human Services (HHS) spent about $375 million for family planning services and contraceptive supplies through several different programs. GAO reviewed several aspects of the family planning program authorized by the Public Health Service Act.

Findings/Conclusions: The family planning clinics reviewed generally provided the medical services required by HHS. However, HHS guidelines recommended or required too many clinic revisits by women using oral contraceptives, education that does not appear to be needed by all clients, and routine medical tests that do not seem to be necessary for all clients. Many of the clinics reviewed were performing tests and examinations not required by HHS or professional medical standards. Some of these HHS policies and clinic practices unnecessarily add to program cost and contribute to long waits for appointments and long office visits at some clinics, perhaps deterring initial or continuing participation in the program. Clinics have lost revenue and, in some cases, have treated clients inequitably because HHS and State policies were not clearly understood or consistent. HHS has failed to: update its official definition of a low-income family, issue guidance on charging fees to teenagers, and uniformly enforce fee requirements. The adequacy of the management information system used to allocate program funds and monitor the program is questioned by many HHS and grantee officials. The position of the Deputy Assistant Secretary, in managing the program, should be strengthened by clarifying his responsibilities and authority so that he could more effectively coordinate and evaluate all the component agencies' administration of family planning programs. The use of funds for program implementation research should be clarified.

Recommendations to Congress: Congress should reassess whether the Deputy Assistant Secretary for Population Affairs needs to administer all of the HHS family planning programs which provide for or authorize grants or contracts.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of HHS should direct HHS regional offices to assure that title X funded clinics establish fee scales and collect fees in accordance with title X regulations.
Status: Action completed.

The Secretary of HHS should direct the Bureau of Community Health Services to revise its family planning guidelines to clarify clinics' options to tailor education requirements to client status and circumstances.
Status: Action completed.

The Secretary of HHS should take steps to resolve the differences between titles X and XX programs regarding eligibility for free and subsidized family planning service. If necessary, appropriate proposals should be prepared to achieve this.
Status: Recommendation no longer valid/action not intended. *HHS believes that eligibility criteria for family planning services under title XX should be made at the State level. Title XX has been included in the Block Grant Program.*

The Secretary of HHS should formally define program implementation research in consultation with the House Committee on Energy and Commerce and the Senate Committee on Labor and Human Resources.
Status: Recommendation no longer valid/action not intended. *HHS believes that it is already providing Congress the necessary information on the type and results of research it supports.*

The Secretary of HHS should direct the Bureau of Community Health Services to revise its family planning guidelines to establish routine revisit policies in line with the American College of Obstetricians and Gynecologists' standards and recommendations.
Status: Action completed.

The Secretary of HHS should clarify the responsibilities of the Deputy Assistant Secretary for Population Affairs and instruct component agencies to cooperate with the Deputy to put the Deputy in a better position to coordinate all the HHS family planning activities.
Status: Action completed.

The Secretary of HHS should direct the Bureau of Community Health Services to work with Centers to prepare guidance on venereal disease screening appropriate for family planning projects. Such guidance should enable projects to decide, in consultation with State and local health authorities, whether to routinely test all clients or to apply criteria for selective testing.
Status: Action completed.

The Secretary of HHS should direct the Bureau of Community Health Services to revise its family planning guidelines to eliminate the proposed provision for routine gonorrhea screening and the existing requirement and recommendation for anemia screening and provide that clinics screen based on medical necessity or local conditions. Clinics desiring to screen all clients routinely should be required to justify the need to HHS.
Status: Action completed.

The Secretary of HHS should more closely monitor clinic practices to identify routine visits or medical services that are in excess of those required or recommended and deny Federal financial participation under the title X, Medicaid, Social Services, and other programs for those activities unless they are appropriately justified.
Status: Action completed.

The Secretary of HHS should direct the Deputy Assistant Secretary for Population Affairs and the Office of Family Planning to refine existing management informations systems to provide data and performance efficiency indicators suited to family planning clinic operations. HHS should build on existing automated systems, and it should include, for example, objective and measurable standards for (1) accurately counting workload; (2) reporting retention levels and degree of contraceptive protection provided; (3) total cost of providing services; (4) monitoring fee collections; and (5) the extent to which women served are priority target populations.
Status: Action completed.

Agency Comments/Action

HHS has revised its family planning guidelines to incorporate the actions recommended by GAO. HHS has also acted to improve its inadequate information system for family planning activities.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HHS Ability To Effectively Implement Incentive Funding for State Information Systems in the Aid to Families With Dependent Children Program
(HRD-81-119, 6-29-81)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: P.L. 96-265. OMB Circular A-90. FIPS Pub. 41. FIPS Pub. 71. FIPS Pub. 73.

New legislation authorized the Federal Government to begin paying 90 percent of the costs incurred by States for the planning, design, development, or installation of Statewide mechanized claims processing and information retrieval systems for administering the Aid to Families with Dependent Children (AFDC) program. Currently, the Federal Government pays 50 percent of both development and operating costs related to these systems. The legislation contains several specific conditions for obtaining increased Federal funds. To meet these requirements, the Department of Health and Human Services (HHS) has developed a general systems design, the Family Assistance Management Information System (FAMIS), which provides a standard approach for State AFDC systems development activities. FAMIS is to serve as a system standard that States must meet to be eligible for the increased Federal matching funds. Because FAMIS has not been pilot tested to demonstrate its feasibility, GAO has expressed concern that the FAMIS requirements: (1) have not been shown to be cost beneficial for all State systems, (2) do not contain sufficiently specific performance standards for evaluating the quality of State developed systems, (3) do not adequately address the internal controls needed to ensure that State systems function as mandated by legislation, and (4) do not facilitate compatibility of State AFDC systems with systems used to administer other welfare programs. Therefore, GAO reviewed HHS policies and procedures for approving the administration of Federal incentive funding of State AFDC systems and discussed their implementation with HHS officials.

Findings/Conclusions: The cost benefit analysis conducted to demonstrate that savings would result from implementation of FAMIS on a State-by-State basis was based on unsupported assumptions and very general data which do not consider the diversity among States in quality of program administration, size, and complexity. GAO does not believe that there is adequate cost-benefit analysis justification for FAMIS. The performance standards currently included in the FAMIS general systems design are inadequate for assisting the States in meeting the basic requirements of the law to design efficient and effective systems to administer the AFDC program. In addition, the performance standards are inadequate for evaluating whether State systems are performing efficiently and effectively. The general systems design fails to address or inadequately addresses the internal controls that States should design into their systems in order to produce timely and reliable information. Although the legislation also requires that State AFDC systems must be compatible with systems used to administer social service programs and Medicaid, GAO believes that FAMIS does not facilitate the development of integrated systems and thus, does not provide guidance to States on how FAMIS can be incorporated into integrated systems in existence or under development.

Recommendations to Agencies: The Secretary of HHS should direct that requirements are developed to ensure that States which have county administered programs minimize the impact of county differences on the FAMIS development. These requirements should include provisions for predeveloped assessments of county differences and for formal agreements between the State and counties on the implementation of a statewide FAMIS-type system.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should direct HHS to develop requirements to prevent expensive county-by-county implementation of State systems.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should defer implementing P.L. 96-265 nationwide until the FAMIS general systems design is fully tested in several States which have differences in program complexity, caseload size, and program administration.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should direct that HHS develop cost-benefit data on the FAMIS that applies to States with different caseloads and error rates.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should direct that HHS expand the FAMIS general systems design to include adequate internal controls which would assist the States in meeting the requirements of the law.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should direct that HHS develop performance standards for assisting States' system development activities and for evaluating State systems developed in accordance with the FAMIS general systems design.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should direct that HHS identify ways to enhance the FAMIS general systems design so that it can be used as an integrated system for processing AFDC, Medicaid, Food Stamps, and social services program activities.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

HHS has not officially responded to the report; however, it provided an advance copy of its overall comments to the report, in which it disagreed with the GAO recommendations. On December 16, 1982, SSA officials said that no followup work has been done on the report because HHS has dropped the report recommendations from its tracking system. The Senate Appropriations Subcommittee on

Labor, Health and Human Services, and Education has expressed current interest in matters related to States' productivity in administering the AFDC program, including the extent of use and quality of ADP support systems, and HHS efforts to promote effective ADP system development. Incentive funding, paid for approved system plans based on FAMIS requirements, with which GAO expressed concern and on which the agency has not taken action, should be questioned during the HHS fiscal year 1985 appropriation hearings.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicare's Reimbursement Policies for Durable Medical Equipment Should Be Modified and Made More Consistent
(HRD-81-140, 9-10-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Medicare-Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142). Social Security Act (42 U.S.C. 1395). Social Security Amendments of 1965 (79 Stat. 286). Social Security Amendments of 1967 (81 Stat. 821). Social Security Amendments of 1972 (P.L. 92-603). Medicare Manual part B, §7080.1.

Because of complaints from suppliers of durable medical equipment to Medicare beneficiaries in some southeastern States that they were not being treated fairly by the Health Care Financing Administration's (HCFA) Atlanta regional office and Medicare carriers in that region, GAO was asked to look into selected Medicare reimbursement practices in Georgia, Alabama, Florida, and South Carolina in comparison with other States. Specifically, GAO was asked to determine: (1) whether standard hospital beds and wheelchairs are widely and consistently available to beneficiaries at the 25th percentile; (2) whether suppliers in the HCFA Atlanta region were subject to different and more restrictive coverage and reimbursement criteria than were being applied to suppliers in other areas; and (3) the appropriateness of other payment practices and policies followed by carriers in the Atlanta region.

Findings/Conclusions: There were large geographical areas in most of the States reviewed containing thousands of Medicare beneficiaries where standard wheelchairs and hospital beds were not available at the lowest charge level. This condition was less critical for rental than for purchases because more suppliers took assignment for rentals than for purchases. Because carriers do not accumulate data on the number or rate of assignments for these items, HCFA does not know what the assignment rates are or their precise impact on availability. The unavailability of these items for purchase at the lowest charge levels tends to defeat the purpose of Public Law 95-142. In addition, there have been problems with developing, applying, and monitoring the provisions. The coverage and utilization screens used by the Atlanta region differ from those used in the Boston, San Francisco, and Kansas City regions. Even within the Atlanta region, carriers have differing requirements. Carriers in the Atlanta region were also the only carriers reviewed that used inherent reasonableness tests to assess the validity of durable medical equipment allowances.

Recommendations to Agencies: The Secretary of the Department of Health and Human Services (HHS) should direct the Administrator of HCFA to discontinue applying the 25th percentile on purchases because: (1) there are not enough data to compute it; (2) equipment is not widely and consistently available at the computed price; and (3) the limits tend to defeat the purpose of Public Law 95-142 which would require purchase if less costly than rental.
Status: No action initiated. Date action planned not known.

The Secretary of HHS should direct the Administrator of HCFA to require carriers to compute data on assignments for items subject to the lowest charge levels to monitor the availability of such items.
Status: Recommendation no longer valid/action not intended. *Although HHS acknowledges that the recommendation has merit, it believes that its implementation would be too costly.*

The Secretary of HHS should direct the Administrator of HCFA, to inform beneficiaries, or their doctors, of where items can be acquired at or below the allowed amount or suppliers that usually accept assignment.
Status: Action completed.

The Secretary of HHS should direct the Administrator of HCFA to ensure that the Medicare policies, practices, and coverage and utilization screens required by HCFA are consistently applied in all regions.
Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to determine, to the extent practicable, the cost effectiveness of coverage and utilization screens before or during their implementation.
Status: Action in process.

Agency Comments/Action

With respect to the recommendation for discontinuing the application of the 25th percentile of charges in computing responsible charges for equipment purchases, the agency has not changed the regulations but said that as a matter of practice it would try to avoid situations where there were not enough data available to justify application of the criteria. HHS does not plan to adopt the recommendation on computing data on assignment rates. HHS indicated that it has instructed its carriers to provide the information GAO recommended to anyone that requests it. It is implementing the recommendations to ensure the application of more consistent reimbursement and coverage screens through its annual evaluations of contractor performance.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicare Home Health Services: A Difficult Program To Control
(HRD-81-155, 9-25-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Medicare-Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142). Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Social Security Act. Social Security Amendments of 1965. Social Security Amendments of 1972. 42 C.F.R. 400. 42 C.F.R. 405.237. 42 C.F.R. 405.1227. S. Rept. 89-404.

GAO assessed various Medicare claims to determine the reasonableness and medical necessity of skilled nursing care and therapy, the need for home health aide services, and compliance with the homebound and other requirements of the Medicare program. Aide services provide for the personal care of the beneficiary and represent about one-third of all visits provided under the program. Because family and friends provide similar services, GAO visited 150 beneficiaries in their homes to determine if the use of home health aides was supplanting the support provided by family and friends.

Findings/Conclusions: In a review of a sample of beneficiary medical files at 37 home health agencies, GAO found that 27 percent of the home health visits were not covered under the program or were questionable. Two major reasons were that beneficiaries were not homebound and the services provided were not reasonable or medically necessary. GAO noted that other studies also disclosed similar results. GAO found that Medicare contractors or intermediaries deny few claims for payment because they receive from home health agencies little information on which to base a judgment. GAO found the homebound requirement of the program to be especially difficult to administer because of a lack of clear criteria as to the ambulatory status of the beneficiaries and the nature and frequency of absences from home. For 42 or 28 percent of the cases, GAO was of the opinion that the beneficiary was capable of self care or family or friends were willing and able to provide the services required. GAO found several other factors which were adversely affecting proper utilization of the home health benefits: (1) physicians who authorize program services do not appear to be taking a very active role in the program; (2) Medicare contractors had little specific comparative information about the utilization practices of home health agencies; (3) the medical documentation in agency case files was often not complete; (4) home visits with beneficiaries are needed to verify various program requirements; and (5) contractors have little incentive to make proper coverage determinations.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require home health agencies to submit a copy of the beneficiary's medical file where utilization exceeds the national guidelines mandated by the Omnibus Budget Reconciliation Act of 1981.
Status: No action initiated. Date action planned not known.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require intermediaries to obtain from home health agencies a copy of the medical file for a fixed percent of claims that do not exceed the national guidelines.
Status: No action initiated. Date action planned not known.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to clarify and make more specific the criteria for determining homebound status.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require home health agency nurses and aides to specifically document the ambulatory status of beneficiaries, including the nature and frequency of absences from the home.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to clarify the criteria on the use of aides for homemaker type services.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require that the estimated cost of the home health services to be provided be placed on the authorizing plan of treatment and recertifications.
Status: No action initiated. Date action planned not known.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to inform physicians of the overutilization of the home health benefit, program requirements, and their role in authorizing services.
Status: No action initiated. Date action planned not known.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require intermediaries to apprise physicians of the noncovered services provided under plans of care they approve.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to expand and improve on the use of comparative analysis techniques to identify aberrant home health utilization patterns.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to emphasize to home health agencies the documenta-

tion requirements for clinical records and to strengthen the requirements.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to include home visits to beneficiaries as part of the on-site coverage audits of home health agencies.
Status: No action initiated. Affected parties intend to act.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to revise the intermediary contractor evaluation program to provide for an assessment of the appropriateness of home health coverage determinations.
Status: Action completed.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to develop a standard aide needs assessment guide which specifically assesses the availability and capability of family and friends to provide personal care services and require home health agencies to use it.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to, where home health agencies provide aide services, require them to submit with their bills a copy of the aide needs assessment.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to address the issue of respite care, that is, if it is authorized under the program and, if so, under what circumstances.
Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to establish a policy for the use of aides in situations where family members are able but appear unwilling or reluctant to help the beneficiary with patient care.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

The report contains 16 recommendations and, overall, the Department of Health and Human Services has taken little action to implement them. Because of the magnitude of the problems identified, GAO began a followup assignment on this report in February 1984.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicaid's Quality Control System Is Not Realizing Its Full Potential
(HRD-82-6, 10-23-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: 42 C.F.R. 431.801. 42 C.F.R. 431.802. P.L. 95-216. P.L. 96-123. H.R. 4389 (96th Cong.).

Based on data from the Medicaid Quality Control (MQC) Program, the Health Care Financing Administration (HCFA) estimates that about $1.2 billion in erroneous Medicaid payments are made annually. GAO reviewed the program because it is a primary means of identifying actions needed to reduce erroneous Medicaid payments.

Findings/Conclusions: The MQC fiscal disallowance designed to encourage lower error rates has not totally achieved the desired results. Their size represents such a potentially severe penalty for missing error rate targets that the States generally have resisted citing errors, often based on their interpretations of HCFA regulations. The HCFA reactions to this resistance and its attempts to ensure defensible error rates have created an adversary relationship between it and the States. MQC reviewers correctly worked most of the cases; however, GAO found enough errors, unreviewed claims, and questionable practices to cast doubt on the accuracy of the base period error rates. Because the MQC system deals with relatively small samples of cases, even one case incorrectly reviewed can potentially have a significant effect on a State. HCFA has not provided effective leadership or clear direction for the MQC corrective action program. Consequently, it is not as effective as it could be. The data produced from the MQC system have been of limited value to States in their corrective action because: (1) the claims processing data are outdated before they are available and do not report problems on some types of claims; (2) claims paid because of retroactive eligibility are never reviewed; (3) the eligibility data overstate the potential savings from correcting errors and thus complicate the corrective action process; and (4) the review criteria do not identify all program weaknesses and the third-party data do not evaluate States' third-party recovery efforts.

Recommendations to Congress: Congress should consider enacting legislation suspending its directive for Federal fiscal sanctions against the States' based Medicaid quality control error rates to allow time for HCFA and the States to develop and implement a system free of weaknesses.
Status: Action completed.

Congress should consider enacting legislation providing fiscal incentives similar to those in the Aid to Families with Dependent Children Quality Control Program for States maintaining low error rates.
Status: Recommendation no longer valid/action not intended. *Section 133 of the Tax Equity and Fiscal Responsibility Act of 1982 amended the penalty provision associated with the Medicaid quality control program but did not include this recommendation.*

Congress should consider enacting legislation changing the formula for determining Federal fiscal penalties to one which reduces only the Federal participation in administrative expenses.
Status: Recommendation no longer valid/action not intended. *Section 133 of the Tax Equity and Fiscal Responsibility Act of 1982 amended the penalty provision associated with the Medicaid quality control program but did not include this recommendation.*

Recommendations to Agencies: The Secretary of the Department of Health and Human Services (HHS) should direct the Administrator of HCFA to require HCFA Medicaid quality control reviewers to determine the extent of verification necessary for a case before examining State Medicaid quality control files.
Status: Recommendation no longer valid/action not intended. *The agency disagreed with the recommendation and intends to take no action. GAO believes the recommendation is valid, but a followup review would not be warranted until the recent changes in the law have been implemented.*

The Secretary of HHS should direct the Administrator of HCFA to reemphasize the need for HCFA Medicaid quality control reviewers to follow established procedures designed to assure independent HCFA re-reviews.
Status: Action completed.

The Secretary of HHS should direct the Administrator of HCFA to designate within HCFA central and regional offices clear responsibility for and authority to carry out the Medicaid quality control corrective action program.
Status: Action completed.

The Secretary of HHS should direct the Administrator of HCFA to issue a corrective action manual for assisting the States in developing strong corrective action programs.
Status: Action completed.

The Secretary of HHS should direct the Administrator of HCFA to improve Medicaid quality control procedures by selecting the Medicaid quality control claims processing and third-party liability sample from the universe of claims paid during the review month, including claims paid for retroactively eligible cases, which would separate the claims processing sample for the eligibility sample.
Status: Action completed.

The Secretary of HHS should direct the Administrator of HCFA to improve Medicaid quality control procedures by changing the method of reporting Medicaid quality control errors to include estimates of the potential savings available from eliminating Medicaid eligibility determination errors.
Status: Action completed.

The Secretary of HHS should direct the Administrator of HCFA to improve the Medicaid quality control procedures by adding an evaluation of the States' third-party recovery efforts to Medicaid quality control review.
Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to improve Medicaid quality control procedures by making the ultimate criteria for determining Medicaid quality control errors the Federal Medicaid regulations instead of the States' Medicaid plans when the two are inconsistent.
Status: Recommendation no longer valid/action not intended. *The agency disagreed with this recommendation and intends to take no action. GAO believes the recommendation is valid, but a followup review would not be warranted until the recent changes in the law have been implemented.*

Agency Comments/Action

The agency has prepared and issued a corrective action manual to assist States in correcting problems identified by the quality control program. HHS has designated an office to administer the corrective action program. States are now permitted to select the claims processing sample from paid claims.

Section 133 of the Tax Equity and Fiscal Responsibility Act of 1982 suspended the congressional directive to reduce, based on quality control results, Federal sharing in State Medicaid costs until the third and fourth quarters of fiscal year 1983. Section 133 also defined erroneous Medicaid payments in such a way as to overcome the difficulties with the previously reported quality control results as pointed out in the report. GAO recommended that the agency take this action. The agency has prepared and issued a corrective action manual to assist States in correcting problems identified by the quality control program. HHS has designated an office to administer the corrective action program. States are now permitted to select the claims processing sample from paid claims.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Speeding Up the Drug Review Process: Results Encouraging but Progress Slow
(HRD-82-16, 11-23-81)

Budget Function: Health: Health Research (552.0)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301).

GAO reviewed the Food and Drug Administration's (FDA) drug review process to determine the status and effectiveness of the FDA efforts to reduce the processing time of new drug applications. The review concentrated on three areas: (1) recent new drug application approval data to determine whether FDA was making progress in speeding up the process, (2) a number of recent FDA initiatives aimed at speeding up the drug review process to determine the status of their implementation, and (3) other suggestions that have been made to speed up the drug review process and to determine the extent to which they might be implemented by FDA. GAO compared the time required to approve new drug applications received by FDA during fiscal years 1976 and 1977 with the time required to approve those received in fiscal years 1979 and 1980.

Findings/Conclusions: FDA has made some progress in reducing processing time for new drug applications, particularly for important new drugs. The review showed that applications for approval of important new drugs received in fiscal years 1979 and 1980 were processed an average of 36 percent faster than similar applications received in fiscal years 1976 and 1977. However, progress among the six FDA reviewing divisions has not been consistent; four divisions have increased review time. FDA efforts to speed up the review of chemistry data by having firms submit this information for drugs classified as major or modest therapeutic advances before submitting the full new drug application can help expedite review, but firms rarely do this. Because FDA requirements for giving priority review to important new drug applications have not been communicated in writing, many reviewers have not understood the FDA priority and, therefore, treat some important drugs no differently from other drugs. Validation of the methods used by the sponsor to insure the quality, strength, purity, and identity of a drug continues to take much longer than the FDA 45-day goal despite FDA efforts to speed up the process. Additional efforts are needed to speed up the work of the Biometrics Division and the Biopharmaceutics Division. These divisions' data requirements are not being adequately communicated to new drug application sponsors. Finally, reviewers in some FDA divisions wait until they are well into their review before identifying the material to be reviewed by these divisions.

Recommendations to Agencies: The Secretary of HHS should direct the FDA Commissioner to revise the FDA system used in measuring FDA progress to provide for the types of comparisons identified in this report.
Status: Recommendation no longer valid/action not intended. *FDA will continue to use the same system in effect today to monitor its progress in achieving its goals. According to FDA, a data base for making comparisons with past performance has been developed and such information is reported to the Office of the Secretary on a quarterly basis.*

The Secretary of HHS should direct the FDA Commissioner to develop an accurate computerized data base on which such a system would draw by correcting the errors in the existing computerized data base.
Status: Action completed.

The Secretary of HHS should direct the FDA Commissioner to notify all applicants individually when they have an important new drug that is a candidate for pre-new-drug application submission of manufacturing and controls data, but emphasize that they should presubmit these data only if they are complete and in final form.
Status: Action completed.

The Secretary of HHS should direct the Commissioner of FDA to communicate in writing to all new drug application reviewers the FDA priority review requirements. Such requirements should emphasize the need to: (1) begin the review of important drugs ahead of others; (2) notify new drug application sponsors immediately after the chemist, pharmacologist, and medical officer have completed their respective reviews; and (3) request work from FDA support groups, such as validating laboratories, early in the review process.
Status: Action completed.

The Secretary of HHS should direct the FDA Commissioner to decide what FDA will require for methods validation, communicate these requirements to new drug application sponsors and all FDA review and laboratory chemists, and establish controls to see that these requirements are followed.
Status: Action in process.

The Secretary of HHS should direct the FDA Commissioner to expedite the FDA review of the draft biopharmaceutical guidelines and make them available to new drug application sponsors as soon as this review is completed.
Status: Action in process.

The Secretary of HHS should direct the FDA Commissioner to establish a guideline for requesting biopharmaceutical studies and see that biopharmaceutical requests are made in a timely fashion.
Status: Action completed.

The Secretary of HHS should direct the FDA Commissioner to make statistical guidelines available to all new drug application sponsors as soon as they are completed.
Status: Action in process.

The Secretary of HHS should direct the FDA Commissioner to make sure that medical officers involve the Division of Biometrics statisticians early in the new drug application review process.
Status: Action completed.

The Secretary of HHS should direct the FDA Commissioner to prepare a report to the Chairman, Subcommittee on Natural Resources, Agriculture Research and Environment, House Committee on Science and Technology, detailing each change it has made or plans to make to speed up the drug approval process and estimating the amount of review time the change has saved or is expected to save.

Status: Action in process.

The Secretary of HHS should direct the FDA Commissioner to publish annually quantitative data showing approval rates for each type of drug, such as new molecular entities, new salts, and new formulations by each reviewing division, for use by program officials and Congress.

Status: Recommendation no longer valid/action not intended. *FDA annually publishes a new drug evaluation briefing book which reports statistics on various aspects of the new drug approval process including numbers and approval times. FDA does not believe that reports on the small number of applications reviewed by individual divisions and comparisons among divisions would be either appropriate or meaningful.*

Agency Comments/Action

On October 19, 1982, FDA published in the Federal Register a proposed revision to its regulations governing the approval for marketing of new drugs. As of February 23, 1984, the new drug application final rules were being reviewed by the Secretary of HHS. The investigation of new drug application proposed rules, completed in June 1983, are now being revised by FDA. FDA anticipates the publication of a notice of proposed rulemaking by June 1984. According to FDA, these changes, if implemented, could reduce by about 6 months the time required to review new drug applications and reduce the annual cost associated with new drug applications by about $2.5 million. The proposed regulations address many of the concerns about the drug review process previously expressed by GAO and others.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Solving Social Security Computer Problems: Comprehensive Corrective Action Plan and Better Management Needed
(HRD-82-19, 12-10-81)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Privacy Act of 1974. Small Business Act. 41 C.F.R. 1-4.1109-2. F.P.M.R. 101-35.206(c). P.L. 96-265.

Serious problems continue to plague the Social Security Administration's (SSA) automatic data processing (ADP) operations. SSA and the Department of Health and Human Services (HHS) agreed in May of 1981 that inefficient computer software, inadequate hardware capacity, and systems personnel deficiencies have created an ADP systems crisis at the agency. Major problems have combined to create an ADP environment in which the SSA ADP systems managers react to crises rather than use planned approaches for solving ADP problems.

Findings/Conclusions: The current multifaceted ADP crisis at SSA has resulted from longstanding weaknesses in agency ADP planning and management. Since 1974, GAO has issued 32 reports discussing ADP-related planning; improper development and modification of systems and software; deficiencies in equipment acquisition and operation, including the acquisition of telecommunication resources; and the failure to provide adequate privacy protection and security components. A comprehensive, agencywide, long-term plan is an essential prerequisite to effective long-range ADP planning. SSA has not developed such a plan. Without such a plan, the ongoing efforts by SSA to develop a long-range solution to its current ADP problems are unlikely to respond adequately to its emerging long-term program and systems needs. If properly developed and implemented, this plan should go a long way toward putting the SSA systems on the road to recovery. Developing effective plans and making them work are tasks which will require much better overall ADP planning and management than SSA has demonstrated.

Recommendations to Congress: Congress should periodically review SSA efforts to develop and implement its automatic data processing systems' corrective action plan.
Status: Action in process.

Recommendations to Agencies: The Secretary of HHS should supplement existing staff with outside automatic data processing support wherever applicable, but especially for the rewriting of existing application software and the development of new application programs. In all such cases, SSA should correctly determine the status of software development at the point of contracting and then develop and manage the contracts very carefully.
Status: Action in process.

The Secretary of HHS should reexamine current large-scale systems, identify those having poor equipment configurations causing excessive overhead, and reconfigure this equipment wherever possible.
Status: Action in process.

The Secretary of HHS should carefully screen prospective suppliers of computer time to make sure that they can provide adequate privacy protection and security for SSA data.
Status: No action initiated. Affected parties intend to act.

The Secretary of HHS should determine whether the potential disadvantages associated with processing future application programs in the concentrators, such as deteriorating response times and competitive upgrade or replacement restrictions, outweigh the advantages of this approach, such as simplifying software maintenance, before deciding where in the telecommunications network such future applications may be processed.
Status: Action in process.

The Secretary of HHS should complete the structuring of the SSA comprehensive long-range planning process.
Status: Action in process.

The Secretary of HHS should begin to plan for completely redesigning the SSA major automatic data processing systems, including competitive replacement of hardware, to correspond with the overall agencywide plan.
Status: Action in process.

The Secretary of HHS should review all prior GAO recommendations for improving SSA systems and implement those still applicable. HHS should similarly review the numerous other systems studies performed at SSA and implement the recommendations as appropriate, especially those directed to solving recurring problems.
Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

HHS stated that it agrees with the thrust of the recommendations and indicated that its systems modernization decisions at SSA will reflect consideration of the recommendations. In response to a March 1982 request from Senator Chiles, GAO reviewed the SSA "Systems Modernization Plan," the comprehensive corrective action plan issued by SSA in February 1982. In the report on that review (HRD-82-83), GAO indicated that, in developing the plan, SSA appeared to have complied with the thrust of most of the recommendations in HRD-82-19, and noted that successful implementation of the plan would determine whether it would really solve the pressing ADP systems problems of SSA. GAO stated that, during the course of planned future work at SSA, it would further assess systems modernization activities. That work began in August 1983 and will continue uninterrupted throughout most of 1984, after which intermittent GAO review efforts will occur for the remainder of the 7 to 10-year plan implementation period. Because agency actions to implement most of these recommendations will continue

throughout that 7 to 10-year period, recommendation status in most cases will probably not change until implementation is completed.

The House Committee on Government Operations, which requested the GAO report, issued its own report on SSA ADP systems problems on September 30, 1982. That report cited information contained in HRD-82-19. Further, in July 1983, GAO began, at the request of the Committee, a major review of SSA progress in implementing the ADP corrective action plan and its systems modernization progress, for use in upcoming appropriations hearings. The Committee used several of the 17 questions provided by GAO in questioning the agency during April 7, 1983, hearings, and subsequently directed SSA to correct several deficiencies in its ADP corrective action plan which GAO identified in HRD-82-83. In September 1983, this committee directed SSA to make further plan modifications and directed GAO to continue monitoring plan implementation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Guidance and Information Needed on the Use of Machine Readable Claims Under Medicare and Medicaid *(HRD-82-30, 12-16-81)*

Budget Function: Health: Health Care Services (551.0)

GAO surveyed the: (1) extent that Medicare and Medicaid providers use machine readable claims and billing service companies; and (2) implications of their use on claims processing agent operations such as administrative costs, utilization and quality control reviews, and reimbursement determinations. GAO was also interested in whether there were any potential conflicts of interest between claims processing agents and billing service companies.

Findings/Conclusions: The Health Care Financing Administration (HCFA) needs to improve controls over machine readable claim systems in use under Medicaid and should obtain information so that it can develop policies for implementing the most effective and efficient systems for processing such claims. HCFA has established controls for the use of machine readable claims in the Medicare program, but not in the Medicaid program. In addition, it has not issued similar guidelines to State Medicaid agencies or assisted them in developing machine readable claims systems. State Medicaid agencies using fiscal agents could experience problems if fiscal agents have ownership interests in billing companies because potential conflicts of interest could arise from the relationship between the fiscal agent processing the claims and the billing company submitting them. Although there is no HCFA guidance for the Medicaid program on this conflict of interest issue, HCFA has developed a proposed new Medicaid Management Information System which requires States to be able to receive inpatient hospital claim data in the machine readable format required by the Medicare Program. However, the system's requirements will not establish any guidelines for the use of machine readable claims. HCFA needs to gather and analyze data on the benefits of machine readable claims. Limited available data show that machine readable claims offer significant potential savings to the Federal Government and the States because may they reduce the number of audits and this could result in reductions in administrative costs.

Recommendations to Agencies: The Administrator of HCFA should gather and analyze sufficient data on the different types of machine readable claims systems used by Medicare and Medicaid claims processing agents to determine their relative costs and benefits so policies encouraging the most effective and efficient systems for Medicare and Medicaid can be developed.

Status: Action in process.

The Administrator of HCFA should establish an acceptable error rate for machine readable claims and revise current policy on onsite verification audits to allow less frequent audits of providers demonstrating compliance rates that meet the established requirements. Medicaid requirements should be made compatible with Medicare requirements so that a single audit for both programs would be possible.

Status: Action in process.

The Administrator of HCFA should issue guidance similar to that under Medicare which will assist State Medicaid agencies in implementing machine readable claim systems and in establishing controls for their use.

Status: Recommendation no longer valid/action not intended. *The agency stated that it plans to take no action. GAO believes that the recommendation is valid and that implementation of it would provide assurance that only valid Medicaid claims are paid.*

Agency Comments/Action

The agency is conducting a study to determine the cost effectiveness of electronic billing. The agency agrees in principle with the recommendations related to Medicare. The agency apparently also agrees in principle with the Medicaid recommendations but states that it does not anticipate implementing them because of the administration's concern with the reduction of the burden of Federal regulations and directions on the States and because of the Paperwork Reduction Act of 1980.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Physician Cost-Containment Training Can Reduce Medical Costs
(HRD-82-36, 2-4-82)

Budget Function: Health: Education and Training of Health Care Work Force (553.0)

GAO reviewed the current status of cost-containment training for physicians in medical schools, residency programs, and continuing medical education.

Findings/Conclusions: GAO found that the collective decisions of the Nation's physicians greatly affect the national demand for and utilization of medical resources. Knowledge of cost-containment principles is an important element in efforts to control health care costs, and cost-containment training is an important first step in these efforts. Medical schools and residency training programs have led the way in developing programs to increase physician sensitivity to the cost of health care and to train their students in methods and techniques for providing cost-effective care. However, these programs vary widely in approach, content, and emphasis because health care cost containment is still a relatively new issue for which no standard teaching and training approach has been developed. The commitment of medical school faculties will determine the extent of further development of cost-containment training programs. GAO believes that one possible means to increase faculty and student sensitivity to the importance of such training could be the inclusion of cost-containment material in required medical examinations.
Recommendations to Agencies: The Secretary of Health and Human Services should provide impetus to the continued development and expansion of physician cost-containment training by monitoring the medical profession's progress as it incorporates such training into medical curricula and by providing funding on a carefully selected basis for seminars and conferences at which medical school faculty and residency program directors can develop and share strategies, approaches, and methods for teaching cost-effective medicine.
Status: Action in process.

Agency Comments/Action

HHS concurred with the intent of the GAO recommendation. However, it believes that, because there are variances among medical schools regarding the content, emphasis, and approach to cost containment training, such training should not be monitored until it is better defined and proven effective. HHS said it is investigating options for innovation in the training spectrum of medical students and physicians with respect to cost containment, but it does not believe that seminars and conferences would have much impact on reducing overall health care costs. In September 1983, HHS awarded a 24-month contract to the Southern Illinois University School of Medicine to review cost containment educational efforts and develop a cost containment educational model that can be adapted to a variety of primary care programs for medical students and residents and integrated into the curricula.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Social Security's Field Office Management Can Be Improved and Millions Can Be Saved Annually Through Increased Productivity
(HRD-82-47, 3-19-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Act. Social Security Amendments of 1980 (P.L. 96-265).

GAO reviewed selected Social Security Administration (SSA) field office operations.

Findings/Conclusions: GAO found that SSA can save millions of dollars annually by improving the management and productivity of its field offices. Gains can be achieved by: (1) establishing field office productivity goals and increasing management focus on potential productivity gains; (2) improving field office management information systems to improve the management and monitoring of goals; (3) improving headquarters communications to field offices, including improving the design and control of forms used by field offices; and (4) increasing automation of field office clerical tasks, program eligibility decisions, and benefit computations. SSA measures three dimensions of field office work: processing time, quality, and productivity. Some of the improvements in processing time and quality are attributable to improved computer support and new techniques. Management interest in productivity would achieve improvements in that area. Field office personnel need simple and clearly written operating instructions. GAO tested the readability of several instructions by applying a fog index which approximates the number of years of education needed to read and understand SSA instructions. To understand the material required at least 15 years of education. However, GAO believes that the continuing problems that SSA has with instructions demonstrates a need for more field testing of and increased controls over the instructions. The lack of data and design standards for SSA forms result in inconsistencies between forms, which hamper productivity and lead to errors.

Recommendations to Agencies: The Commissioner of SSA should establish productivity goals for field operations along with accurate and reliable systems to monitor them.
Status: Action in process.

The Commissioner of SSA should develop and implement an automated field office workload control and management information system for managing the workload and appraising individual employee performance.
Status: Action in process.

The Commissioner of SSA should establish in the central office a focal point accountable for the quality and utility of instructions and forms, and the focal point should be responsible for assessing the impact of changing instructions and forms on field office operations and personnel and for field testing instructions and forms.
Status: Recommendation no longer valid/action not intended. *The agency stated that there is one organization responsible. The assessment of ongoing impact of changes should be and now is the responsibility of those using the documents.*

The Commissioner of SSA should establish and enforce standards for common data. Handling common data in a consistent manner may reduce operational complexity, the number of forms currently in use, and the potential for errors.
Status: Action in process.

The Commissioner of SSA should aggressively pursue opportunities to improve field office productivity through increased automation to field office tasks, and achievement of these opportunities should be an integral part of any SSA plan for resolving the current computer system problems.
Status: Action in process.

Agency Comments/Action

SSA agreed with all GAO recommendations with the exception of the one which recommended that the Commissioner of SSA address the quality and utility of instructions and forms. The remaining recommendations are in the process of being implemented via the SSA Systems Modernization Plan efforts. The most recent estimate for implementation of ADP improvements relative to these recommendations is the third quarter of fiscal year 1985.

Need To Establish Medicaid Standards for Intermediate Care Facilities for the Mentally Retarded
(HRD-82-57, 4-16-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act. 42 C.F.R. 442. 42 C.F.R. 442.30(a). 42 C.F.R. 442.30(b). 42 C.F.R. 442.105(a). P.L. 92-223.

GAO reviewed the growth of small, community-based intermediate care facilities for the mentally retarded (ICF/MR), primarily in New York State.

Findings/Conclusions: In certain circumstances, States can temporarily waive compliance with Federal ICF/MR standards and can certify for Medicaid reimbursement facilities which do not meet all of the standards. With few exceptions, the ICF/MR's having 15 clients or fewer initially certified by New York State had major deficiencies, and more than half still had major deficiencies when recertified. The Health Care Financing Administration (HCFA) is attempting to recover about $7 million of Federal Medicaid funds which it believes were inappropriately provided to those facilities since their initial certification. Medicaid payments for services in an ICF/MR are authorized if the facility's primary purpose is to provide health or rehabilitation services for mentally retarded individuals, the facility meets the HCFA standards, and individuals in the facility are receiving active treatment. Regulations allow termination of provider agreements based on recurring deficiencies. However, the regulations do not define when a facility's capacity to give adequate care is seriously limited or provide adequate guidance as to when a State should deny certification because of a lack of active treatment Appropriate guidelines would assure that clients receive adequate care. Medicaid funds are appropriately spent, and regional offices have guidelines to review State programs.

Recommendations to Agencies: The Secretary of HHS should direct the Administrator of the Health Care Financing Administration to establish which standards for intermediate care facilities for the mentally retarded cannot be waived and must be met before a State can certify a facility as eligible for Medicaid reimbursement.

Status: Action in process.

Agency Comments/Action

HHS agreed that there have been problems in certifying small intermediate care facilities for the mentally retarded for Medicaid participation. ICF/MR standards are being revised and are undergoing HCFA review and discussion.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

Discontinuing Social Security's Currently Insured Benefit Provision Would Save Millions and Eliminate Inequities
(HRD-82-51, 4-23-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Act.

GAO reviewed the Social Security Administration's eligibility insurance provisions, known as the currently insured provision.

Findings/Conclusions: Social Security's currently insured benefit eligibility insurance provision no longer has relevance. Discontinuance of the provision could save Social Security's trust funds about $180 million through 1990 and will not affect survivors now receiving benefits. Further, discontinuance will end some inequities to survivors of fully insured workers and to some survivors of workers who do not qualify for benefits.

Recommendations to Congress: Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes: These amendments shall be effective in determining the insured status of individuals who die after [the effective date to be determined].

Status: No action initiated. Date action planned not known.

Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes: Title II of the Social Security Act is amended by striking out the words "or currently" wherever they may appear in connection with the status of an individual insured under this title.

Status: No action initiated. Date action planned not known.

Congress should amend the Social Security Act to eliminate the currently insured provision. Suggested language to implement this recommendation includes: Section 214(b) of the Social Security Act is repealed.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The Social Security Administration (SSA) responded to the report but did not comment on the recommendations. SSA had previously (1979) proposed legislation to eliminate the currently insured entitlement provisions, but it was never introduced.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Complete and Accurate Information Needed in Social Security's Automated Name and Number Files
(HRD-82-18, 4-28-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Act.

In response to a congressional request, GAO reported on the need for the Social Security Administration (SSA) to improve the information in its automated name and number files and to improve its social security number issuance process.

Findings/Conclusions: Some of the information in the SSA name and number files is incomplete, inconsistent, or inaccurate. These files are used by SSA in issuing social security numbers, claims processing, resolving discrepancies, verifying identification information, and carrying out other important functions. The name and number files should have only one individual associated with each number. However, the SSA number file has records that have the same number but the identifying information does not appear to represent the same person. SSA has identified and is correcting about 2.1 million such records. In addition, neither the name nor number files contain complete and accurate identifying information for all of the numbers issued. In some cases, records of original applications are missing or the information is incomplete or inaccurate. Quality assessments show a continuous increase in the rate of errors found in identifying information. The inadequate training of newly hired employees contributed to the breakdown in the issuance process. Controls over applications in process and safeguards over blank cards were also inadequate. SSA is currently correcting some of these problems in its number file and is implementing a new SSA number application processing system. This system will replace the existing processes and channel all SSA number applications through one control process and subject this information to much closer scrutiny.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Commissioner of SSA to determine the extent of incomplete and inaccurate information in the name and number files and the impact that such erroneous data have on social security claimants and on the efficient, effective, and economical operation of the files. SSA should then eliminate as many deficiencies as possible.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of SSA to improve the editing and screening processes to further verify information and reduce the amount of incomplete and inaccurate information entering the files due to errors caused by keying and manual social security number processing.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of SSA to establish tighter controls over social security number applications in process and blank social security cards, particularly at teleservice centers and district offices.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to provide training to field office personnel who accept social security number applications to ensure that the required documentation is obtained and applications are checked for completeness and accuracy before the data are entered into the automated system.

Status: Action completed.

Agency Comments/Action

HHS agreed with the GAO findings and recommendations and stated that, since the GAO review, major progress had been made in improving social security number file information and the issuance process. SSA estimates that all action will be completed by September 1984.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Examination of the Social Security Administration's Systems Modernization Plan
(HRD-82-83, 5-28-82)

Budget Function: Automatic Data Processing (990.1)

In response to a congressional request, GAO conducted a limited review of the Social Security Administration's (SSA) Systems Modernization Plan (SMP).

Findings/Conclusions: GAO found that, by the end of projected 5-year implementation period for the SMP, SSA can be expected to make major improvements in its automated systems through using modern automatic data processing technology. However, it will probably take at least 7 to 10 years or longer to fully implement all of the improvements contained in the SMP, and this will require the provision of needed funds for each year of the SMP implementation.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Commissioner of SSA to expedite efforts to identify the causes of and eliminate the apparent capacity saturation problems now limiting the effective use of the SSA program testing systems.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of SSA to follow the generally accepted systems development and modification standards to be established under the Systems Modernization Plan and not compromise them to meet any arbitrarily established completion dates.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of SSA to use the annual Systems Modernization Plan review and revision process to evaluate alternative corrective actions, adjust estimated completion dates, and revise resource requirements as appropriate.

Status: Action in process.

The Secretary of Health and Human Services (HHS) should direct the HHS senior official for information resources management to begin and maintain monitoring of the Systems Modernization Plan implementation as part of continuing HHS efforts to improve information resources management.

Status: Action in process.

Agency Comments/Action

In its comments, HHS noted that the findings, conclusions, recommendations, and insights contained in this report were helpful in getting the SSA systems modernization off to an effective start. Specifically, the agency agreed with all four recommendations in the report. As of May 1983, GAO had observed SSA and HHS actions to implement all four of them. Many of these actions, however, will extend throughout the 7 to 10-year SMP implementation period. In response to two subsequent congressional requests, GAO will be looking further at SMP implementation progress through 1984, including further agency actions to comply with the three open recommendations.

On September 30, 1982, the House Committee on Government Operations issued its own report on the SSA ADP systems problems, citing portions of the GAO report, and in July 1983, its Chairman requested GAO to further review certain aspects of SSA efforts to make improvements. In November 1982 and April 1983, GAO prepared 17 questions on the SSA ADP problems and its systems modernization progress for the staff of the Senate Appropriations Committee, Subcommittee on Labor, Health and Human Services, and Education for use in fiscal year 1984 appropriations hearings held on April 7, 1983. The Committee's report on H.R. 7205, making fiscal year 1983 appropriations for HHS and related agencies, included language citing the GAO report, directing SSA to correct several plan deficiencies specifically identified by GAO, and providing for additional funding flexibility as discussed in the report. The Committee subsequently requested GAO to follow up on SSA compliance with these directives to modify the plan and to continue monitoring plan implementation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

BUREAU OF HEALTH FACILITIES

Administration of Hill-Burton Assurances and Loan Assistance Program Needs To Be Improved
(HRD-82-87, 6-3-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Public Health Service Act.

GAO summarized the informal recommendations which were made to program officials during a recent review of the administration of the Hill-Burton Program by the Department of Health and Human Services (HHS).

Findings/Conclusions: GAO felt that HHS Bureau of Health Facilities (BHF) should formally dismiss uncompensated care complaints on file for over 12 months to reduce the large backlog of complaints and allow individuals to pursue legal action promptly. In the future, BHF should formally dismiss complaints not resolved within 6 months. BHF should develop systematic followup procedures to ensure that facilities correct violations noted during complaint investigations and compliance assessments. BHF should obtain uncompensated care compliance information from the hundreds of facilities which are scheduled to reach the end of their 20-year obligation to determine why they have not requested closeout assessments and whether they have reached their compliance levels. BHF and the Office of Civil Rights should also develop procedures for routinely sharing pertinent reports and data relating to compliance assessments and complaint investigations. BHF should focus on verifying the Loan Early Warning System's data base and collecting other necessary data. BHF should arrange to systematically receive information on facility ownership changes as it becomes available, finalize its draft title VI waiver/recovery manual, and develop regulations for title XVI waiver and recovery actions to implement the legislation.

Recommendations to Agencies: BHF should focus on verifying the Loan Early Warning System's data base and collecting other necessary data.
Status: Action completed.

BHF should develop systematic followup procedures to ensure that facilities correct violations noted during complaint investigations and compliance assessments.
Status: Action completed.

BHF and the Office of Civil Rights should develop procedures for routinely sharing pertinent reports and data relating to compliance assessments and complaint investigations.
Status: Action in process.

BHF should finalize its draft title VI waiver/recovery manual.
Status: Action completed.

BHF should arrange with the Health Care Financing Administration to systematically receive information on facility ownership changes as it becomes available, rather than relying on regional staff to periodically request the information.
Status: Action completed.

BHF should, to reduce the large backlog of complaints and allow individuals to pursue legal actions promptly, formally dismiss uncompensated care complaints on file for over 12 months. In the future, BHF should strictly adhere to its procedures to formally dismiss complaints not resolved within 6 months.
Status: Action completed.

BHF should develop regulations for title XVI waiver and recovery actions to implement the 1975 legislation.
Status: Action in process.

BHF should obtain uncompensated care compliance information, from the hundreds of facilities scheduled to reach the end of their 20-year uncompensated care obligation since September 1979, to determine: (1) why they have not requested closeout assessments; and (2) whether they have reached their compliance levels. In the future, BHF should obtain uncompensated care information from facilities as soon as they end reach the scheduled completion of their 20-year obligation.
Status: Action completed.

Agency Comments/Action

The Public Health Service (PHS) generally concurred with all of the informal recommendations GAO made. PHS has implemented all but one of the recommendations and has been working toward implementing it.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Indian Health Service Not Yet Distributing Funds Equitably Among Tribes
(HRD-82-54, 7-2-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: S. Rept. 96-985. Rincon Band of Mission Indians v. Califano, 464 F. Supp. 934 (N.D. Cal. 1979). Morton v. Ruiz, 415 U.S. 199 (1974).

GAO reviewed the Indian Health Service's (IHS) distribution of its fiscal year 1981 equity health care fund.

Findings/Conclusions: Not all eligible Indians have received an equitable share of IHS funds or services. IHS has distributed an equity health care fund to tribes using a needs-based ranking system that incorporates standards and criteria to estimate staffing or contract care dollars required to provide a range of health services. California Indians received about 74 percent of the fiscal year 1981 equity fund. IHS plans to continue the equity fund until 1984 to raise the level of services provided to those tribes with the greatest need. However, because of weaknesses in the needs-based ranking system, IHS cannot be sure that it distributed its equity fund moneys to the neediest tribes in fiscal year 1981. GAO noted that IHS: (1) used inconsistent and unreliable data to develop tribal health care requirements; (2) understated alternative resources available to tribes to supplement IHS-funded health services; and (3) excluded from its ranking system two multimillion-dollar programs, distorting the tribal rankings. IHS needs to expand its efforts to correct these weaknesses. For the bulk of its appropriations, IHS continues to rely on its policy of funding programs based on the previous year's funding level. This policy has caused many of the funding inequities. To distribute funds equitably among tribes, IHS needs to use a more rational system for allocating all of its health services appropriations. The equity fund's needs-based ranking system could provide a basis for distributing IHS health services appropriations.

Recommendations to Agencies: The Secretary of Health and Human Services should require the Director of IHS to: (1) develop more reliable data for estimating health care requirements and available resources, including accurate and complete contract health care estimates and uniformly developed and verifiable workload data; (2) develop a mechanism for identifying and reporting alternate resources which offset health care requirements; and (3) include community health representatives and emergency medical services programs in the comparison of tribes' health care services.

Status: Action in process.

The Secretary of Health and Human Services should require the Director of IHS to develop and implement a more equitable funding allocation system by the end of fiscal year 1984, when the equity fund is expected to be discontinued. Specifically, the Director should be required to reduce and eventually abandon reliance on program continuity and, in its place, use standards and criteria that will distribute IHS funds equitably.

Status: Action in process.

Agency Comments/Action

IHS has agreed to implement the recommendations to strengthen the process for determining Indian health care needs. IHS will determine corrective actions needed to resolve major funding disparities that will exist upon termination of the Equity Fund. IHS has begun to develop a new resource allocation formula which would allow funds to be targeted to relatively underserved areas. This formula is scheduled for implementation during fiscal year 1985. According to IHS officials, this new mechanism will allow inequities to be reversed over a longer period of time.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicare Payments for Durable Medical Equipment Are Higher Than Necessary
(HRD-82-61, 7-23-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395). Social Security Amendments of 1965 (79 Stat. 286). Social Security Amendments of 1967 (81 Stat. 821). Social Security Amendments of 1972 (P.L. 92-603). Medicare-Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142).

GAO reported on the probable fiscal impact of the failure of the Department of Health and Human Services (HHS) to implement a law aimed at reducing the cost to the Medicare program and its beneficiaries for the prolonged rentals of durable medical equipment.

Findings/Conclusions: HHS has yet to fully carry out the intent of legislation to reduce the cost of renting durable medical equipment under Medicare. The Medicare payments for durable medical equipment for calendar year 1979 were estimated at $125 million. At the time of the GAO review, HHS instructions required Medicare carriers to determine, for items with a purchase allowance of more than $60, whether purchase would cost less or be more practical than rental and, if so, to reimburse on a purchase basis. Items with a purchase allowance of $60 or less were always to be purchased. GAO can see no justification for not applying the regulation, except where equipment is purchased on a lease-purchase arrangement rather than with a lump-sum payment. Based on statistical samples at six carriers, GAO estimated that about $2 million in excess rental payments occurred during 1979. The excess rental payments averaged about 21 percent of total payments for durable medical equipment by these carriers. An estimated $275,000 would have been saved if all items costing $60 or less had been purchased on a lump-sum basis, and an estimated $463,000 would have been saved if items costing $60 or more were purchased when an analysis of the medical necessity forms showed that the expected length of need for the items exceeded their break-even points. GAO believes that it is doubtful that there will be any circumstances in which a lease-purchase arrangement will be more economical than a lump-sum purchase.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration (HCFA) to immediately notify the Medicare carriers to: (1) stop reimbursements for new rentals of items costing $60 or less; and (2) make analyses where possible of medical necessity forms to determine whether reimbursement on a rental or lump-sum purchase basis would be more economical and pay benefits on the most economical basis.

Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of HCFA to increase the $60 limit used for requiring purchase to $100 and periodically adjust the limit for inflation.

Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of HCFA to require carriers to improve their monitoring and retention of the medical necessity forms. Carriers must have the forms completely filled out by physicians in order to make effective rent or purchase decisions.

Status: Action in process.

The Secretary of Health and Human Services should modify the regulations to recognize that lease-purchase arrangements will generally be more costly than lump-sum purchase and thus would have limited applicability to certain high-cost items where the expected period of need is uncertain or where beneficiaries cannot afford the coinsurance associated with lump-sum purchases.

Status: Action in process.

The Secretary of Health and Human Services should direct the Administrator of HCFA to provide beneficiaries with written material explaining the regulations on lease-purchase arrangements.

Status: Action in process.

Agency Comments/Action

The agency issued the policy instructions to implement the recommendations in July 1982. However, these policy instructions have been held in abeyance pending: (1) the issuance of claims processing system instructions to assist the Medicare carriers in implementing the policy instructions; and (2) the completion of GAO field work in response to a followup request from the Senate Committee on Finance.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Federal Oversight of State Medicaid Management Information Systems Could Be Further Improved
(HRD-82-99, 7-30-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act. Medicare-Medicaid Anti-Fraud and Abuse Amendments. P.L. 92-603. P.L. 95-142.

GAO reviewed the Medicaid Management Information System (MMIS) to follow up on actions taken by the Department of Health and Human Services (HHS) to implement prior GAO recommendations. On the Federal level, MMIS is administered by the Health Care Financing Administration (HCFA).

Findings/Conclusions: The newly designed Systems Performance Review, which contains the performance standards developed in response to revised statutory requirements that approved systems must meet, has been successful in identifying some program weaknesses. While the performance standards include measures of system effectiveness and efficiency, economy of operations, a major purpose of MMIS, is not measured. Thus, HHS does not know whether States' systems are meeting standards at a reasonable cost. HCFA recognizes the need to evaluate operational economy, but it has deferred action on this, anticipating that HHS will require States to implement a functional cost reporting system to ensure accurate and comparable cost data. Current performance standards do not include any measures of the States' effectiveness in identifying and correcting program misutilization by Medicaid providers and recipients or the contributions of the surveillance and utilization review subsystem (SURS) to that activity. GAO found that States were having problems with the SURS methodology which affected the subsystem accuracy in identifying potential misusers. Also, States: (1) were underreporting systems operating costs; and (2) had proceeded with automatic data processing (ADP) equipment or services purchases without obtaining prior HHS approval. HHS regulations require States to obtain prior HHS approval before purchasing ADP equipment and services exceeding certain dollar limits, but HCFA requires States to follow this procedure only when they desire 90-percent Federal funding.

Recommendations to Agencies: The Secretary of HHS should direct the Administrator of HCFA to include in future systems performance review standards and methodology a requirement to measure (1) operational economy, (2) the States' effectiveness in identifying and correcting program misutilization, (3) contributions of SURS to overall surveillance and utilization review accomplishments, and (4) exception process methodology to better assure accuracy of SURS data.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to clarify instructions to States for reporting Medicaid administrative costs to assure that costs of personnel who may qualify as skilled professional medical personnel but are engaged in MMIS functions be reported as MMIS operations and costs.

Status: Action completed.

The Secretary of HHS should direct the Administrator of HCFA to revise the State Medicaid Manual so that it is consistent with the HHS regulation which requires prior approval or advance notice of ADP equipment and services purchases.

Status: Action in process.

Agency Comments/Action

HHS concurred with two of the recommended performance measurements: (1) SURS contributions; and (2) exception process methodology to better ensure accuracy of SURS data. It concurred with the need for the measurements of operational economy but noted that several years of effort will be required to establish uniform definitions and to develop a model to adequately address operational economy. HHS did not concur that it should be required to measure the States' effectiveness in identifying and correcting program misutilization because the information on the abuses was not available. HHS concurred on the need to clarify instructions to the States for reporting Medicaid personnel administrative costs and has modified instructions so that skilled medical personnel costs for those engaged in MMIS functions are reported as MMIS operating costs. A revision to the State Medical Manual to make requirements consistent with the regulations is in process.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control Should Charge Fees for Various Diagnostic Laboratory Services
(HRD-82-70, 8-11-82)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Economy Act (31 U.S.C. 686). Clinical Laboratories Improvement Act of 1967 (42 U.S.C. 263a). OMB Circular A-25. 31 U.S.C. 483a.

GAO reviewed the extent to which the Centers for Disease Control (CDC) should be recovering the costs of diagnostic laboratory services provided to non-Federal organizations and Federal agencies. The review focused on certain CDC laboratory services that GAO believed had provided special benefits to the clinical laboratory industry and on similar services provided to other Federal agencies.

Findings/Conclusions: CDC should recover substantial amounts of incurred costs by imposing additional user charges for various diagnostic laboratory services that it provides to Federal agencies and non-Federal organizations such as diagnostic product manufacturers and clinical laboratories. These laboratory services include field testing of diagnostic products, evaluating lot samples of diagnostic reagents, providing reference reagents to manufacturers, evaluating the quality of diagnostic testing services provided by laboratories, and providing laboratory training services. GAO estimated that, under current legislative authority, CDC could have collected about $2.1 million in additional revenues from non-Federal entities in fiscal year 1982. If CDC had not been restricted by another statute which imposes a maximum fee on interstate laboratories, an additional estimated $650,000 could have been recovered. Further, CDC could have sought additional reimbursements from other Federal agencies for which it provided some of these services.

Recommendations to Agencies: The Secretary of HHS should require the Director of CDC to charge laboratory product manufacturers for field testing laboratory diagnostic products.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should require the Director of CDC to adjust charges for laboratory training to reflect all current costs and later review and adjust such costs annually.

Status: Action completed.

The Secretary of HHS should require the Director of CDC to charge clinical laboratories, other than interstate laboratories, and Federal agencies for proficiency testing.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should require the Director of CDC to charge laboratory product manufacturers for evaluating lot samples of commercially available diagnostic reagents.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should require the Director of CDC to charge Federal agencies for laboratory training.

Status: Action completed.

The Secretary of HHS should require the Director of CDC to determine the extent to which other non-Federal recipients of CDC laboratory services should be charged by applying the specific provisions of the User Charge Statute and OMB Circular A-25.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should require the Director of CDC to charge laboratory product manufacturers for providing reference reagents.

Status: No action initiated. Date action planned not known.

The Secretary of HHS should propose legislation to permit the recovery of total costs for licensing services, including proficiency testing, provided under the Clinical Laboratories Improvement Act.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

HHS disagreed with the GAO position that user fees should be charged for CDC diagnostic laboratory and proficiency testing services. GAO believes that OMB Circular A-21 requires that user fees be charged to identifiable beneficiaries who receive benefits over and above those which accrue to the general public; HHS does not agree. However, the proposed fiscal year 1985 CDC budget endorses $2 million of user fees for other laboratory services provided by CDC personnel under similar circumstances. These user fees will be collected based on recommendations made in another GAO report (HRD-83-37, April 6, 1983). Effective July 1, 1983, HHS implemented corrective action on other report recommendations to: (1) adjust charges for laboratory training to reflect current costs and adjust such costs annually and; (2) charge Federal agencies for laboratory training except where there are joint disease control opportunities.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

SSA Needs To Determine the Cost Effectiveness of the SSI Redetermination Process and To Implement Recommendations Made for Eliminating Erroneous Payments
(HRD-82-126, 9-2-82)

Budget Function: Income Security: Other Income Security (609.0)
Legislative Authority: Social Security Act. 20 C.F.R. 416.204.

GAO reported on a survey of the cost effectiveness of the Social Security Administration's (SSA) procedures and practices for redetermining a Supplemental Security Income (SSI) recipient's continued eligibility and correct benefit amount to determine whether improvements in the process are needed.

Findings/Conclusions: GAO found that SSA needs alternative mechanisms to supplement the redetermination process for identifying and eliminating payment errors and that information furnished by recipients must be verified, as is required by statute, from independent and collateral sources. GAO also found that SSA has not developed a comprehensive approach, as previously recommended, to obtain and use all Government records to ensure the accuracy of SSI data. GAO was not able to determine the cost effectiveness of the redetermination process, because data on eligibility and benefit payment corrections made as a result of this process were not readily available.

Recommendations to Agencies: The Office of Assessment of SSA should consider implementing previously reported recommendations, including the adoption of alternative effective mechanisms that could be used for determining the changes in financial status of SSI recipients to control errors and reduce program costs.

Status: Action in process.

Agency Comments/Action

SSA has developed data on estimated savings for the 1981 SSI redetermination process and is developing similar data for 1983. In addition SSA plans to: (1) implement an ongoing systems report on benefit changes resulting from redetermined or other field office actions; (2) perform a special study tracking the rate at which eligibility is reestablished for terminated cases; (3) refine cost data by sampling information to determine costs associated with each redetermination type; (4) continue to conduct case-by-case reviews on current redeterminations; and (5) continue to undertake a comprehensive survey of the redetermination process focusing on the low-cost central office operation which processes low error-prone cases. SSA expects to complete a cost benefit analysis, as well as the remainder of its studies on the SSI redetermination process, by July 1984.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Restrictions on Abortion and Lobbying Activities in Family Planning Programs Need Clarification
(HRD-82-106, 9-24-82)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Public Health Service Act. Family Planning Services and Population Research Act (P.L. 91-572). Omnibus Budget Reconciliation Act of 1981.

In response to a congressional request, GAO reviewed the family planning program authorized by title X of the Public Health Service Act to determine whether title X funds have been used to finance lobbying activities or to support abortion-related activities.

Findings/Conclusions: GAO found no evidence that title X funds have been used either for abortions or to advise clients to have abortions. The Department of Health and Human Services (HHS) has held that these restrictions on the use of funds are applicable only to that part of a recipient's operation which is supported by title X. Title X recipients are allowed to carry out abortion-related activities if those activities are separate from the title X family planning services. This creates some public confusion on the matter. Congressional guidance may be needed if Congress does not want title X funds to go to organizations which provide abortions. However, family planning clinics need formal guidance on abortion-related matters. GAO found some variations in clinic practices that it believed were questionable such as: (1) counseling practices which do not present alternatives to abortion; (2) abortion referral practices which may go beyond HHS referral policy; and (3) the use of educational materials which present barrier methods of contraception together with early abortion as a method of family planning in the event of failure. Title X recipients also need more specific guidance on lobbying activities. All of the recipients which GAO reviewed had incurred expenses that raised questions regarding adherence to Federal restrictions. The organizations used program funds to pay dues to lobbying organizations and, in two cases, used small amounts of program funds to lobby themselves. To establish more specific guidance on lobbying, HHS has initiated action to amend the cost principles for grantees.

Recommendations to Congress: Congress should consider providing guidance to HHS to clarify the intent of section 1008 if it does not want title X funds to go to organizations providing abortions.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of HHS should establish clear operational guidance by incorporating into the title X program regulations and guidelines of the HHS position on the scope of the restriction in section 1008. In doing so, the Secretary should provide as explicit guidance as possible on the activities that are not allowed.

Status: Action in process.

The Secretary of HHS should provide interim guidance to title X recipients on activities that constitute lobbying and are unallowable as title X program expenditures.

Status: Action in process.

Agency Comments/Action

HHS agreed with the GAO recommendations. It plans to incorporate in its title X guidelines an explanation of its position on the implementation of section 1008. The Public Health Service (PHS) is analyzing grantee practices discussed in this report and in various HHS Office of the Inspector General reports. PHS expects to complete its analysis in early 1984 and issue guidance to grantees in July 1984. In regard to the interim guidance promised by HHS on activities that constitute lobbying and are unallowable as title X expenditures, OMB action in January 1983 negated the need for interim HHS guidance which had been sent to OMB for approval. OMB is currently in the process of addressing this issue as part of its proposal to amend certain Government-wide cost principles for grants and contracts. Any further HHS action to implement the GAO recommendation on this matter is being held in abeyance pending final OMB action.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Actions Underway To Reduce Delinquencies in the Health Professions and Nursing Student Loan Programs
(AFMD-83-7, 12-1-82)

Budget Function: Health: Education and Training of Health Care Work Force (553.0)
Legislative Authority: Antideficiency Act (31 U.S.C. 1341). Budget and Accounting Procedures Act of 1950 (31 U.S.C. 3511). P.L. 88-129. P.L. 88-581. P.L. 95-623. 31 U.S.C. 3512.

In response to a congressional request, GAO analyzed the problem of loan payment delinquency in the Health Professions and Nursing Student Loan Programs.

Findings/Conclusions: According to the latest data available, more than 28 percent of borrowers in the programs were delinquent in payments by 90 days or more. More than $34 million was delinquent on loans with principal amounts totaling $77 million. The 23 participating schools which GAO reviewed generally placed too little emphasis on billing and collection. Promissory notes were not properly controlled, interviews were not always conducted with borrowers before they left school, borrowers were not properly billed, and followup action on delinquent debts was not adequate. GAO found that many delinquent borrowers were able to pay but did not do so. In addition, participating institutions accumulated Federal funds in excess of their immediate needs. Despite a law which requires that any interest earned from invested program funds be returned to the programs, only one school returned all interest earnings to the appropriate program and two schools returned part of the earnings. Inadequate monitoring and dependence on the schools to manage the programs for the Department of Health and Human Services (HHS) are primary reasons for debt collection problems at the schools. GAO also found that the interest rates on the loans provided little incentive for borrowers to repay their loans promptly. HHS accounting records do not accurately show the financial status of the loan programs, nor do they record interest earned on student loans. In addition, HHS has written off only $40,000 in loans as uncollectable since the inception of the programs even though some loans have been delinquent for many years.

Recommendations to Congress: Congress should amend authorizing legislation for the Health Professions and Nursing Student Loan Programs to authorize the assessment of additional late payment charges on delinquent loans.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Health and Human Services should record as a liability to the Government the amount owed to schools for loans that have been canceled.
Status: Action completed.

The Secretary of Health and Human Services should establish an allowance for those loans that will be canceled or considered uncollectable in the future.
Status: Action completed.

The Secretary of Health and Human Services should adjust the accounting records to accurately reflect the amount of program funds transferred to the scholarship funds and vice versa.
Status: Action completed.

The Secretary of Health and Human Services should determine and record the Government's portion of interest earned on loans.
Status: Action completed.

The Secretary of Health and Human Services should record the Government's portion of canceled loans in the HHS accounting system.
Status: Action completed.

The Secretary of Health and Human Services should ascertain the amount of interest previously earned on Government money and require participating schools to return these amounts to the programs.
Status: Action completed.

The Secretary of Health and Human Services should direct that Federal funds be invested in interest-bearing accounts and that earned interest be returned to the programs.
Status: Action completed.

The Secretary of Health and Human Services should determine the amount of excess cash held by the schools and require such amounts to be returned to the Federal Government.
Status: Action completed.

The Secretary of Health and Human Services should direct that awards be closed expeditiously.
Status: Action completed.

The Secretary of Health and Human Services should ensure that program funds are awarded on the basis of need.
Status: Action completed.

The Secretary of Health and Human Services should enforce required biennial audits of the Health Professions Student Loan Program and encourage the schools to provide for periodic audits of the Nursing Student Loan Program.
Status: Action completed.

The Secretary of Health and Human Services should identify and review uncollectable loans and permit writeoff only when a school has complied with due diligence requirements and, if these requirements have not been complied with, recover from the school the Federal share of the uncollectable loan.
Status: Action completed.

The Secretary of Health and Human Services should direct that schools' annual operating reports be reviewed.
Status: Action completed.

The Secretary of Health and Human Services should establish and enforce delinquency rate standards, not allowing institutions that fail to meet these standards to receive additional program funds or to reloan collected funds.
Status: Action completed.

The Secretary of Health and Human Services should periodically assess participating schools' financial management of the Health Professions and Nursing Student Loan Programs, using reported delinquency rates as criteria for selecting schools. As a minimum, to establish adherence to due diligence requirements in billing and collecting outstanding loans, HHS must see that schools: (1) execute and safeguard promissory notes; (2) conduct and document exit interviews; (3) bill all borrowers and follow up on delinquent loans; (4) use collection agencies, credit bureaus, and litigation to the fullest extent; (5) improve accounting systems' recordkeeping practices; and (6) develop written procedures and provide sufficient personnel for the collection of outstanding loans.

Status: Action completed.

Agency Comments/Action

The Department of Health and Human Services agreed with the report's recommendations and has taken corrective action.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Opportunities To Reduce Medicare Costs Under the End Stage Renal Disease Program for Home Dialysis Patients
(HRD-83-28, 1-21-83)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

GAO addressed issues related to the reimbursement system proposed by the Health Care Financing Administration (HCFA) for the End Stage Renal Disease (ESRD) Program. GAO focused on methods to reduce Medicare equipment and supply costs for home patients who deal directly with suppliers.

Findings/Conclusions: GAO estimated that during calendar year 1980 the total cost of obtaining dialysis supplies and equipment for home patients who dealt directly with suppliers was about $75 million, with Medicare paying about 80 percent. Most of these patients would incur lower costs if they continue to obtain equipment and supplies directly rather than through a facility under the HCFA-proposed ESRD reimbursement system. Since many patients will continue to deal directly with suppliers, GAO stated that it would be advantageous for Medicare to ensure that costs for direct-dealing patients are as low as possible. GAO noted that the main problem in purchasing equipment is the lump-sum coinsurance payment at the time of purchase. GAO learned that the amounts Medicare allowed for equipment rentals vary widely and that rental charges are substantially more costly over the estimated useful lives of the equipment than outright purchase. GAO also found that requiring the purchase of equipment would substantially reduce costs for patients who would be dialyzing for prolonged periods. For those cases where purchase is not reasonable, lease/purchase arrangements with suppliers would reduce Medicare costs.

Recommendations to Agencies: The Secretary, HHS, should direct the Administrator, HCFA, to require the purchase of dialysis equipment by home patients dealing directly with suppliers except in cases where to do so would place an undue hardship on the patient or where purchase can be shown to be more costly.

Status: No action initiated. Date action planned not known.

The Secretary, HHS, should direct the Administrator, HCFA, to enter into lease/purchase agreements with equipment suppliers similar to those entered into by State-sponsored kidney programs in those cases where purchase of equipment is not required.

Status: Action in process.

The Secretary, HHS, should direct the Administrator, HCFA, to negotiate dialysis supply contracts with the major suppliers to obtain prices which are as favorable as those negotiated by other purchasers.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The agency agreed with the objective of the recommendation to require the purchase of equipment by self dealing home dialysis patients but stated that implementing it would have limited application. In addition, the agency disagreed with some of the data used to support the recommendation. No action is planned by the agency. The agency agreed with the recommendation to use lease/purchase agreements where outright purchase is not warranted and stated that regulations were being reviewed to see what charges are appropriate to further encourage lease/purcahse agreements. The agency disagreed with the recommendation to negotiate dialysis supplies contracts because in the agency's opinion there is no statutory authority for HCFA to act as recommended. No action is planned by the agency. The Subcommittee on Health, House Committee on Ways and Means, considered several proposals during 1983 that would have implemented the GAO recommendations. The proposals were not adopted and, therefore, the agency plans no action on the recommendation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Improving Medicare and Medicaid Systems To Control Payments for Unnecessary Physicians' Services (HRD-83-16, 2-8-83)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395; 42 U.S.C. 1396). Omnibus Budget Reconciliation Act of 1981. Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248). 42 C.F.R. 447.45(f)(1)(ii). P.L. 96-398.

GAO reviewed the Medicare and Medicaid programs to assess the mechanisms that paying agents under these programs are using to identify and prevent reimbursement to physicians and suppliers for medically unnecessary services and to recoup payments made for such services. The objectives of the review were to: (1) assess and compare the costs and benefits of the prepayment and postpayment utilization review (UR) functions and a representative number of carriers and State Medicaid agencies; (2) identify probable causes for the variations in the performance of these UR functions; and (3) evaluate the Health Care Financing Administration's (HCFA) role, particularly under Medicare, in providing direction to these activities.

Findings/Conclusions: The nine Medicare carriers GAO visited supplied information which showed that their prepayment UR activities were cost beneficial, but the performance in terms of cost/benefit ratios and other indicators varies widely. Those making extensive use of automated edits to identify unnecessary services generally performed better and saved comparatively more Medicare program dollars. There are also opportunities for increased effectiveness in the carriers' postpayment UR activities. The HCFA policies and practices have tended to provide disincentives to carriers for performing effective prepayment UR. Medicare carriers are incurring extraordinary costs to continually review the claims of habitual overutilizers. GAO found that only 3 of the 11 State Medicaid programs it reviewed used automated prepayment edits to detect possible overutilization. Only one of these programs could provide enough information for GAO to estimate the costs and benefits of prepayment UR operations in Medicaid. Regarding postpayment UR, GAO could identify few tangible benefits resulting from medical necessity issued raised through this activity. Congress has given the States financial incentives to develop effective UR programs. However, both HCFA and the States have not effectively implemented these incentives.

Recommendations to Agencies: The Secretary of Health and Human Services (HHS) should direct the Administrator of HCFA to: (1) compare the prepayment utilization edits used by Medicare carriers, identify the more effective ones in terms of valid denials, and require their implementation, except where a carrier has a reasonable basis for believing that the implementation on a particular edit would not be cost beneficial; and (2) require that prepayment UR costs be reported separately from other claims processing costs to allow for valid analysis of carrier costs and related benefits in conducting prepayment UR.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to: (1) require that the costs and benefits associated with carrier postpayment UR be reported separately from claims processing costs for use in determining the effectiveness of postpayment UR operations; and (2) ensure that the HCFA regional offices evaluate carrier effectiveness on postpayment UR's regarding the appropriateness of the selection criteria used for full-scale reviews, and whether overpayments are computed and recovered when overutilization is identified.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA: (1) in accordance with due process requirements. to exclude providers who remain on prepayment review for over a specified period of time because they refuse to correct their abusive billing practices; and (2) to make it clear to carriers which peer review mechanisms, besides professional standards review organizations, are acceptable for initiating exclusion procedures.

Status: Action in process.

The Secretary of HHS should direct the Administrator of HCFA to: (1) add to 42 C.F.R. 447.45(f)(1)(ii) a requirement that a minimum number of automated medical necessity edits be tested and where cost effective, implemented in all States with the Medicaid management information system; (2) develop guidelines for State Medicaid programs seeking reapproval of their Medicaid management information systems to use in reporting costs and benefits of their UR efforts; and (3) provide State Medicaid programs information on prepayment UR edits that are being successfully used by Medicare carriers and encourage the exchange of information on the edits between carriers and State agencies.

Status: Action in process.

Agency Comments/Action

The agency generally agreed with the recommendations aimed at strengthening the reviews of medical necessity for physicians services claimed under the Medicare and Medicaid programs. The agency changed the criteria used to evaluate the effectiveness of contractor systems for controlling unnecessary sources. An effort was begun to identify habitual overusers that should be sanctioned, and conferences with Medicare claims payment contractors are being held on how to handle fraud and abuse cases.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

HEALTH CARE FINANCING ADMINISTRATION

Review of Medicare and Medicaid Duplicate Payments in Michigan
(HRD-83-43, 2-22-83)

Budget Function: Health: Health Care Services (551.0)

GAO reviewed the practices and procedures of the Michigan Medicare carrier and Medicaid administrator to prevent duplicate payments to physicians with more than one provider identification number and to remove unlicensed physicians from the Medicare and Medicaid rolls.

Findings/Conclusions: GAO found that: (1) duplicate payments of about $39,000 were made to Medicare providers with multiple-provider numbers; (2) duplicate payments of about $24,900 were made to Medicaid providers with multiple-provider numbers; (3) estimated overpayments of about $74,850 were made to surgical assistants and anesthesiologists for Medicare-covered services; and (4) improper payments of about $13,000 were made to unlicensed physicians for Medicare-covered services. GAO also found that few erroneous payments were voluntarily returned by providers or beneficiaries, or otherwise recovered. GAO noted that the State is redesigning its enrollment system to implement a single-provider-number system to eliminate duplicate billings.

Recommendations to Agencies: The Administrator, Region V, Health Care Financing Administration, should ensure that appropriate corrective actions are taken by the carrier and State to recover the erroneous payments identified and to update the provider rolls.

Status: Action in process.

The Administrator, Region V, Health Care Financing Administration, should ensure that the carrier improves its manual review process.

Status: Action in process.

Agency Comments/Action

The agency agreed with both of the recommendations and is in the process of implementing them.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Savings Possible by Modifying Medicare's Waiver of Liability Rules
(HRD-83-38, 3-4-83)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act. 42 C.F.R. 405.332(b).

GAO reported on proposed legislation to modify Medicare's waiver of liability provision with respect to payments to hospitals, skilled nursing facilities, and home health agencies. The waiver of liability provision protects both beneficiaries and providers from having to pay for services they receive that Medicare will not pay for. The administration proposed legislation that would delete the authorization to waive provider liability for claims for services submitted under the Medicare part A program. Under the proposal, health care providers would no longer be paid when Medicare determined that a service was medically unreasonable, unnecessary, or custodial in nature. The proposal would not affect the protection afforded beneficiaries.

Findings/Conclusions: GAO believes that, while the proposed legislation would achieve the administration's goal of savings and establish provider incentives, it is not needed. In addition, the proposed legislation does not take into consideration provider concerns. GAO found that there are several ways to achieve savings without amending Medicare law. The Health Care Financing Administration (HCFA) currently presumes that beneficiaries and providers did not know that payment would be denied unless there is evidence to the contrary; currently all of the savings methods identified by GAO would modify the provider's presumptive status, but the provider would retain the right to appeal for waiver: (1) HCFA could eliminate the presumption and the applicability of the waiver provision could be determined on a case by case basis; (2) the denial rate criteria used to determine presumed eligibility for waiver of liability could be tightened; or (3) the method for establishing whether a provider is presumed eligible for a waiver could be changed.

Recommendations to Agencies: The Acting Secretary of Health and Human Services should direct the Administrator of HCFA to establish more stringent eligibility requirements for the application of waiver of liability for health care providers under part A of Medicare.

Status: Action in process.

Agency Comments/Action

HHS has sought legislation to eliminate a waiver of liability for providers under Medicare, an estimated savings of $10 million per year. GAO told HHS that legislation was not needed; savings could be achieved by making administrative changes. On October 14, 1983, the agency circulated, for review and clearance, a proposed regulation change implementing the recommendation.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FOOD AND DRUG ADMINISTRATION

Legislative and Administrative Changes Needed To Improve Regulation of Drug Industry
(HRD-83-24, 4-5-83)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301). Radiation Control for Health and Safety Act of 1968 (42 U.S.C. 263h(a)). Meat Inspection Act (21 U.S.C. 672). Poultry Products Inspection Act (21 U.S.C. 467a). Egg Products Inspection Law (21 U.S.C. 1048). S. 1075 (96th Cong.). 21 U.S.C. 334. 21 U.S.C. 381. 21 U.S.C. 679(b). 21 U.S.C. 467f. 21 U.S.C. 1052(d).

Due to recent congressional concern about the significant decrease in the number of regulatory actions taken by the Food and Drug Administration (FDA), GAO reviewed FDA compliance activities to determine whether appropriate and timely regulatory actions are being taken against firms violating the law.

Findings/Conclusions: GAO found that, while the number of regulatory actions taken by FDA decreased considerably in fiscal year (FY) 1981, they increased in the category of regulatory letters during FY 1982 because of what may be a one-time intensive effort against the manufacture of "look-alike" drugs. The primary factor influencing the decline of regulatory actions was increased FDA emphasis on voluntary compliance. Other significant factors included: (1) a 24-percent reduction in the number of inspectors; (2) an emphasis on abbreviated inspections; and (3) merit pay contracts which may discourage the submission of proposed regulatory actions because disapproved actions adversely affect performance ratings. GAO believes that, because FDA does not know how well voluntary compliance is working, it should develop a mechanism to measure whether the voluntary approach is resulting in compliance. Finally, GAO concluded that more timely and appropriate regulatory actions could be taken if the number of disapproved recommended actions could be reduced.

Recommendations to Congress: Congress should amend section 304(g) of the Food, Drug, and Cosmetic Act by adding drug products to the language which gives FDA the authority to administratively detain medical devices.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Health and Human Services (HHS) should direct the FDA Commissioner to develop a mechanism to measure the extent to which voluntary corrective actions result in compliance.
Status: Action in process.

The Secretary of HHS should require the FDA Commissioner to develop and distribute to all districts definitive policies on actions to be taken on violations involving medically insignificant drugs and technical violations of good manufacturing practice regulations.
Status: Action completed.

The Secretary of HHS should require the FDA Commissioner to provide additional guidance to the district offices on evidence required to support proposed regulatory actions.
Status: Action completed.

The Secretary of HHS should require the FDA Commissioner to encourage greater coordination and communications among district investigators, district compliance officials, and headquarters officials to better ensure: (1) district and headquarters officials agree on actions to be taken and (2) documentation to support recommended actions is appropriate.
Status: Action completed.

The Secretary of HHS should direct the FDA Commissioner to revise the Inspection Operations Manual to require inspectors to (1) determine the current status of all prior unresolved deficiencies and (2) discuss the status of these deficiencies in subsequent inspection reports.
Status: Action completed.

Agency Comments/Action

HHS found the report to be fair and constructive in its presentation of the FDA regulation of the drug industry. HHS agreed with the recommendation to develop a mechanism to measure the effectiveness of voluntary compliance and initiated a study of the effect of volunteerism on overall compliance. In December 1983, HHS revised the Regulatory Procedures Manual to provide definitions, policies, and procedures regarding routine and nonroutine regulatory actions.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control Should Discontinue Certain Diagnostic Tests and Charge for Others
(HRD-83-37, 4-6-83)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Economy Act (31 U.S.C. 1535). OMB Circular A-25. 31 U.S.C. 9701.

In response to a congressional request, GAO reported on the Centers for Disease Control (CDC) laboratory diagnostic testing services program.

Findings/Conclusions: A diagnostic analysis of sample specimen records showed that, although the CDC diagnostic testing service is supposed to be a final resort for testing specimens, 46 percent of the diagnostic specimens tested at CDC during fiscal year (FY) 1981 were not tested initially by commercial or State laboratories. GAO estimated the cost of unnecessary testing by CDC at $1.9 million. Further, GAO found that specimens were not screened to determine whether prior testing had been performed. CDC laboratory personnel contended that it was easier to perform the tests than to screen and reject requests. Federal regulations require CDC to recover the full cost of diagnostic testing services that it provides to private health care providers, clinical laboratories, and other Federal agencies. However, in FY 1981, CDC collected no fees from private health care providers or clinical laboratories and only about $30,000 from other Federal agencies. GAO estimated that CDC could have collected about $3.3 million in user charges from private health care providers and $662,000 from other Federal agencies.

Recommendations to Agencies: The Director of Health and Human Services should require the Director of CDC to recover the total cost of laboratory diagnostic testing services provided to private beneficiaries and other Federal agencies and to determine the extent to which other non-Federal agencies should be charged. More specifically, CDC should be directed to: (1) charge private health care providers and private clinical laboratories for diagnostic testing; (2) determine the extent to which other non-Federal recipients of CDC testing services should be charged by applying the provisions of the User Charge Statute and OMB Circular A-25; and (3) charge all Federal agencies for diagnostic testing.

Status: No action initiated. Date action planned not known.

The Secretary of Health and Human Services should require the Director of CDC to improve and enforce diagnostic specimen screening procedures. CDC should be directed to prepare, and maintain on a continuing basis, a list of diagnostic tests which it and commercial or State laboratories can perform. Such a list would be used at the State and CDC laboratory levels to identify those specimens which should be tested initially at a commercial or State laboratory rather than CDC. In addition, CDC should not accept specimens for testing that are not accompanied by all available information requested on the forms provided by CDC for use in submitting specimens. Finally, CDC should not accept specimens for testing which are submitted directly from private health care providers and clinical laboratories unless such submissions are authorized by both CDC and the State laboratory.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Although formal comments have not been received concerning the recommendations contained in the report, the proposed FY 1985 CDC budget indicates that $2 million in user fees from epidemic disease-related services provided by CDC to certain types of beneficiaries will be obtained and used for construction and renovation of its facilities. Until the 1985 budget was submitted to Congress on February 1, 1984, HHS disagreed with the need for user fees for CDC services. It is the GAO position that: (1) diagnostic testing should not be done at CDC if commercial or State laboratories which can initially conduct the required testing have not done so, or all of the necessary information requested on the CDC testing form is not provided; and (2) user fees should be imposed on the remaining tests conducted at CDC which provide an identifiable beneficiary of CDC services with benefits over and above those which accrue to the general public. The imposition of user fees is based on OMB Circular A-21 requirements. HHS continues to disagree with the need for additional user fees discussed in an earlier report, GAO/HRD-82-70.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Several States Have Not Properly Implemented Certain AFDC Provisions of the Omnibus Budget Reconciliation Act of 1981
(HRD-83-56, 6-8-83)

Budget Function: Income Security: Other Income Security (609.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). 45 C.F.R. 200. 45 C.F.R. 300. 45 C.F.R. 400.

GAO reviewed the implementation of provisions of title XXIII of the Omnibus Budget Reconciliation Act of 1981, which affects the Aid to Families with Dependent Children (AFDC) Program.

Findings/Conclusions: GAO found variances in the way some States implemented the following provisions: (1) the 150-percent income limit for eligibility; (2) the treatment of lump-sum income tax refunds as either a resource or income for eligibility or benefit payment amount purposes; and (3) special-need allowances for pregnant women. The Administration expected these provisions to save the Government about $22 million in fiscal year 1982. The variances that GAO found in implementation could result in the Government's not realizing the full savings anticipated and may result in inequitable treatment of segments of the AFDC population.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Commissioner of Social Security to require Illinois, New Mexico, Pennsylvania, and Wisconsin to include special-need allowances in computing the 150-percent income limit for determining AFDC eligibility and to advise applicants previously denied assistance that they may be eligible and can reapply.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to monitor New York's compliance with Federal requirements to include special-need allowances in its computing the 150-percent income limit to ensure that compliance is achieved.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require New York to comply with its State regulations by using actual rent paid by a client in computing the 150-percent income limit when such rent is less than the maximum regional shelter allowances and removing from the rolls those with income that exceeds the reduced income limit.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to determine whether other States, those not covered by the GAO review, are applying the 150-percent income limit improperly and correct any problems found.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to issue regulations after litigation has been completed on the issue of whether income tax refunds are to be considered an income for AFDC purposes, describing how income tax refunds are to be treated under the lump-sum payment provision by the States, or seek appropriate clarifying legislation if final court decisions are not consistent.

Status: No action initiated. Date action planned not known.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to advise the States that failure to specify in their State plans the circumstances under which the special-need allowances for pregnancy will be granted and to determine that a need actually exists in each case for the first and subsequent pregnancies will result in their State's plans being out of compliance with Federal requirements and could result in the withholding of Federal financial participation.

Status: Action in process.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to advise Minnesota that, since it has chosen to provide special-need allowances, it is not in compliance with Federal requirements by placing a ceiling on the total amount it will spend each year for all special-need allowances.

Status: Action in process.

Agency Comments/Action

HHS agreed with the recommendations and began taking particular corrective actions in the specific States discussed in the report as well as for the other States not discussed to ensure that State policies and procedures are consistent with Federal requirements on the 150-percent-of-need test, special-need allowances, and pregnancy allowances related to all pregnancies of AFDC recipients. It plans to follow up to ensure that procedures are revised where necessary and are being correctly applied by the States.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Social Security Administration Needs To Protect Against Possible Conflicts of Interest in Its Disability Programs *(HRD-83-65, 6-10-83)*

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: P.L. 96-265.

In response to a congressional request, GAO conducted a survey of the consultative examination process used by the Social Security Administration (SSA) to make disability benefit eligibility determinations.

Findings/Conclusions: GAO identified a loophole in SSA policies whereby physicians who are working for various State disability determination services (DDS) and under contract to SSA are prohibited from performing consultative examinations but are permitted to have familial or financial interests in firms or organizations that do perform these examinations. SSA policy pertaining to physician independence states that all implications of possible conflicts of interest must be avoided. GAO believes that this policy should be strengthened and enforced. As a result of the current policy, a situation existed in the SSA Chicago regional office where the Chief Regional Medical Advisor and one other medical consultant were associated with a firm which received almost $2 million in 1982 for performing consultative examinations. While these arrangements were approved in advance by SSA and did not violate Government standards of ethics, they did create a conflict of interest. Both medical consultants recently terminated their contracts with SSA.

Recommendations to Agencies: The Secretary of Health and Human Services should require that the Commissioner of SSA revise SSA policies regarding physician independence or consultative examinations to prohibit all SSA and DDS physicians, whether under contract or employees, from having familial or financial interests in firms or organizations doing consultative examinations. Contracts with physicians should be modified to include this prohibition.

Status: Action in process.

The Secretary of Health and Human Services should have the Commissioner of SSA determine whether conflict situations, such as the one identified in Chicago, exist elsewhere at either the State or SSA level.

Status: Action in process.

Agency Actions/Comments

HHS commented on the report in a letter dated February 22, 1984. It stated that SSA is strengthening its policies to avoid the potential for conflicts of interest. Contracts between physicians and SSA are being amended to include a provision prohibiting the physicians from performing consultative examinations for a State DDS or having a familial or financial interest in firms or organizations doing consultative examinations for a DDS. In addition, HHS stated that steps are being taken to determine the best policy guidance for State DDS's in contracting with their physicians. With respect to the second recommendation, action has been taken to identify situations in which SSA and DDS medical consultants may have familial or financial interests in organizations doing consultative examinations. HHS stated that it was contacting those physicians whose initial responses on this issue indicated a possible conflict of interest to find out more about these particular situations. Appropriate action is expected in each case.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

SOCIAL SECURITY ADMINISTRATION

The Social Security Administration's Management of Personal Property at Headquarters Needs Improvement *(HRD-83-50, 6-21-83)*

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

GAO reviewed the management of personal property which consists of office furniture and equipment required for operations at the Social Security Administration (SSA) headquarters.

Findings/Conclusions: GAO noted that the capitalized value of SSA personal property nationwide is about $164 million, of which $143 million is located at SSA headquarters. GAO found that SSA does not: (1) keep accurate inventory records of its stored personal property; (2) adequately coordinate the disposal of excess property with the General Services Administration (GSA); or (3) make annual property accountability surveys. GAO further noted that these problems existed partly because SSA reorganized several times without monitoring personal property.

Recommendations to Agencies: SSA should make annual physical inventories of personal property as required by SSA regulations.

Status: Action in process.

SSA should develop and maintain accurate inventory records of stored personal property.

Status: No action initiated.

SSA should adequately coordinate the disposal of excess personal property with GSA.

Status: Action in process.

SSA should make annual property accountability surveys at SSA headquarters.

Status: Action in process.

SSA should require that custodial officers obtain signed receipts when they issue sensitive property.

Status: Action in process.

SSA should emphasize to property management officials the need for controls over sensitive property to avoid loss or theft.

Status: Action in process.

Agency Comments/Action

The agency generally agreed with the recommendations and said that action would be taken.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Medicare/Medicaid Funds Can Be Better Used To Correct Deficiencies in Indian Health Service Facilities *(HRD-83-22, 8-16-83)*

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395). Indian Health Care Improvement Act (P.L. 94-437).

GAO reviewed the Indian Health Service's (IHS) management of funds collected from Medicare and Medicaid programs for services provided in its facilities to Indians eligible for these programs. IHS is required by law to use the funds collected to make improvements in its facilities to enable them to meet and remain in compliance with Medicare/Medicaid standards.

Findings/Conclusions: In 1976, only half of IHS hospitals met the Medicare/Medicaid standards. IHS began applying its Medicare/Medicaid funds toward the objective of bringing all of its facilities into compliance with the standards and, by 1981, the objective was achieved. IHS now spends the funds primarily on recurring costs needed to maintain compliance. However, IHS has established a practice that results in the allocation of available Medicare/Medicaid collections to the facility that provided the services rather than redirecting them to the most needy facilities. This practice has not ensured that the facilities most in need of funds receive them and has resulted in the accumulation of a large, unobligated balance of Medicare/Medicaid collections. GAO also found that the IHS Medicare/Medicaid billing and collection system is much more costly than those of private hospitals because: (1) IHS is not able to take advantage of the economies afforded by volume billing; and (2) the involvement of multiple IHS organizational levels in the primarily manual system is cumbersome and results in additional work through the maintenance of duplicate records.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Assistant Secretary for Health to revise IHS procedures to allow unobligated Medicare/Medicaid collections to be distributed to IHS facilities with unmet needs.

Status: No action initiated. Date action planned not known.

The Secretary of Health and Human Services should direct the Assistant Secretary for Health to increase the efficiency of the IHS Medicare/Medicaid billing and collection system by such means as eliminating duplicative functions among the various IHS organizational levels and increasing automation of the system where justifiable by cost savings.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

As of February 1984, the agency had not commented on the GAO recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Need To Eliminate Payments for Unnecessary Hospital Ancillary Services
(HRD-83-74, 9-30-83)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act. Social Security Amendments of 1972 (P.L. 92-603). Social Security Amendments of 1983 (P.L. 98-21). Peer Review Improvement Act of 1982. Tax Equity and Fiscal Responsibility Act of 1982 (P.L. 97-248).

At 16 hospitals, GAO arranged for professional standards review organizations to examine the medical necessity of ancillary services provided to Medicare beneficiaries.

Findings/Conclusions: The professional standards review organizations found that about 6 percent of Medicare charges for ancillary services were unnecessary, and the percentage of unnecessary care for laboratory, special services, and radiology was about 10 percent each. It was further found that 32 percent of all physical therapy services were unnecessary. The dollar amount of unnecessary care was sizeable: at least $255,000 in unnecessary care may have been incurred in 1981 at one hospital. This unnecessary care was paid for by Medicare because of the absence of effective medical necessity reviews. A new system will be phased in over 3 years that will reimburse hospitals prospectively on the basis of a flat rate established for each Medicare case. The rate paid generally will depend upon how the case is classified by a diagnosis-related group and where the hospital is located. When a prospective reimbursement system is established, there will be incentives for hospitals to eliminate unnecessary use of ancillary services. However, the data base used to establish the prospective payment rates is inflated with costs incurred in providing unnecessary care.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Administrator of the Health Care Financing Administration to require professional review organizations to review and report on the medical necessity of hospital ancillary services and use the results as necessary to adjust the data base, which will be used to establish the prospective payment rates for future years, starting in fiscal year 1986.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

As of February 1984, the agency had not commented on the GAO recommendations.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD Should Strengthen Mortgagee Monitoring To Reduce Losses
(CED-81-108, 6-9-81)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (371.0)

Mortgagees approved by the Department of Housing and Urban Development (HUD) are responsible for originating and servicing HUD-insured, single-family loans. If a mortgagee fails to adequately assess a prospective home buyer's ability to repay a loan or fails to provide proper servicing of that loan, then defaults, foreclosures, and substantial losses to the Federal Government can occur. HUD primarily monitors this program through its Office of Mortgagee Activities. If mortgagees violate HUD requirements in connection with their HUD-insured lending activities, HUD can impose sanctions against them through its Mortgage Review Board.

Findings/Conclusions: The HUD system for reviewing mortgage lenders participating in HUD-insured loan programs needs revised review goal-setting techniques, strict compliance with existing procedures, more effective review coverage, and a stronger commitment to quality control of mortgagee reviews. Improved loan origination and servicing would reduce foreclosures and the Federal Government's losses. HUD is, at times, selecting for review mortgagees which have originated small numbers of HUD-insured loans while more active mortgagees are not reviewed as often. Mortgagees experiencing high foreclosure rates are often not selected for review. This practice is an ineffective use of limited resources, contributes to inadequate review coverage, and limits opportunities to correct loan origination problems. Mortgagee review coverage is hindered, in part, by limited resources. Although HUD criteria for selecting mortgagees for servicing reviews are sound, they are often not followed. Seven of 11 area offices visited could not accurately account for all mortgagee servicing loans in their jurisdictions. The quality of the reviews is hindered by the loan specialists' not spending sufficient time on reviews, inexperienced staff, and low priority given reviews by some area offices.

Recommendations to Agencies: The Secretary of HUD should require the Office of Mortgagee Activities to play a stronger role in the quality control of mortgagee reviews by requiring more timely reporting of review findings to mortgagees, more followup reviews on prior mortgagee deficiencies, and the use of coordinated reviews to monitor the largest mortgagees or those active in HUD-insured programs nationwide.
Status: Action completed.

The Secretary of HUD should direct the Office of Mortgagee Activities (OMA) and all HUD area offices to follow existing HUD procedures on selecting mortgagees for origination and servicing reviews and require that area offices submit to OMA, in advance, the required quarterly mortgagee review itineraries and document reasons why mortgagees were selected for servicing reviews.
Status: Action completed.

The Secretary of HUD should revise the methods the Office of Mortgagee Activities and HUD regional offices use to set area office mortgagee-servicing review goals to ensure that factors such as the number of mortgagees and their total HUD-insured loan portfolio, other area office workload priorities, and review staff availability and experience levels are considered.
Status: Action in process.

The Secretary of HUD should reassess how mortgagee reviews can be conducted most effectively to cover active mortgagees and evaluate alternative ways to provide necessary review coverage.
Status: Action in process.

Agency Comments/Action

The method of setting goals is being revised in HUD to give emphasis to the GAO recommendation that mortgagees with high volumes of HUD-insured mortgages will be reviewed. Completion is expected in March 1984. In April 1982, all HUD offices were directed to follow existing procedures on selecting mortgages for origination and servicing reviews. In the HUD year-end evaluation of field office performance, the timeliness of releasing reports has been stressed. HUD is directing its field offices to make followup reviews to monitor large, active, nationwide mortgages. HUD made geographic and programmatic changes to increase coverage. Using loan specialists to assist in origination reviews will require a policy decision.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Defaulted Title I Home Improvement Loans--Highly Vulnerable to Fraud, Waste, and Abuse
(AFMD-82-14, 12-7-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Housing Act. Budget and Accounting Act (31 U.S.C. 66a). Budget and Accounting Procedures Act of 1950. 4 C.F.R. 102.10. 4 C.F.R. 200.905. P.L. 84-863. S. 1249 (97th Cong.). 7 GAO 11. 2 GAO 6.

GAO reviewed the Department of Housing and Urban Development's (HUD) loan servicing and accounting for defaulted title I Home Improvement Loan Program loans. Under the title I program, HUD guarantees loans made by private lenders for home improvement. Defaulted loans are acquired by HUD when borrowers fail to make their loan payments and lenders return the loans to HUD for payment of an insurance claim.

Findings/Conclusions: As a result of inadequate controls and outdated management practices, millions of dollars owed to the United States have been subject to waste, fraud, and abuse. Nationwide, thousands of borrowers have more than one home improvement loan in default. Since credit reports do not always show the previous loans, borrowers are often able to obtain multiple loans by simply not including information about other loans on their loan applications. Legislation has been introduced in Congress which, if enacted, would provide Federal agencies, including HUD, specific authorization to report defaulting borrowers to credit bureaus. The following wasteful management practices and accounting problems contribute to the high volume of uncollectible home improvement loans: (1) HUD loan servicing is not in compliance with Federal Claims Collection Standards; (2) millions of dollars are written off annually simply because no reasonable effort is made to locate defaulting borrowers; (3) liens are seldom obtained on assets owned by defaulting borrowers; (4) defaulting borrowers are charged a lower effective interest rate on their loans after default than they were charged when their loans were current; (5) the title I accounting system does not provide proper controls over such items as collections and inventory and does not properly account for interest income. Changes are needed to ensure aggressive loan servicing, remove rewards which encourage current borrowers to default, increase the use of legal remedies to obtain collections, and improve accounting methods.

Recommendations to Agencies: The Secretary of HUD should direct the Assistant Secretary for Housing and/or Administration to ensure, before writing loans off as uncollectible, that locator services have been used to find defaulting borrowers.

Status: Action completed.

The Secretary of HUD should direct the Assistant Secretary for Housing and/or Administration to make full legal use of credit bureau reporting on loans in current inventory, should pending legislation be enacted.

Status: Action in process.

The Secretary of HUD should direct the Assistant Secretary for Housing and/or Administration to direct home improvement lenders to report all title I loans and their status to credit bureaus and require lenders to obtain credit reports on loan applicants before making loans.

Status: Action completed.

The Secretary of HUD should direct the Assistant Secretary for Housing and/or Administration to improve internal controls over receipts and accounting records by implementing controls already required in HUD procedures. Also, complete the current inventory reconciliation and thereafter reconcile periodically.

Status: Action completed.

The Secretary of HUD should direct the Assistant Secretary for Housing to establish a system to control and track the expiration dates of liens obtained by lenders or the Department of Justice.

Status: Action in process.

The Secretary of HUD should direct the Assistant Secretary for Housing to determine a claim amount, based on such factors as legal cost involved, over which lenders will be required to obtain judgments and/or place liens on improved property before HUD pays an insurance claim.

Status: Recommendation no longer valid/action not intended. *To address the problems resulting in this recommendation, HUD reduced the ceiling on unsecured signature loans from $7,500 to $2,500. GAO feels that this action will reduce the volume of unsecured loans being returned to HUD in default.*

The Secretary of HUD should direct the Assistant Secretary for Housing to require that, when financially feasible, defaulted loans be referred to the Department of Justice for collection action before the loans are written off as uncollectible.

Status: Action in process.

The Secretary of HUD should direct the Assistant Secretary for Housing to establish and enforce foreclosure policies on secured loans in accordance with the Federal Claims Collection Standards.

Status: Action in process.

The Secretary of HUD should direct the Assistant Secretary for Housing and/or Administration to initiate systematic servicing of defaulted home improvement loans immediately upon receiving insurance claims from the lenders.

Status: Action in process.

The Secretary of HUD should charge defaulting borrowers the maximum allowable interest rate and amend HUD regulations in order to apply payments received in accordance with the U.S. Rule.

Status: Action in process.

The Secretary of HUD should increase the accuracy of financial reporting by computing and reporting interest on

defaulted home improvement loans under accrual accounting methods.
Status: Action in process.

Agency Comments/Action

HUD is in agreement with the GAO recommendations and has developed plans to take actions to implement them. To date, HUD has notified all lenders participating in the title I program to report defaulted borrowers to credit bureaus. HUD has also proposed regulation changes to require all loans over $2,500 to be secured by the lenders at the time of the loan. The Internal Revenue Service is being used to help locate defaulted borrowers. Also, a new accounting system is being planned to automate accounting and implement the recommendations on the way interest is calculated and to increase the effective interest rate charged defaulted borrowers. According to HUD officials, action on the GAO recommendations is still pending because draft regulations which address these issues have not been finalized. The expected completion date is June 1984.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD's Loan Servicing Contracts for Multifamily Mortgages Need Better Management
(RCED-83-78, 3-14-83)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Executive Order 12352. OMB Circular A-76.

In response to a congressional request, GAO evaluated the Department of Housing and Urban Development's (HUD) reply to formal congressional questions concerning the HUD Region III contract and the proposed nationwide contract with the private sector for loan services. HUD plans to utilize the private sector contract to improve the servicing of HUD-held mortgages resulting in increased revenues from the collection of outstanding debt.

Findings/Conclusions: GAO found that, since HUD has limited data on its own past performance and costs in collecting debts, it has had difficulty in establishing a basis for comparing the Region III contractor's work against its own. To help monitor performance, HUD plans to develop an automated system for comparing its performance with the contractor's performance. Regarding the monitoring of the Region III contractor's work, HUD had not made the required quarterly visits to the contractor's site to evaluate its performance. Furthermore, GAO stated that the initial provisions of the Region III contract governing the contractor's basic payment fee were neither clearly spelled out nor fully understood by HUD officials. GAO concluded that the HUD response to the questions was incomplete, its procurement practices for the Region III contract deficient in several respects, and some of the problems identified with the Region III contract may apply to the nationwide contract.

Recommendations to Agencies: The Secretary of HUD should direct that the basis used in reevaluating the contractor's fee for the Region III contract and in evaluating the variables that will impact on assigning a value to the escrow funds for negotiating the fee for the nationwide contract be fully supported and documented in the contract files.
Status: Action in process.

The Secretary of HUD should direct that HUD develop a cost-effective system(s) for comparing HUD and contractor performance and for reporting on debt collection activities. To assist in ensuring the system(s) represent a sound and consistent basis for reporting and that the costs of the system(s) do not exceed the anticipated benefits, the Department should utilize the expertise of its Policy Development and Research staff.
Status: Action in process.

The Secretary of HUD should direct that the onsite monitoring visits by HUD be conducted as required and that the report on the results of the visits be provided to the contractor in a timely manner.
Status: Action completed.

The Secretary of HUD should direct that the Region III contract be further modified to make clear the payment provisions regarding partial payments, bringing delinquencies current resulting from a series of no monthly payments, carrying credits resulting from overpayments to subsequent months, and how fees will be computed for lump-sum payments collected through workout agreements. Also, similar steps for the proposed nationwide contract should be taken if HUD decides to retain the Region III payment provisions.
Status: Action in process.

The Secretary of HUD should direct that contractor recommendations for workout agreements and foreclosure actions be closely monitored. To assist in strengthening HUD approval of contractor recommendations, HUD should implement the recommendations in the Office of Inspector General's report of October 20, 1982, and take the action outlined in the June 18, 1982, policy memorandum for designating staff in each office to become proficient in areas of workout and modification analysis.
Status: Action completed.

The Secretary of HUD should direct that the responsibility for the contract administration for loan servicing and accounting contracts for HUD-held multifamily mortgages be given to the Office of Procurement and contracts under the Assistant Secretary for Administration.
Status: Recommendation no longer valid/action not intended. *Although HUD has adopted this recommendation for future procurements, HUD believes that the subject procurement, because of its technical nature, should be retained by the Office of Housing rather than that of Administration.*

The Secretary of HUD should direct that a detailed evaluation be performed of the many variables that impact on assigning a value to the escrow funds for negotiating a fee for the nationwide contract.
Status: Action in process.

The Secretary of HUD should direct that the Region III contractor's fee be reevaluated on its anniversary in accordance with the prospective price redetermination clause of the contract.
Status: Action in process.

Agency Comments/Action

HUD agreed with most of the recommendations except for the recommendation that responsibility for contract administration be given to the Office of Procurement and Contracts under the Assistant Secretary for Administration. Although HUD said that a procurement charter, effected March 30, 1983, satisfies the recommendation by placing future procurements with the Assistant Secretary for Administration, it felt that the technical nature of this procurement requires that HUD administer the contracts. Specifically, HUD agreed to: (1) reevaluate the Region III contractor's fee on the anniversary date of the contract; (2) perform a detailed evaluation for valuing the escrow funds for negotiating a fee for the nationwide contract; (3) document its

contract files to show the basis it uses for negotiating the contractor's fees; (4) conduct monitoring visits as required and provide the results to the contractor on a timely basis; and (5) monitor contractor workout agreements and modifications. HUD has initiated actions which should satisfy most of the GAO recommendations once the nationwide contract is executed. HUD anticipates execution of the nationwide contract in May 1984.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Rental Rehabilitation With Limited Federal Involvement: Who Is Doing It? At What Cost? Who Benefits?
(RCED-83-148, 7-11-83)

Budget Function: Commerce and Housing Credit (370.0)
Legislative Authority: Housing and Community Development Act of 1974 (P.L. 93-383). S. 1338 (98th Cong.).

In response to a congressional request, GAO reviewed rental housing rehabilitation activities funded by the Community Development Block Grant (CDBG) Program.

Findings/Conclusions: GAO assessed the rental rehabilitation programs in 73 communities across the Nation which managed CDBG programs during the past 3 years. GAO found that: (1) few communities have had recent experience in designing, implementing, or evaluating rental rehabilitation programs; (2) rehabilitation costs averaged about $7,000 per unit and frequently included improvements beyond those needed to eliminate housing deficiencies; (3) subsidies may have been greater than necessary because localities did not tailor finance methods to the projects' situations; and (4) localities often did not know whether lower income households were being assisted or displaced by rehabilitation because data were not kept. GAO concluded that, under the present CDBG Program, the potential for the displacement of lower income households and the targeting of rental rehabilitation programs to benefit the poor is strong.

Recommendations to Congress: The Senate Committee on Banking, Housing, and Urban Affairs should consider the option of including explicit cost controls such as placing an overall dollar limit on the per-unit rehabilitation funding provided by the program.
Status: Action completed.

The Senate Committee on Banking, Housing, and Urban Affairs should consider the option of including explicit cost controls such as limiting Federal rehabilitation expenditures generally to those necessary to correct substandard conditions or repair major systems in danger of failure, thus extending the useful life of housing units.
Status: Action completed.

The Senate Committee on Banking, Housing, and Urban Affairs should consider the option of including explicit cost controls such as requiring communities to enter into agreements with landlords restraining rents in subsidized units for some period of time to the lower of: (1) rents affordable by the program's lower income beneficiaries (without additional rent subsidies), or (2) rents necessary to cover increases in debt service and owner equity.
Status: Recommendation no longer valid/action not intended. *Action is not expected on this recommendation.*

The Senate Committee on Banking, Housing, and Urban Affairs, to facilitate national oversight of any new rental housing grant program, should consider requiring communities to have project owners provide standardized income and other demographic information annually to the local administering government on each household residing in an assisted housing unit so that the results can be aggregated at the national level, or make some alternative provision for collecting this information.
Status: Action completed.

The Senate Committee on Banking, Housing, and Urban Affairs, to facilitate national oversight of any new rental housing grant program, should consider requiring each participating local government to submit annual reports to the Department of Housing and Urban Development showing what it has accomplished during the fiscal year.
Status: Action completed.

The Senate Committee on Banking, Housing, and Urban Affairs, to facilitate national oversight of any new rental housing grant program, should consider requiring the Department of Housing and Urban Development to report to Congress on a periodic basis as to the overall progress of the program and certain minimum reporting requirements should include consolidated, verified information from all local governments on costs, services delivered, and program beneficiaries.
Status: Action completed.

The Senate Committee on Banking, Housing, and Urban Affairs, to facilitate national oversight of any new rental housing grant program, should consider explicitly defining the intended program beneficiaries and the extent to which rehabilitated units must be occupied by those beneficiaries.
Status: Action completed.

Recommendations to Agencies: The Secretary of Housing and Urban Development should explore requiring communities to evaluate their CDBG rental rehabilitation program in terms of cost effectiveness, tenant benefits, and displacement of lower income households.
Status: No action initiated. Date action planned not known.

The Secretary of Housing and Urban Development should explore requiring communities to have project owners provide standardized income and other demographic information annually to the local administering government on each household residing in a CDBG-assisted housing unit so that the results can be aggregated at the national level, or make some alternative provision for collecting this information.
Status: Action in process.

Agency Comments/Action

HUD is in the process of implementing regulations that would require communities to have project owners provide standardized income and other demographic information annually to the local administering government on each household residing in a CDBG assisted housing unit. Congress strengthened evaluation requirements in 1983 but the agencies' implementation has not been completed.

DEPARTMENT OF JUSTICE

Stronger Crackdown Needed on Clandestine Laboratories Manufacturing Dangerous Drugs (GGD-82-6, 11-6-81)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Controlled Substances Act (21 U.S.C. 801 et seq.). Psychotropic Substances Act of 1978 (P.L. 95-633).

GAO assessed whether the Federal Government is mounting an effective attack on illicitly manufactured dangerous drugs and whether current legal sanctions pose a reasonable degree of risk to dangerous drug traffickers.

Findings/Conclusions: In spite of concerted efforts by a few Drug Enforcement Administration (DEA) field offices which have produced an impressive increase in the number of clandestine laboratory seizures, clandestine laboratories continue to flourish. The battle against illegal laboratory operations is falling behind because: (1) the Federal strategy of achieving the highest possible level of risk for drug trafficking through appropriate sentencing has not been achieved; (2) DEA devotes more resources to investigating traffickers in cocaine and, in some cases, cannabis, both lower priority drugs, than to investigating traffickers in dangerous drugs, even though dangerous drugs have the second highest enforcement priority, surpassed only by heroin; and (3) DEA is not fully using and developing the precursor liaison program which is the most important tool available for detecting and suppressing clandestine laboratories. Additional resources would help DEA deal with the dangerous drugs problem. But, given present economic conditions, a significant increase in resources is unlikely. Nevertheless, it is important that a more effective attack be mounted against clandestine laboratories because their product is deadly, and the laboratory drugs, unlike heroin, which is imported, have a domestic source. A strong domestic drug law enforcement program is essential in order for the United States to convince other nations of its commitment to control drug abuse and achieve international cooperation in drug control.

Recommendations to Congress: Congress should amend the Controlled Substances Act to increase the maximum penalties for trafficking in all Schedules I and II nonnarcotic drugs, including phencyclidine, to equal the maximum penalties for trafficking in Schedules I and II narcotic drugs.
Status: Action in process.

Recommendations to Agencies: The Attorney General should direct the Administrator of the Drug Enforcement Administration (DEA) to analyze field offices' use of investigative resources that deviate from the high enforcement priority ranking assigned to dangerous drugs and, where deviations are not justified, formulate plans to allocate investigative resources commensurate with the severity of the problem.
Status: Action completed.

The Attorney General should direct the Administrator of DEA to direct field offices to comply with the requirements of the precursor liaison program and to establish procedures to be followed by DEA headquarters staff in monitoring field offices' compliance with such requirements.
Status: Action completed.

The Attorney General should direct the Administrator of DEA to carry out the current plans to implement the precursor chemical information system developed by the DEA Offices of Enforcement and Intelligence in 1979.
Status: Action completed.

Agency Comments/Action

The agency concurred with, and has taken action to address, all the recommendations in the report. Specifically, the agency has implemented a new, more specific form of planning which should enhance its ability to track deviations of investigative resources from agency priorities. It has reorganized its organizational structure enabling better compliance with precision liaison program requirements. It has also contacted GSA in an effort to expedite implementation of the precursor chemical information system.

DEPARTMENT OF JUSTICE

Stronger Federal Effort Needed in Fight Against Organized Crime
(GGD-82-2, 12-7-81)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Organized Crime Control Act of 1970 (P.L. 91-452). RICO (Racketeer Influenced and Corrupt Organization) Act (18 U.S.C. 1961 et seq.). Tax Reform Act of 1976. United States v. Thevis, 474 F. Supp. 134, (N.D.GA. 1979). United States v. Mannion, 79 Cr. 744, (S.D.N.Y. 1980).

Organized crime derives billions of dollars in illegal income annually from its activities. It is costing the Government approximately $100 million a year to fight organized crime. The strike force program was designed to focus an experienced and coordinated Federal enforcement and prosecutive attack against this major national problem. GAO was requested to evaluate Justice's role in impeding, restricting, and combating organized crime activities and to conduct a followup of a prior GAO report dealing with organized crime strike forces.

Findings/Conclusions: GAO found that efforts made on the part of the Department of Justice to better plan, organize, and direct the Federal effort against organized crime have led to strike forces successfully obtaining indictments against and prosecuting high level organized crime figures. The establishment of the National Organized Crime Planning Council to coordinate efforts against organized crime, the setting of broad priorities and targets, the use of case initiation reports and efforts to develop an evaluation system are steps in the right direction. Justice must do more to improve the focus and direction of the program by establishing executive committees in each strike force. Law enforcement agencies must be brought into the activities to develop specific priorities and targets to break up organized crime. GAO found that the full potential of the Racketeer Influenced and Corrupt Organization Act (RICO) statute in the fight against organized crime has not been realized. While the statute has been used to obtain significant sentences for some convicted defendants, there have been few asset forfeitures in organized crime cases. RICO does not adequately introduce concepts not commonly used in criminal law. What has emerged are a variety of interpretations and tests which are sometimes inconsistent among jurisdictions. The final outcomes of Federal efforts against organized crime are the indictment, conviction, and imprisonment of organized crime figures. The Federal goal of disrupting organized crime will be difficult to accomplish under current sentencing patterns.

Recommendations to Congress: Congress should make explicit provision for the forfeiture of any profits and proceeds that are: (1) acquired, derived, used, or maintained in violation of the RICO Act; or (2) acquired or derived as a result of a RICO violation.
Status: Action in process.

Congress should clarify that interests forfeitable under the RICO Act include assets illicitly derived, maintained, or acquired that are held or owned in an individual capacity by a member of a de facto association or enterprise convicted of violating the RICO statute.
Status: Action in process.

Congress should authorize forfeiture of substitute assets but only to the extent that assets forfeitable under the RICO Act: (1) cannot be located; (2) have been transferred, sold to, or deposited with third parties; or (3) placed beyond the general territorial jurisdiction of the United States. This authorization would be limited to the values of the assets described.
Status: Action in process.

Congress should make legislative changes to improve the use of the Tax Reform Act of 1976.
Status: Action in process.

Recommendations to Agencies: The Attorney General should establish an executive committee in each strike force.
Status: Recommendation no longer valid/action not intended. *The Attorney General has required establishment of Law Enforcement Coordinating Committees to assemble all law enforcement resources including Strike Forces, Federal investigative agencies, and State and local entities to assess local law enforcement needs and implementation of a comprehensive district plan best utilizing Federal resources.*

The Attorney General should ensure that all Federal law enforcement agencies participating in the program to fight organized crime actively participate in the functions of the executive committees.
Status: Recommendation no longer valid/action not intended. *The Attorney General has decided to establish Law Enforcement Coordinating Committees in each district, chaired by the U.S. Attorney. This will bring together all law enforcement resources including Strike Forces, Federal investigative units, and State and local entities and will provide a basis for coordination of resources in the district.*

The Attorney General should require that all cases not involving organized crime figures or utilization of extensive investigative resources be transferred to U.S. Attorney's Offices for prosecution rather than using the limited resources of the strike forces to prosecute these cases.
Status: Recommendation no longer valid/action not intended. *The agency strongly disagrees with the recommendation although GAO believes it to be appropriate.*

The Attorney General should emphasize that case initiation reports be prepared for all organized crime cases. This will provide a means to ensure that: (1) strike forces' resources are applied only to cases involving organized crime figures or utilization of extensive investigative resources; and (2) cases transferred to U.S. Attorney's Offices when appropriate.
Status: Action completed.

The Attorney General should ensure that an evaluation system is developed that will measure the performance and accomplishments of the strike forces so that management improvements can be made where appropriate.
Status: Action in process.

Agency Comments/Action

Justice agreed that there is room for improvement in the Federal program against organized crime. It concurred with many of the report's suggestions and has already taken steps to implement several of the necessary changes. It concurred with the GAO legislative recommendations and agreed that such changes would assist it in fighting organized crime. Justice has revised its case initiation reporting system. This will accomplish the recommendations. Justice believes in the need to evaluate the success or failure of the program and is in the process of taking a variety of actions to accomplish the recommendations. It did not agree to reestablish executive committees, but has taken action to establish law enforcement coordinating committees. It did not believe that any more cases could be processed that are presently being transferred from strike forces to U.S. Attorneys' offices. GAO does not agree with this position. Congressional bills have been introduced on several occasions but no final action has been taken by Congress.

DEPARTMENT OF JUSTICE

Major System Acquisition Management in the Department of Justice
(GGD-82-18, 12-29-81)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: OMB Circular A-109.

GAO reviewed the Department of Justice's progress in implementing Office of Management and Budget (OMB) Circular A-109 to manage major system acquisitions. Circular A-109 supplies a framework of flexible management policies that can be applied to all systems, ranging from defense weapons to electronic data processing. Under the guidelines of A-109, each agency must: (1) define the need in terms of its mission; (2) reconcile needs and goals with agency capabilities; (3) evaluate industry's competitive efforts to develop alternative designs; and (4) choose the best alternative on the basis of demonstrated performance and price commitments. Emphasis is on mission-oriented planning, high visibility, strong program management, and reliance on private industry for alternative system designs.

Findings/Conclusions: GAO found that Justice has not established an adequate foundation for implementing Circular A-109. Justice has not issued an implementing directive, provided any training, or designated any programs as major system acquisitions. A directive implementing Circular A-109 in Justice is needed. In addition, the responsibility for implementing and monitoring A-109 is not clearly placed within Justice. This responsibility should lie within an office which deals with planning and policy. The acquisition executive should make sure that the delegated responsibility is clear and is focused on an individual office which has Justice-wide oversight of planned major system acquisitions. Justice has not designated any acquisition programs as A-109 programs. However, most electronic data processing programs meet the cost criterion to be so designated. GAO believes that more effort is needed to identify potential major system acquisition programs.

Recommendations to Agencies: The Assistant Attorney General for Administration should place the responsibility for implementing and monitoring A-109 in an appropriate office in the Justice Management Division and designate a focal point of responsibility for monitoring A-109 implementation in each of the larger organizational components.
Status: Action in process.

The Assistant Attorney General for Administration should issue a department-wide directive covering policies, procedures, and guidelines to be followed in A-109 implementation.
Status: Action in process.

The Assistant Attorney General for Administration should provide training in major system acquisition management through either Department of Justice training programs or Federal Acquisition Institute programs.
Status: Action in process.

Agency Comments/Action

The agency will implement all of the recommendations by developing and issuing a department-wide directive on OMB Circular A-109 related activities (major systems acquisitions). The agency completed its informal review process and received comments from various bureaus in November 1982. The new directive is ready but is being held awaiting an OMB modification of the A-109 Circular. The modification is not expected before March 1984. The Department of Justice will modify its A-109 directive according to the OMB changes before it is issued.

DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

Improved Prison Work Programs Will Benefit Correctional Institutions and Inmates
(GGD-82-37, 6-29-82)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)
Legislative Authority: Justice System Improvement Act of 1979 (P.L. 96-157; 93 Stat. 1167; 93 Stat. 1215). Department of Justice Appropriation Authorization Act, Fiscal Year 1979 (P.L. 95-624; 92 Stat. 3464). 18 U.S.C. 4121 et seq.

Federal and State correctional institutions operate institutional work programs and industrial work programs to reduce idleness, to provide inmates with marketable job skills and meaningful work experience, and to reduce correctional costs. GAO reviewed these programs to: (1) determine how well these goals are being achieved in Federal prisons, and (2) evaluate Federal efforts to help the States improve the operation of their prison work programs.

Findings/Conclusions: Institutional work is important for the day-to-day operations of prisons, but the typical institutional job does little to enhance inmate work skills. Many more inmates than necessary are assigned to these tasks, which undermines the goal of reducing idleness and results in shortened work schedules and make-work projects. In contrast, the industry work programs, which provide inmates with work experience more relative to outside employment and which help reduce prison costs, were sometimes short of workers. GAO believes that many workers assigned to institutional tasks could be more appropriately employed in existing prison industries and that the industries could be expanded to absorb an even greater number of inmates. However, before this can happen, several problems must be overcome. The Bureau of Prisons does not have system-wide criteria for determining the number of workers needed to perform institutional tasks. In addition, prison industry supervisory personnel have been limited by an administrative personnel ceiling which arbitrarily restricts the number of inmates that could be employed in the industrial programs. Concerns over competition with private businesses for the Federal market also hinder expansion. Finally, the quality of the work experience could be improved. Prison industries tend to place more emphasis on teaching good work habits than on developing job skills.

Recommendations to Agencies: The Attorney General should require the Director of the Bureau of Prisons to: (1) develop inmate criteria for major institutional work programs based on inmates being involved in full-time, productive employment; (2) monitor inmate assignments to institutional work to ensure that such assignments are in accordance with staffing criteria; and (3) disseminate the results of studies on more efficient utilization of inmates in institutional work programs to all correctional institutions.
Status: Action in process.

The Board of Directors of Federal Prison Industries should work with the Attorney General and the Commissioner of Federal Prison Industries to: (1) provide guidance on the Federal product market that can appropriately be supplied by industries without overly competing with private industry; (2) develop additional incentives to attract to industries as many inmates as possible who are not required for institutional work; and (3) improve inmate training opportunities through increased emphasis on job skills relevant to those needed for employment in the private sector and by requiring inmate work schedules and productivity levels to more closely emulate those found in the private sector.
Status: Action in process.

The Board of Directors of Federal Prison Industries should work with the Attorney General and the Director of the Office of Management and Budget to remove constraints on supervisory personnel ceilings for Federal Prison Industries.
Status: Recommendation no longer valid/action not intended. *Justice has formally requested an exemption from the OMB-directed personnel ceiling for Federal Prison Industries. OMB has verbally denied Justice's request and plans to followup with a written denial.*

The Attorney General should require the Director of the National Institute of Corrections to collect and disseminate information regarding the operations of the Free Venture and Prison Industry Enhancement Programs.
Status: Recommendation no longer valid/action not intended. *Justice planned to carry out the recommendation, but budgetary constraints preclude implementation. GAO does not plan to pursue the recommendation further.*

The Attorney General should submit to Congress anticipated future plans for the Free Venture and Prison Industry Enhancement programs, including a proposed designation of agencies to administer the two programs after termination of the Law Enforcement Assistance Administration.
Status: Action in process.

Agency Comments/Action

The agency stated that it has completed or has actions underway to implement all of the recommendations except one. In this instance, the agency stated that it planned to implement the recommendation, but budgetary constraints preclude implementation. The recommendations to the Attorney General and the Board of Directors of the Federal Prison Industries characterized as having action in process have not been implemented because of the nature of the recommendations. These recommendations require establishment of procedures which take time to develop and test.

DEPARTMENT OF JUSTICE

BUREAU OF PRISONS

Community-Based Correctional Programs Could Be More Extensively Used Within the Federal Criminal Justice System
(GGD-82-69, 7-2-82)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)

GAO conducted a study of alternatives to probation and confinement in a secured institution for the rehabilitation of nonviolent offenders.

Findings/Conclusions: Traditionally, the Federal courts have used two options for sentencing offenders, probation and confinement in an institution. GAO work has shown that there is a need for an alternative that will help fill the void between these options. Federal officials have stated that some incarcerated Federal offenders could be housed in less secure settings, and several States already have such alternative sentencing programs. The Bureau of Prisons and the Federal Probation Service developed plans for a pilot project designed to meet this need, but the project was postponed because of fiscal year 1982 budget cuts. GAO believes that the decision not to go ahead with the project should be reconsidered. Since the Federal prison population has risen above capacity, and indications are that it will continue to rise, GAO believes that it would be beneficial to begin to test alternative sentencing options as soon as possible. Such an approach would enable the Bureau of Prisons to more effectively cope with its overcrowding problems. In addition, GAO discovered that the Bureau uses halfway houses to help incarcerated offenders make the transition from the institution to the community. GAO found that the Bureau could offset a larger portion of its operating costs of the program by enforcing its policy that requires halfway house residents to pay a share of their room and board costs.

Recommendations to Agencies: The Department of Justice should direct the Director of the Bureau of Prisons to reconsider the decision to postpone the alternative sentencing pilot project.

Status: Action completed.

The Bureau of Prisons should determine what action halfway houses take regarding the collection of rent from employed inmates. If the Bureau finds that unjustifiable inconsistencies still exist regarding whether inmates pay or the amount they pay, the Bureau should revise its policy and implementing instructions to ensure that charges to inmates for rent are made on an equitable basis.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Justice stated that the pilot program has been delayed because sufficient funds have not been available to fully support programs already developed. It stated that the Bureau of Prisons is exploring the feasibility of running a small pilot project in one district when the 1983 budget has been determined. With respect to the collection of rent from halfway house residents, the Bureau will make every effort to see that rent is collected from residents on an equitable basis.

DEPARTMENT OF JUSTICE

The Bureau of Prisons Can Take Certain Actions To Make Sure Its Correctional Training Is Both Relevant and Cost Effective
(GGD-82-75, 9-30-82)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)

GAO reviewed certain aspects of the Bureau of Prisons' training practices.

Findings/Conclusions: The Bureau's policy is to provide firearms training in the use of three types of weapons to virtually all of its employees. The Bureau also requires that all of its correctional officers be trained on carbine weapons, even though several of its institutions do not use them. These practices are resulting in certain individuals' receiving unnecessary training. GAO believes that consideration should be given to exempting more Bureau employees from firearms training. By changing these practices, the Bureau could make funds available for improving firearms training for employees who have the greatest potential for using weapons. Most of the Bureau employees interviewed by GAO regarding self-defense training were skeptical of their ability to use the techniques being taught. There were indications that the self-defense training may not develop proficiency. The Bureau needs to assess the results of this program so that it can determine whether changes in its content are necessary. The Bureau delivers its correctional training to new employees at a training center. GAO recognizes advantages to this approach but, because increasing transportation costs and budget restrictions might make centralized training too expensive, other approaches to providing training need to be explored.

Recommendations to Agencies: The Attorney General should require the Director of the Bureau of Prisons to provide: (1) firearms training only to those administrative/support staff who have the greatest potential for using weapons; and (2) carbine training only to those correctional staff who need it. In addition, the Director should consult with firearms experts to determine what improvements to the firearms training program are needed to enable Bureau staff to use firearms more safely and effectively.

Status: Recommendation no longer valid/action not intended. *There is a philosophical difference between the Bureau's method of providing training and the approach cited in the report. To agree with GAO, it would have to concur that its current method does not enable it to adequately train employees within existing resource constraints. Justice is not receptive to the recommendation. Consideration is being given to discussing this with cognizant committees.*

The Attorney General should require the Director of the Bureau of Prisons to determine whether employees are successfully using aikido when they are faced with dangerous situations. If employees have little confidence in aikido, the Bureau should either modify its existing program or develop some other self-defense technique.

Status: Action in process.

The Attorney General should require the Director of the Bureau of Prisons to explore alternative ways of delivering introductory correctional training so that if the cost of the current approach becomes prohibitive, a well-thought-out alternative can be adopted. One suggestion which should be given priority consideration is the elimination of centralized training for administrative/support staff.

Status: Recommendation no longer valid/action not intended. *The Bureau thinks that centralized training is valuable and does not intend to consider alternatives. GAO is considering discussing this matter with the cognizant appropriations and oversight subcommittees to obtain evidence of any interest they might have in this area.*

Agency Comments/Action

Justice disagreed with most of the issues discussed in the report. It stated that: (1) the Bureau of Prisons sees a definite need for training all new employees in the use of firearms; (2) firearms training is being adequately provided within existing timeframes; (3) aikido-based self defense training has been effective; and (4) centralized training does result in high travel costs, but the potential cost of abandoning it for fractured, inconsistent training effort would result in an even greater concern.

DEPARTMENT OF JUSTICE

Greater Oversight and Uniformity Needed in U.S. Attorneys' Prosecutive Policies
(GGD-83-11, 10-27-82)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: S. 1437 (95th Cong.). H.R. 1647 (97th Cong.). S. 1555 (97th Cong.). H. Rept. 96-1396. H.R. 6915 (96th Cong.). OMB Circular A-73.

Pursuant to a congressional request, GAO examined the Department of Justice's management of prosecutive discretion exercised by U.S. attorneys, the chief Federal prosecutors at the local level.

Findings/Conclusions: GAO found that Justice has not routinely provided close oversight of their activities, which has resulted in the establishment of differing prosecutive policies and practices throughout the U.S. Attorneys' Offices. Therefore, declination policies have been incompatible with Federal law enforcement priorities and have not been coordinated with State and local authorities. Federally declined cases have not been referred to such authorities for prosecutive decisions, and similarly situated Federal offenders have been treated inconsistently because of varying decisions on whether to prosecute, to use pretrial diversion, or to use plea agreements.

Recommendations to Agencies: The Attorney General should upgrade the capability of the Executive Office to perform systematic evaluations of the performance of U.S. Attorneys' Offices and require the Executive Office to work with the Internal Audit Staff to identify review areas where internal audits are needed to supplement management oversight of U.S. attorneys' operations.

Status: Action completed.

The Attorney General should establish reporting requirements that will provide information on the types and frequency of plea agreements and require that these data be used to monitor and periodically evaluate the use of plea agreements by U.S. attorneys.

Status: Action in process.

The Attorney General should establish more specific guidance for U.S. attorneys to follow in determining which individuals, depending on the offenses committed, are considered appropriate for pretrial diversion in order to ensure its consistent and maximum application.

Status: Action in process.

The Attorney General should require the Criminal Division to routinely monitor and evaluate the use of pretrial diversion throughout the U.S. Attorneys' Offices in order to ensure that U.S. attorneys comply with established guidelines, to identify and resolve disparities in the use of pretrial diversion, and to identify further improvements needed in the use of pretrial diversion.

Status: Recommendation no longer valid/action not intended. *Although Justice does not intend to implement this recommendation, GAO continues to believe action is needed. Without the routine evaluation of pretrial diversion, Justice will have no means of ensuring that its guidelines are implemented.*

The Attorney General should establish more specific plea agreement policies to guide U.S. attorneys regarding the types of plea agreements that can be used to ensure greater consistency in plea agreement practices and thereby minimize disparities in the types of plea agreements and concessions that are made available by Federal prosecutors to defendants.

Status: Recommendation no longer valid/action not intended. *Justice does not intend to implement detailed policies. It has pursued improvements to its management information system which it believes will enable closer monitoring of plea agreement practices. GAO believes that better data should enable Justice to monitor and achieve greater consistency in the use of plea agreements.*

The Attorney General should establish declination policies that will minimize disparities and help focus the use of Federal law enforcement resources on crimes designated as priority offenses.

Status: Recommendation no longer valid/action not intended. *Justice does not intend to implement detailed declination policies. It anticipates that the implementation of its improved management information system will enable proper oversight of declination decisions. GAO believes that improved data should enable Justice to monitor and achieve greater consistency in declination decisions.*

The Attorney General should establish requirements to provide for evaluating the operation of Federal-State Law Enforcement Coordinating Committees to ensure, among other things, that procedures are implemented so that concurrent jurisdiction cases declined for Federal prosecution are referred to State and/or local authorities.

Status: Action in process.

The Attorney General should ensure that U.S. attorneys adhere to management information reporting requirements so that caseload data will be accurate and will provide the means to monitor, assess, and revise, when necessary, the declination policies of U.S. attorneys.

Status: Action in process.

Agency Comments/Action

The agency agreed with the recommendations to improve coordination of prosecutive policies, improve management information systems, and upgrade field evaluations of U.S. Attorneys' offices. It disagreed with the recommendations to establish greater uniformity in declination and plea agreement policies because it believes that U.S. attorneys need flexibility. It stated that its improved management information system will promote consistency by pro-

viding the capability to monitor and compare criminal case dispositions among offices. GAO believes that the use of the improved management information system should achieve the objectives of its recommendations by promoting consistency in criminal case dispositions throughout U.S. attorneys' offices.

DEPARTMENT OF JUSTICE

Legislative Changes Are Needed To Handle Certain Cases Under the Federal Youth Corrections Act
(GGD-83-40, 3-9-83)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: Magistrates Act (Federal) (18 U.S.C. 3401 et seq.). Youth Correction Act (18 U.S.C. 5005 et seq.). Parole Commission and Reorganization Act. 18 U.S.C. 3651. 18 U.S.C. 4205(f).

GAO issued a report on a review of Federal parole practices to assess how well the U.S. Parole Commission carries out its activities and to determine the extent of coordination between the Parole Commission and those Federal Government components which provide information to the Commission for its use in making parole release decisions. The GAO observations in this report are based on the earlier review of federal parole practices.

Findings/Conclusions: GAO found that the 1979 amendments to the Federal Magistrates Act created disparities in the sentences that may be imposed by magistrates, compared with those of judges, under the Federal Youth Corrections Act for petty offenses and misdemeanors. Both judges and magistrates may impose a 5-year term of probation for adults. A judge can also impose a 5-year term of probation under the Federal Youth Corrections Act, but a magistrate may impose only a 6-month or 1-year term of probation for petty offenses and misdemeanors, respectively. The maximum sentences that judges and magistrates may impose on adult offenders for petty offenses and misdemeanors are 6 months and 1 year, respectively. These are the same sentences which the 1979 amendments to Federal Magistrates Act authorized magistrates to impose under the Federal Youth Corrections Act. However, the Federal Youth Corrections Act provided that a judge will impose a 6-year sentence on a youthful offender for all offenses. An additional issue that was brought to the attention of GAO was the need for judges and magistrates to have the authority to impose a split sentence involving both incarceration and probation on youthful offenders. The Parole Commission makes parole release determinations and the Federal Probation System supervises youthful offenders sentenced to incarceration by magistrates under the Federal Youth Corrections Act. However, their sentences are so short that few, if any, benefits are obtained from parole consideration or parole supervision.

Recommendations to Congress: Congress should amend the Federal Magistrates Act to remove the restriction on the term of probation that a magistrate may impose under the Federal Youth Corrections Act, 6 months for a petty offense and 1 year for a misdemeanor, to allow a magistrate to impose the same maximum period of probation that a judge can impose, 5 years.

Status: Action in process.

Congress should amend the Federal Magistrates Act to eliminate the requirements that for youthful offenders sentenced to incarceration under the Magistrates Act: (1) the Parole Commission make parole release determinations; and (2) the Federal Probation System supervise them.

Status: Action in process.

Congress should amend the Federal Youth Corrections Act to: (1) limit the period of incarceration which a judge can sentence a youthful offender for a petty offense or misdemeanor to 6 months and 1 year, respectively; and (2) authorize judges and magistrates to impose split sentences on youthful offenders.

Status: Action in process.

Agency Comments/Action

The U.S. Parole Commission, the Chairman, Committee on the Administration of the Federal Magistrates System, Judicial Conference of the United States, and the Administrative Office of the United States Courts concurred with almost all of the recommendations contained in this report. H.R. 2048, which was introduced on April 5, 1983, included a GAO proposed legislative change pertaining to the U.S. Parole Commission. These changes would: (1) enable judges and magistrates to more consistently handle cases involving youthful offenders; and (2) relieve the U.S. Parole Commission and the Federal Probation System of the responsibility for carrying out certain unproductive activities. The House and Senate Committees on the Judiciary have these matters under consideration at this time.

On February 2, 1984, the Senate passed S. 1762 which will eliminate special sentencing provisions for youth offenders. This would resolve the disparity problem between youth offenders and adults.

DEPARTMENT OF JUSTICE

Changes Needed in Witness Security Program
(GGD-83-25, 3-17-83)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Organized Crime Control Act of 1970 (P.L. 91-452). Freedom of Information Act (5 U.S.C. 552). Civil Rights Act (42 U.S.C. 1983). Judiciary Act (1 Stat. 73). Piemonte v. United States, 367 U.S. 556 (1960). Librach v. Federal Bureau of Investigation, 587 F.2d 372 (8th Cir. 1978). H.R. 6508 (97th Cong.). H.R. 7039 (97th Cong.). S. 2420 (97th Cong.). 12 Stat. 285. 1 Stat. 87.

In response to a congressional request, GAO evaluated operational aspects of the Department of Justice's Witness Security Program.

Findings/Conclusions: GAO found that procedural deficiencies had enabled relocated witnesses to avoid legal obligations to the detriment of various third parties. An internal policy directive issued in April 1982 could help to mitigate these problems. However, legislative changes are needed to enhance the rights of third parties to enforce court judgments against witnesses and establish specific criteria to guide the program. GAO also found that program operations cannot be adequately assessed because the program does not have adequate information and procedures to facilitate evaluation. GAO concluded that specific legislative criteria need to be established to guide the operation of the program. Further, considering the cost and controversial nature of the program, GAO believes that Justice should establish an information system and a mechanism to facilitate independent evaluation.

Recommendations to Congress: Congress should enact legislation that requires the Attorney General to make reasonable efforts to serve legal process, especially court judgments, on a relocated witness and, in the case of a court judgment, to advise third parties in a timely manner about the witness' intentions to comply with or otherwise respond to these judgments.

Status: Action in process.

Congress should enact legislation that requires the Attorney General to disclose, in a secure manner, the best known information on the current identity and location of a witness only after a witness is given a chance to comply with or appeal a judgment and only in circumstances when the Attorney General is unable to determine on the basis of available evidence that: (1) the disclosure could likely result in physical harm to the witness; or (2) the witness does not have the ability, financial or otherwise, to resolve the judgment.

Status: Action in process.

Congress should enact legislation to provide, upon petition of the affected third party, for Federal judicial review as to whether the disclosure decision made by the Attorney General was arbitrary and capricious, or without any reasonable factual basis.

Status: Action in process.

Congress should enact legislation to provide that any information disclosed to a third party by the Attorney General can be used only in connection with the process of seeking the legal enforcement of a court judgment and establish criminal penalties for the improper use of the this information.

Status: Action in process.

Recommendations to Agencies: The Attorney General should modify program policies and procedures to reduce the chances of third parties being harmed by the relocation of witnesses while at the same time ensuring the safety of witnesses by advising witnesses when they enter the program that they are expected to comply with court judgments directed against them or to take the necessary legal actions to resolve such disputes, otherwise their new identity and location will be disclosed to third parties who possess court judgments unless the Attorney General determines on the basis of available evidence that disclosure could be harmful to the witness' physical safety or that the witness does not have the ability, financial or otherwise, to resolve the judgment.

Status: Action in process.

The Attorney General should modify program policies and procedures to reduce the chances of third parties being harmed by the relocation of witnesses while at the same time ensuring the safety of witnesses by notifying nonrelocated parents of the pending admission of a minor child to the program and of the procedures that Justice will follow to ensure that his/her legally established parental rights may be exercised after the child enters the program.

Status: Action in process.

The Attorney General should modify program policies and procedures to reduce the chances of third parties being harmed by the relocation of witnesses while at the same time ensuring the safety of witnesses by offering all witnesses the opportunity and necessary assistance (transportation, protection, etc.) to safely go into court and litigate civil matters.

Status: Action in process.

The Attorney General should develop an information system and procedures to allow for appropriate evaluation of the program.

Status: Action in process.

Agency Comments/Action

The Department of Justice agrees with the recommendations to the Attorney General and has begun initiatives, particularly with respect to child custody and visitation matters, to meet the objectives of the recommendations. These initiatives include notifying non-relocated parents of the pending admission of a minor child to the program and assisting witnesses' efforts to litigate these matters. Justice continues to oppose the recommendation to Congress to provide third parties with the right to a judicial review of nondisclosure decisions.

Since the report was issued, two bills, H.R. 3086 and S. 1178, have been introduced addressing many of the problems that GAO identified in the report. In June 1983, GAO testified during hearings on H.R. 3086. This bill, which has been reintroduced as H.R. 4249, has been reported to the House Committee on the Judiciary while S. 1178 has been resubmitted as a portion of an overall crime package, S. 1762, being considered by the Senate Committee.

DEPARTMENT OF LABOR

Service Contract Act Should Not Apply to Service Employees of ADP and High-Technology Companies
(HRD-80-102, 9-16-80)

Budget Function: Education, Training, Employment, and Social Services: Other Labor Services (505.0)
Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Walsh-Healey Act (Government Contracts) (41 U.S.C. 35 et seq.). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Davis-Bacon Act (Wage Rates). Communications Act of 1934. Classification Act (5 U.S.C. 5102(c)(7)). Truth in Negotiations Act (Military Procurement) (P.L. 87-653). 29 C.F.R. 4.132. 29 C.F.R. 4.141. 29 C.F.R. 541. P.L. 91-379. 5 U.S.C. 1082(7).

The Service Contract Act of 1965 protects workers' wages on Federal contracts when the contracts' principal purpose is to provide services in the United States using service employees. Minimum wages and fringe benefits must be based on rates that the Secretary of Labor determines as prevailing for service employees in the locality. The Department of Labor notified the General Services Administration (GSA) that the maintenance and repair services specifications of all Federal contracts for the purchase or rental of supplies or equipment were subject to the act. Soon thereafter, several major automatic data processing (ADP) and other equipment manufacturers announced their refusal to accept any Government contract subject to the act. Labor later issued an interim, nationwide wage determination covering ADP maintenance and repair services which accepted currently paid wages and fringe benefits as prevailing for such services. Nevertheless, major ADP and other equipment manufacturers continued to reject Government contracts subject to the act. Labor then developed a proposed average entrance-level wage rate that could be paid to the industry's service technicians subject to the Act. Labor's attorneys raised serious legal and policy questions concerning use of a nationwide entrance-level wage rate, thus Labor shelved the rate and issued wage determinations that extend and expand the interim determination, while Labor officials continue to study the matter.

Findings/Conclusions: Labor's decision could seriously affect maintenance and repair of the Government's computers, many of which are critical to national defense and security. GAO believes Labor's position is not supported by the act's language and legislative history, Labor's regulations, or its administrative manual. The act was not intended to cover maintenance services related to commercial products acquired by the Government. ADP, high-technology, and other commercial product-support service contracts, where Government sales represent a relatively small portion of a company's total sales, do not have the same characteristics or incentives for contractors to deliberately pay low wages to successfully bid on Government contracts. The industries' argument, that the act's application to such services is not needed, has merit. Industry compliance would be counterproductive and costly. The administrative burdens and operating costs of each corporation would be increased. Merit pay systems and staff assignment practices would be disrupted. The application of the act could also have an inflationary impact on the industries' wage rates.

Recommendations to Congress: Congress should amend the Service Contract Act to make it clear that the act excludes coverage for ADP and other high-technology commercial product-support services, that is services the Government procures based on established market prices of commercial services sold in substantial quantities to the public.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: Pending such action by Congress, the Secretary of Labor should temporarily exempt from the act's coverage certain contracts and contract specifications for ADP and other high-technology commercial product-support services.

Status: Action in process.

Agency Comments/Action

In its December 31, 1980 section 236 response, Labor totally rejected the report, taking exception to the findings, conclusions, and recommendations; it charged that the report contained material errors of fact and law. Because of the totality of Labor's rejection, GAO issued a supplemental report (HRD-82-102A, March 25, 1981), refuting the adverse comments and stating its continued belief that actions are fully justified and needed to permanently exclude Federal contracts, for ADP and other high-technology commercial product-support services, from the act's coverage. In October 1983, Labor, under the new administration, issued revised Service Contract Act regulations, including an administrative exemption from the act to ADP and other high-technology, commercial product-support service contracts. The regulations were to take effect on December 27, 1983. But, on December 2, the AFL-CIO filed suit to prohibit Labor from implementing the regulations, and Labor postponed the effective date of the regulations to January 27, 1984. On January 27, a district court upheld Labor's proposed changes, but the AFL-CIO immediately appealed the decision. As of February 15, 1984, the U.S. Court of Appeals had not ruled on the appeal, and Labor has not issued the revised regulations. Although Labor's proposed changes are far short of congressional action to amend the act, the first option, Labor regulations should temporarily correct the problem GAO identified and, if properly implemented, should result in significant savings on the Government's service contract costs.

DEPARTMENT OF LABOR

Department of Labor Has Failed To Take the Lead in Promoting Private Sector Productivity
(AFMD-81-10, 12-4-80)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Labor Management Cooperation Act of 1978. Comprehensive Employment and Training Act of 1973. Executive Order 12089.

Productivity improvement is a critical factor underlying economic growth and prosperity. The National Productivity Council is directed to act as a focal point in the executive branch for efforts to improve productivity in the private and public sectors of the economy. The Department of Labor has been directed to provide Federal leadership in productivity growth through improvement and innovative utilization of employee skills and capabilities, protection and improvement of the quality of working life in conjunction with productivity improvement, and labor-management cooperation in productivity growth.

Findings/Conclusions: GAO found that the Department of Labor has done very little to fulfill this leadership mandate, because of the low priority which it assigned to this responsibility. Its existing, legislatively mandated programs do not have a direct focus on productivity and it has developed no new programs in response to the President's directive. Labor's failure to respond to the President's directive and provide leadership has hampered Federal efforts to improve private sector productivity. Because there are no funds in Labor's annual appropriation specifically earmarked for implementation of improvement of productivity, Labor must use general funds from other programs for this program.

Recommendations to Congress: Congress should enact the following provisions into law. The Secretary of Labor shall establish an organizational unit at the Assistant Secretary level to serve as a focal point for Federal efforts to increase productivity within the private sector through more effective use of human resources, while at the same time protecting and promoting the economic and social well-being of workers. The organizational unit will: (1) develop, monitor, and update a Department-wide human resource productivity plan; (2) coordinate productivity programs within the Department and among departments and agencies with human resources productivity programs; (3) monitor and evaluate the productivity impact of Department of Labor programs; (4) provide liaison with the private sector organizations concerned with human resources productivity; and (5) support research, information dissemination, and technical and financial assistance for private sector efforts to enhance human resources productivity.

Status: Recommendation no longer valid/action not intended. *Congressional interests do not intend to introduce legislation on this matter.*

Recommendations to Agencies: The Secretary of Labor should assign specific leadership responsibilities to agencies within the Department.

Status: Action in process.

The Secretary of Labor should establish an ad hoc group within the Department to: (1) assess program needs; (2) consult with business, labor, and academic leaders to determine appropriate actions for the Department to take to improve productivity; (3) define program goals and objectives, plan implementation; and (4) recommend organizational changes for the Department.

Status: Action completed.

The Secretary of Labor should create a focal point at the Assistant Secretary level to prepare specific program goals and objectives, to coordinate and monitor the Department's programs, and to coordinate programs with other agencies.

Status: Action completed.

Agency Comments/Action

Labor concurred with the GAO recommendations to the Secretary of Labor, but took no action to implement them. It maintained that it had addressed its assigned responsibilities under the memorandum implementing Executive Order 12089. Labor stated that assignments had been carried out and that it was fulfilling its productivity leadership mandate through existing programs. Labor has assigned specific leadership responsibilities to one agency in the Department. Extension of authority to provide leadership outside the Labor-Management Services Administration is under consideration.

DEPARTMENT OF LABOR

Weak Internal Controls Make the Department of Labor and Selected CETA Grantees Vulnerable to Fraud, Waste, and Abuse
(AFMD-81-46, 3-27-81)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: Budget and Accounting Procedures Act of 1950. Comprehensive Employment and Training Act of 1973. Comprehensive Employment and Training Act Amendments of 1978. H.R. 350 (97th Cong.). H.R. 1526 (97th Cong.). 7 GAO 24.1. 7 GAO 25.6. 7 GAO 27.6.

GAO reviewed activities in the Department of Labor and selected Comprehensive Employment and Training Act (CETA) grantees to determine: (1) whether Labor had a system of internal controls to protect adequately against fraud, waste, and abuse; and (2) how grantees of the CETA program protect against improper use of Federal funds and assets.

Findings/Conclusions: Internal controls over disbursements, receipts, and property management at Labor headquarters and four regional offices are not adequate to protect Federal funds and assets. The result is fraud and abuse of Federal funds at Labor headquarters, some regional offices, and selected CETA grantees. Labor officials have not sufficiently monitored CETA grantee programs and activities in terms of: (1) verifying internal controls; (2) ensuring that required audits are performed; and (3) ensuring that funds disbursed to grantees were spent in accordance with CETA legislation. Labor has initiated several efforts intended to improve its internal controls and visibility over grantee activities. When fully implemented, these actions should improve controls over receipts and disbursements. Although these actions should result in a more effective CETA program, further improvements are still needed.

Recommendations to Agencies: The Secretary of Labor should require regional offices to establish and/or effectively implement controls over separation of duties for those employees handling Comprehensive Employment and Training Act cash receipts from prime sponsors.

Status: Action completed.

The Secretary of Labor should require the Department to seek competitive bids on proposed procurements and to evaluate the results of a contractor's ongoing performance before granting additional funding.
Status: Action completed.

The Secretary of Labor should require Labor headquarters, regional offices, and all grantees to thoroughly review vendor-submitted invoices and compare them with supporting documentation to determine whether they are legitimate or have already been paid.
Status: Recommendation no longer valid/action not intended. *The CETA program ended October 1, 1983, therefore, the recommendations concerning it are no longer valid.*

The Secretary of Labor should require that the payroll system include data on employees' outstanding travel advances so advances can be liquidated promptly through deduction from wages.
Status: Recommendation no longer valid/action not intended. *The Office of the Inspector General is performing a review of this area.*

The Secretary of Labor should more aggressively impose sanctions upon grantees who have not corrected previously known management and internal control deficiencies.

Status: Action completed.

The Secretary of Labor should require Labor's Comptroller to write and implement procedures governing the operation and maintenance of imprest funds and require periodic surprise audits of these funds.

Status: Action completed.

The Secretary of Labor should require the Inspector General's office to examine the automated procurement system and, after it is fully operational, determine whether controls built into the system are adequate to protect against payment of duplicate invoices.

Status: Action in process.

The Secretary of Labor should require the Department's payment services group to review disbursements to vendors who have previously received duplicate payments to determine whether more have occurred and, if so, take steps immediately to collect these duplicate payments.
Status: Action completed.

The Secretary of Labor should require the Department's Comptroller to implement consistently the employee termination procedure so that the office responsible for controlling travel advances must indicate whether a departing employee has an outstanding advance.
Status: Action completed.

The Secretary of Labor should require the Office of the Inspector General to audit the regular and supplemental payroll systems to ensure that improvements have been made and to determine whether they provide adequate controls over payroll disbursements.
Status: Action in process.

The Secretary of Labor should require the Office of the Inspector General to conduct reviews of prime sponsor independent monitoring units to ensure that: (1) Employment and Training Administration regulations are followed; and (2) they are properly staffed with personnel skilled in evaluating internal controls.
Status: Recommendation no longer valid/action not intended. *The CETA program ended on October 1, 1983, therefore, the recommendations concerning it are no longer valid.*

The Secretary of Labor should require headquarters and regional office property staff to: (1) promptly enter newly purchased property into inventory records and into the general ledger system and to reconcile the records periodically; (2) take regular physical inventories; (3) segregate duties to provide adequate checks and balances; and (4) attend training courses that will increase their understanding of sound controls over property.

Status: Action in process.

The Secretary of Labor should require headquarters and regional office staff to ensure that audits of subgrantees are performed when required and that they include an evaluation of internal controls.

Status: Recommendation no longer valid/action not intended. *The CETA program ended on October 1, 1983, therefore, the recommendations concerning it are no longer applicable.*

The Secretary of Labor should require the Office of the Inspector General to determine the amount of resources necessary to perform needed audits as soon as the Department's responsibility under the single audit concept becomes clear. Resources should include the Labor audit staff and the funds necessary to engage independent public accountants and State or local government auditors.

Status: Action completed.

The Secretary of Labor should require headquarters and regional office staff and prime sponsors to aggressively enforce existing requirements that cash collections be safeguarded, recorded, and promptly deposited upon receipt.

Status: Recommendation no longer valid/action not intended. *The CETA program ended October 1, 1983, therefore, the recommendations concerning it are no longer applicable.*

Agency Comments/Action

The Department of Labor concurred with all but one of the recommendations in this report. While Labor has completed action on several of these recommendations and others are no longer applicable since CETA no longer exists, the Office of the Inspector General is still concerned with cash management at Labor, particularly over grant funds. Therefore, since the Inspector General feels that there may still be a problem in this area, he plans to reexamine grant payments and refunds in the JTPA program. This review will be conducted once JTPA is fully operational.

DEPARTMENT OF LABOR

Changes Needed To Deter Violations of Fair Labor Standards Act
(HRD-81-60, 5-28-81)

Budget Function: Education, Training, Employment, and Social Services: Other Labor Services (505.0)
Legislative Authority: Fair Labor Standards Act of 1938. Administrative Procedure Act. Portal-to-Portal Act of 1947 (29 U.S.C. 255). S. Rept. 93-300.

The Fair Labor Standards Act (FLSA) sets standards for recordkeeping, minimum wage, overtime pay, and other protections for workers in establishments engaged in interstate and foreign commerce. Noncompliance with the Act can severely harm low-wage workers.

Findings/Conclusions: While the Act does protect employee wages when employers voluntarily comply, there are insufficient deterrents to discourage employers from violating the Act. Administrative and statutory limitations can prevent the Department of Labor from fully recovering wages illegally withheld. GAO found extensive recordkeeping violations. However, there are no civil penalties for recordkeeping violations and, while criminal penalties exist, they are not used. There are also no civil money penalties for violating minimum wage and overtime violations. Although criminal and liquidated damage penalties exist for willful violations, they have not been used extensively. Many employers appear to have willfully violated the Act. Labor officials rarely seek criminal sanctions because the Department of Justice is hesitant to prosecute them, and filing criminal suits reduces Labor's ability to recover employee back wages. Regional solicitors have seldom sought liquidated damage penalties against willful violators. As a result, habitual or flagrant violators receive no harsher treatment than do employers who inadvertently violate the Act. The statute of limitations restricts an employer's obligation to repay employees back wages in such a manner that back wages are lost. Several administrative practices followed by Labor also limit the back wages that employees eventually recover.

Recommendations to Congress: Congress should amend FLSA to eliminate the section 16(c) liquidated damage provision of the Act and, in its place, give Labor authority to assess civil money penalties large enough to deter minimum wage and overtime violations. The legislation should provide for an administrative system for adjudicating cases when employers appeal Labor's actions.

Status: Recommendation no longer valid/action not intended. *A followup review by GAO is being done on this work.*

Congress should amend FLSA to authorize Labor to formally assess a violation as well as the amount of illegally withheld back wages due, including interest.

Status: No action initiated. Date action planned not known.

Congress should amend section 6 of the Portal-to-Portal Pay Act of 1947 so that the statute of limitations tolls when an FLSA violation is formally assessed by Labor.

Status: No action initiated. Date action planned not known.

Congress should amend FLSA to give Labor the authority to assess civil money penalties large enough to deter recordkeeping violations. The legislation should provide for a formal administrative process to adjudicate cases when employers appeal Labor's assessments.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of Labor should issue instructions requiring compliance officers to compute the third year's back wages in willful violation cases.

Status: No action initiated. Date action planned not known.

The Secretary of Labor should reinvestigate firms before settling cases referred to the regional solicitor's offices to assure that employers have come into compliance and to calculate any additional back wages owed to employees.

Status: No action initiated. Date action planned not known.

The Secretary of Labor should establish a program to systematically monitor firms found in violation of the Act. All firms considered likely to again violate the Act, and a sample of other firms that have violated the Act should be reinvestigated within the 3-year statute of limitations period to assure that employers do not profit from continuing violations and that illegally withheld employee back wages are fully restored.

Status: No action initiated. Date action planned not known.

The Secretary of Labor should make more use of FLSA criminal sanctions for willful minimum wage and overtime violations, after consulting with Justice officials to coordinate criminal and civil litigation strategies.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

In the 97th Congress, a bill, H.R. 6103, which addressed most of the GAO recommendations, was favorably reported by the House Committee on Education and Labor in September 1982. But, the 97th Congress did not pass the legislation. A GAO followup review during 1983 revealed that Labor also submitted legislative proposals, addressing some of the GAO recommendations, to OMB, but OMB did not submit them to Congress. In addition, although Labor officials generally concurred with most of the recommendations to the Secretary of Labor, the GAO review disclosed that Labor has not acted on them primarily because of a lack of resources and staff. GAO will cover these matters in a followup report it plans to issue in 1984.

DEPARTMENT OF LABOR

Legislation Authorized Benefits Without Adequate Evidence of Black Lung or Disability
(HRD-82-26, 1-19-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Coal Mine Health and Safety Act of 1969 (Federal). Black Lung Benefits Revenue Act of 1977. Black Lung Benefits Reform Act of 1977. Employees' Compensation Act (Injuries) (5 U.S.C. 8101). 20 C.F.R. 718.

GAO was asked to identify whether legislative changes are needed to ensure that black lung benefits are awarded only to miners totally disabled by black lung or to their survivors.

Findings/Conclusions: In December 1981, Congress passed amendments to the Black Lung Benefits Act which should result in the provision of better evidence to support the approval of future black lung benefit claims. GAO found that, for most approved black lung claims, the medical evidence was not adequate to establish disability or death from black lung. However, the approval of the claims was consistent with the Federal Coal Mine Health and Safety Act. The Act and regulations authorized approval of black lung claims on the basis of conflicting and inconclusive medical evidence, affidavits, presumptions based on years of coal mine employment, and interim standards. GAO believes that these provisions did not ensure that benefits were awarded only to miners disabled from black lung or to their survivors. In a sample of 205 approved claims, 84 percent had inadequate medical evidence, about half were founded on presumptions based on work history, about an eighth had conflicting medical evidence, and others were supported only by affidavits with no supporting medical evidence. Some claimants were awarded benefits for respiratory conditions which may be aggravated but not caused by coal mine employment. The 1981 amendments, which will affect future claims, address GAO concerns related to the use of presumptions, the re-reading of X-rays, and the use of affidavits. However, the amendments do not: (1) change the legislative definition of pneumoconiosis; (2) prohibit all affidavits; or (3) require that disability determinations be based solely on medical test results.

Recommendations to Congress: Congress should consider amending the black lung legislation to eliminate the use of affidavits to establish death or disability from pneumoconiosis.

Status: Action in process.

Congress should consider amending the black lung legislation to require that medical evidence be the basis for establishing the presence of pneumoconiosis and disability due to black lung.

Status: Action in process.

Congress should consider amending the black lung legislation to redefine black lung as coal workers' pneumoconiosis, a chronic dust disease arising out of coal mine employment that permanently damages the lungs.

Status: Action in process.

Recommendations to Agencies: The Secretary of Labor should establish additional procedures to resolve conflicting medical evidence.

Status: Action completed.

The Secretary of Labor should provide guidance on the quantity and quality of evidence needed to rebut certain presumptions for claims filed before the effective date of the 1981 amendments.

Status: Action completed.

Agency Comments/Action

Labor agreed with the recommendations to establish additional procedures to resolve conflicting medical evidence and to provide guidance on the quantity and quality of evidence needed to rebut certain presumptions of the claims filed before the effective date of the 1981 amendments to the black lung legislation. The 1981 amendments require Labor to study the current medical methods for the diagnosis of pneumoconiosis and the nature and extent of impairment and disability attributable to black lung disease. As of February 1984, Labor's analysis of study findings is ongoing. An official from the Division of Evaluations and Research said that the final study would probably be submitted to Congress later this year.

Shortly before GAO issued the report, Congress amended the black lung legislation. For example, for claims filed after January 1, 1982, three of five legislative presumptions were revoked and Labor was permitted to review and interpret x-ray results in deciding claims.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Job Corps Should Stop Using Prohibited Contracting Practices and Recover Improper Fee Payments *(HRD-82-93, 7-2-82)*

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: F.P.R. 1-3.405-5. 41 U.S.C. 254(b).

GAO conducted a survey of the Department of Labor's Job Corps contract administration.

Findings/Conclusions: The Job Corps Regional Offices seemed to be administering contracts for center operations on the basis of cost-plus-percentage-of-cost rather than cost-plus-fixed-fee. However, Federal law prohibits the cost-plus-percentage-of-cost system of contracting. Out of 74 contracts administered, at least 39 were identified that seemed to have been treated as percentage-of-cost contracts or as having had the fee increased without corresponding changes in the scope of the work. Examples of the latter were found in all 10 Job Corps regions. Use of the percentage-of-cost system appeared to result from a misunderstanding of Federal regulations by regional contracting officials. These misunderstandings were attributed by some officials to a lack of properly trained contracting personnel. Although officials have been aware of the fee problem for over a year, they have not taken any corrective action.

Recommendations to Agencies: The Acting Director of the Office of the Job Corps should be directed to recover prohibited fee increases on all current contracts.

Status: Action in process.

The Job Corps should review all expired contracts which have not been closed out to identify the amount of prohibited fee increases, if any, and steps taken to recover these fees.

Status: Action in process.

Agency Comments/Action

The Assistant Secretary for Employment and Training issued Job Corps Order No. 82-1 directing all Job Corps regional offices to cease the practice of cost-plus-percentage-of-cost contracting. In addition, the Employment and Training Administration (ETA) conducted a complete inventory of contracts, and all modifications with fixed fee changes were identified. The Office of the Inspector General (OIG) is analyzing those contracts and modifications to identify specific dollar recoveries to be made. OIG anticipates issuing a report to the Job Corps on this matter by the end of February 1984. Upon receipt of the report, the Job Corps and ETA will immediately begin the process of recovering the amounts identified.

DEPARTMENT OF LABOR

Allegations Related to the Processing of Injured Employees' Hearing Loss Claims
(HRD-82-102, 8-31-82)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Employees' Compensation Act (Injuries) (5 U.S.C. 8101).

Pursuant to a congressional request, GAO reviewed charges of improprieties associated with the activities of the Department of Labor's Hearing Loss Task Force. The task force was established in 1976 to process a backlog of hearing loss claims, and it adjudicated more than 19,000 claims during the 5.5 years of its operation.

Findings/Conclusions: Although Labor hired three audiologists for the task force, it also contracted with outside audiologists and physicians to reduce the claims backlog of hearing loss cases. Most of the charges of improprieties related to the use of outside audiologists, physicians, and other hearing specialists to whom Labor referred claimants for hearing tests. The review showed that Labor: (1) made about $650 in duplicate payments to outside audiologists and physicians; (2) incurred unnecessary costs on about 320 claims when it paid for two reviews; (3) took action to prevent one hearing specialist from routinely ordering claimants to undergo unnecessary hearing tests; and (4) appropriately restricted a staff audiologist from qualifying some hearing loss medical opinions. GAO also found that: (1) fees paid to hearing specialists who tested claimants for hearing loss varied considerably between geographic regions and sometimes appeared to be excessive; (2) costs were lower when claims were reviewed by staff audiologists than when they were reviewed by outside audiologists, (3) the use of outside audiologists seemed to be justified, (4) outside audiologists appeared to be qualified to review hearing loss claims; (5) compensation awards to claimants with a hearing loss also appeared justified; and (6) claims examiners were told not to revise staff audiologists opinions.

Recommendations to Agencies: The Secretary of Labor should ensure that the Office of Workers' Compensation Programs develops schedules of reasonable fees for medical services, which includes fees for hearing tests as planned.

Status: Action in process.

Agency Comments/Action

Labor concurred with the recommendation and is in the process of implementing it.

DEPARTMENT OF LABOR

The Department of Labor Has Not Adequately Controlled Office of Job Corps Information Collection Activities *(GGD-82-100, 9-22-82)*

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Paperwork Reduction Act of 1980. OMB Circular A-40.

GAO reviewed the Department of Labor's Office of Job Corps to determine whether it was carrying out its information collection activities in accordance with the policies and procedures established by the Paperwork Reduction Act of 1980. The review was part of a recently completed survey of education-related reporting requirements imposed on the public by Federal agencies.

Findings/Conclusions: GAO found 56 reporting and recordkeeping requirements that the Job Corps was imposing on its contractor-operated centers without Office of Management and Budget (OMB) approval which is required by law. GAO stated that the existence of such a number of unapproved requirements, combined with the fact that cognizant Labor officials were unaware that these requirements needed OMB approval, indicated that the Department needs to strengthen controls over its information collection activities.

Recommendations to Agencies: The Secretary of Labor should direct the Assistant Secretary for Administration and Management to ensure that the unapproved reporting and recordkeeping requirements that GAO identified are promptly reviewed to determine whether they are needed and used in their present form or whether they warrant revision. Those which continue to be needed, including any that are revised, should be promptly submitted to OMB for approval.

Status: Action in process.

The Secretary of Labor should direct the Assistant Secretary for Administration and Management to ensure that adequate controls are established for identifying and obtaining OMB approval for all unapproved reporting and recordkeeping requirements contained in contracts and related requirements developed and used by Labor's regional offices.

Status: Action in process.

Agency Comments/Action

Labor has identified 31 of the 56 reporting and recordkeeping requirements that should be properly approved by OMB. Labor's Employment and Training Administration (ETA) has taken action to develop an overall clearance package for final approval by its clearance office. Labor expects the approval by OMB soon. Although Labor has taken action to ensure proper approval of uncleared requirements identified in the GAO report, ETA is still using these requirements without OMB approval.

DEPARTMENT OF LABOR

Concerns About Controlling Union Employees' Benefit Funds by the Carpenters Collection Agency, Youngstown, OH
(HRD-83-8, 11-12-82)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Taft-Hartley Act (Labor). Labor-Management Reporting and Disclosure Act of 1959. Employee Retirement Income Security Act of 1974.

GAO was asked to examine: (1) the legality and functions of the Carpenters Central Collection and Administrative Agency, a nonprofit Ohio corporation that collects fringe benefit contributions from building trade employees; and (2) the timeliness and effectiveness of the Department of Labor's investigation and reporting of the Collection Agency's activities.

Findings/Conclusions: GAO found that Labor did not take aggressive action to require Health and Welfare Fund trustees to correct Employee Retirement Income Security Act (ERISA) violations identified in its investigations of the Collection Agency activities. As a consequence, the Agency has continued to control and use union employee fringe benefit funds in violation of ERISA provisions that are designed to prevent such abuses. The Collection Agency collects and controls union membership fringe benefit payments by employers which may violate the Taft-Hartley Act, because it does not meet the statutory requirements of a Taft-Hartley trust; specifically, GAO is not aware of any written agreement between the Collection Agency and employers. The Collection Agency's trustees represent only the employees and, therefore, employers and employees are not equally represented in the administration of the agency's funds. In addition, the agreements between the agency and the employee benefit plans do not ensure that employee payments will be used for the sole and exclusive benefit of employees.

Recommendations to Agencies: If the Solicitor's Office determines that the Collection Agency is not a labor organization under the Labor-Management Retirement Disclosure Act (LMRDA) and the Collection Agency cannot be required to report through the administrative process, the Secretary of Labor should propose to Congress that the statutory definition of a labor organization be changed to include such entities as the Collection Agency.

Status: Action in process.

The Secretary of Labor should have the Solicitor seek the opinion of the Department of Justice as to whether the Collection Agency: (1) is a union representative, and (2) violates section 302(c) of the Taft-Hartley Act by collecting employee benefit funds from employers.

Status: Action completed.

The Secretary of Labor should issue a demand letter to the Health and Welfare Fund trustees directing them to enter into a consent order. The actions proposed by the Office of Enforcement to eliminate the reported Collection Agency's ERISA violations should be considered in the preparation of the demand letter.

Status: Action in process.

Agency Comments/Action

Labor concurred with the three recommendations and explained what it is doing or will do on each. As of February 17, 1984, Labor was negotiating a settlement with Carpenters Collection Agency officials to have them take additional steps to remedy or eliminate its reported violations of ERISA. Labor obtained an opinion from the Department of Justice concluding that the Collection Agency's past actions of collecting employee benefit funds from employers do not violate the Taft-Hartley Act. Labor said that, if its study shows that the Collection Agency is not subject to the LMRDA and its regulations requiring it to submit financial disclosure reports, it will seek a legislative change to make entities such as the agency subject to the LMRDA. Labor had not yet completed its study on February 17, 1984.

DEPARTMENT OF LABOR

Funds Needed To Develop CPI Quality Control System
(GGD-83-32, 4-1-83)

Budget Function: General Government: Other General Government (806.0)

GAO reviewed the manner by which the Bureau of Labor Statistics (BLS) collects and processes data for the Consumer Price Index (CPI) and pointed out the need for better controls over the quality of that data.

Findings/Conclusions: GAO found no evidence that the reliability of the national CPI has been compromised by bad data, although it did identify shortcomings in the BLS control mechanism that could permit quality problems to go undetected or uncorrected. GAO noted that BLS procedures for collecting and processing CPI data provide a good base for reliable information. However, without a system that allows management to assess data quality and identify any trouble spots, there is no guarantee that the procedures are being effectively implemented. The most significant example of this inadequate control is the BLS Quality Assurance Program, which was intended to provide BLS headquarters with information on the type and extent of errors occurring in the data collection process. That program has fallen far short as an effective control mechanism. BLS knows that its controls over CPI data quality are inadequate and has asked for funds that would allow it to design a quality control system in its budget submission for fiscal year 1983. Those funds, however, were deleted from the President's budget.

Recommendations to Congress: Congress should approve funding requests to design a quality control system for the CPI.

Status: Action in process.

Recommendations to Agencies: The Secretary of Labor should direct BLS to assess all aspects of the CPI program to identify ways it can better ensure CPI data accuracy, within the current budget environment, until a formal quality control system is implemented, and attach appropriate warnings to the local area CPI's so users are aware of BLS concerns about the reliability of those indexes.

Status: Action completed.

Agency Comments/Action

The recommendations to the Secretary of Labor are consistent with the objectives of BLS and have been implemented. BLS has: (1) dedicated additional staff to conduct quality studies and improve and design additional controls over its CPI procedures, including those discussed in the report; and (2) included the notice, reproduced on page 34 of the report, in all of its releases of local area CPI's since the release of the data in February 1983.

The Department of Labor's 1984 appropriations contained BLS funding for CPI quality controls. The funding allows BLS to design quality controls over some components of the CPI and to begin the design of others. However, the full quality control system design is scheduled for 1988 and is contingent on additional funding in the upcoming fiscal years.

DEPARTMENT OF LABOR

Labor Inaccurately Paid Black Lung Benefits--Some Corrective Actions Taken but More Are Needed
(HRD-83-46, 5-13-83)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Coal Mine Health and Safety Act of 1969 (Federal) (30 U.S.C. 801). P.L. 92-303. P.L. 95-227. P.L. 95-239. P.L. 97-119.

In response to a congressional request, GAO reviewed the black lung workers' compensation and medical expense payment systems administered by the Department of Labor's Office of Workers' Compensation Programs (OWCP).

Findings/Conclusions: GAO estimated that through 1982 Labor had incorrectly paid 26 percent of the beneficiaries in the GAO sample, resulting in overpayments and underpayments totaling $65 million. GAO also estimated that an amount equaling $24 million of these errors had been corrected by the time that GAO initiated its case file review. In addition, Labor also identified other overpayments which totaled about $5 million. Beneficiaries were inappropriately receiving more than one black lung benefit from Labor, the Social Security Administration (SSA), or from a State workers' compensation program. According to the responsible officials, many payment errors were caused by the workloads created by new black lung legislation. GAO identified several problem areas affecting quality control and recordkeeping for these programs which contributed to the payment errors. Labor has recognized many of these problems and has initiated actions to reduce future errors. GAO also found that problems in medical payments identified during an inspector's general review still exist and that Labor has not used fee schedules to ensure that medical payments are reasonable.

Recommendations to Agencies: The Secretary of Labor should direct OWCP to reestablish district office quality control reviews.

Status: Action in process.

The Secretary of Labor should direct OWCP to ensure that OWCP accountability reviews and district office quality control reviews address the accuracy of payment changes made after benefits begin.

Status: Action in process.

The Secretary of Labor should direct OWCP to obtain a complete, up-to-date list of SSA claims decisions to identify when benefits should be offset.

Status: Recommendation no longer valid/action not intended. *Labor believes that periodic matches of SSA and Labor benefit rolls will result in proper benefit offsets.*

The Secretary of Labor should direct OWCP to periodically match Labor's benefits rolls with those of SSA to ensure that individuals are not receiving dual black lung benefits to which they are not entitled.

Status: Action in process.

The Secretary of Labor should direct OWCP to contact State workers' compensation offices and, where possible, establish mechanisms for periodically matching Labor's benefits rolls with State compensation rolls.

Status: Action in process.

The Secretary of Labor should direct OWCP to ensure that interest and medical expenses are identified and billed to coal mine operators.

Status: Action in process.

The Secretary of Labor should request the Office of the Inspector General to evaluate the Coal Mine Workers' Compensation Division's new processing system to determine whether it effectively implements previous Inspector General recommendations.

Status: Action in process.

The Secretary of Labor should monitor the development and implementation of the OWCP fee schedules to ensure that future black lung-related treatment costs are reasonable and that the Coal Mine Workers' Compensation Division appropriately documents payments which exceed these schedules.

Status: Action in process.

The Secretary of Labor should direct OWCP to clarify procedures as to when claims examiners should contact State workers' compensation offices to verify claimants' statements related to State black lung benefits.

Status: Action completed.

The Secretary of Labor should direct OWCP to follow up on dependent monitoring system reports to determine whether documentation supporting continued eligibility is available. When such information is not available or is not provided by beneficiaries, it should ensure that past overpayments are identified and collection action is initiated.

Status: Action in process.

The Secretary of Labor should direct OWCP to redesign the annual postentitlement questionnaire to clarify the information and documentation needed and review on a timely basis the questionnaire responses to identify when benefit levels should be adjusted.

Status: Action completed.

The Secretary of Labor should direct OWCP to ensure that the new automated system is used to record and monitor collection efforts for new and existing debts.

Status: Action in process.

The Secretary of Labor should direct OWCP to ensure that supervisors monitor each claims examiner's work by reviewing at least some of the source documents that form the basis for making payment decisions.

Status: Action in process.

Agency Comments/Action

The Department of Labor concurred with all but one of the report's recommendations. It disagreed with the recommendation to obtain a complete, up-to-date list of all SSA

black lung claims decisions for purposes of identifying whether or not the claimants also have approved Labor claims. Labor stated that it intends to continue to periodically match its benefits rolls with those of SSA. Labor also stated that it: (1) improved its quality control and supervisory review procedures; (2) intends to work closely with States to identify beneficiaries who might be receiving dual benefits; (3) redesigned its post-entitlement questionnaire and is in the process of writing programs for its dependent-monitoring and accounts receivable systems; (4) plans to conduct an internal audit of the new automated medical payment system; and (5) developed and implemented an interim fee schedule for black lung medical payments.

DEPARTMENT OF LABOR

Corrective Actions Taken or in Process To Reduce Job Corps' Vulnerability to Improper Use of Contracting Authority
(HRD-83-66, 7-15-83)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: Small Business Act (15 U.S.C. 637(a)). Comprehensive Employment and Training Act (29 U.S.C. 923 et seq.). Dep't. of Labor ETA Order 3-82. 41 U.S.C. 254(b).

In response to a congressional request, GAO reviewed the use of contract modifications by the Job Corps in its programs of vocational training, education, work experience, counseling, and other employment activities.

Findings/Conclusions: GAO found that, before fiscal year 1982, the Job Corps' procurement process was vulnerable to improper use of contracting authority, primarily because: (1) the Job Corps director had both programmatic and contracting officer authority, (2) internal controls were inadequate, and (3) audit coverage of Job Corps procurement activities was inadequate. The Department of Labor has addressed these problems by: (1) shifting contracting officer authority from the Job Corps director, (2) adopting internal controls over procurement, and (3) arranging for broad audit coverage of Job Corps contracts by the Inspector General. GAO believes that these actions should significantly improve the efficiency and effectiveness of the Job Corps' procurement activities, although the Job Corps' continuing reliance on architectural and engineering contractors to write contracts remains a problem.

Recommendations to Agencies: The Secretary of Labor should provide a means for independent expert review of contracts proposed by the architectural and engineering support contractor for design and construction work at Job Corps centers.

Status: Action in process.

Agency Comments/Action

The Assistant Secretary for Employment and Training concurred with the report's recommendation that a means be provided for independent expert review of contracts proposed by the architectural and engineering (A&E) support contractor for design and construction work at Job Corps centers. Two staff positions have been established in the Office of Contracting to enhance its in-house A&E review capabilities. One position is for an engineer yet to be hired as of February 17, 1984. Both individuals will review the technical aspects of proposals for design and construction work and monitor compliance with the contract terms and conditions. When completed, this action should provide for the independent expert review necessary.

DEPARTMENT OF STATE

State Department's Office of Inspector General Should Be More Independent and Effective
(AFMD-83-56, 6-2-83)

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)
Legislative Authority: Inspector General Act of 1978 (P.L. 95-452). Foreign Service Act of 1980 (P.L. 96-465). Foreign Service Act of 1946. Rogers Act (Foreign Service).

In response to a congressional request, GAO reviewed the operations of the Department of State's Inspector General (IG) office to determine how differences between its authorizing legislation, the Foreign Service Act of 1980, and the Inspector General Act affect the State IG office work.

Findings/Conclusions: GAO found that the Foreign Service Act included several important differences from the basic Inspector General Act which permit the new State IG office to continue to operate like old IG offices rather than functioning like the new independent statutory IG offices established in other agencies. GAO believes that more independence is needed in the State IG office, because it found a number of situations in which the independence of the State IG inspection, audit, and investigative functions could have been or could be impaired. In addition to doing traditional audit functions, the IG office is required to inspect and audit each foreign post and domestic unit at least once every 5 years. GAO believes that management, not the IG office, should be responsible for these routine inspections. The role of the independent audit organization should be to evaluate how well agency management is carrying out its basic responsibilities, including its routine monitoring and assessment functions. In addition, GAO found that the IG office has little operational control over investigations into allegations of fraud, waste, and abuse. It relies on the Office of Security to conduct these investigations. GAO believes that this constitutes an organizational impairment which has caused delays and a poorer quality of investigations. Finally, GAO has found that Government audit standards are not being complied with and that the quality of IG office work has suffered due to the lack of staff training and experience, severe time constraints, and the lack of documentation.

Recommendations to Congress: Congress should either repeal section 209 of the Foreign Service Act of 1980 and create an independent IG in State by placing State under the Inspector General Act of 1978 or conform section 209 of the Foreign Service Act of 1980 to the Inspector General Act of 1978.
Status: Action in process.

Recommendations to Agencies: The Secretary of State and the Inspector General should establish an investigative capability within the IG office to enable the IG office to conduct its own investigations. In this regard, they should consider transferring from the Office of Security to the IG office those qualified investigators assigned to the Office of Security's new General Fraud and Malfeasance Branch.
Status: Action in process.

The Inspector General should stop participating in departmental decisionmaking processes such as the department's Priorities Policy Group and Committee on Foreign Service Posts.
Status: Recommendation no longer valid/action not intended. *The IG maintains that he uses participation in these activities only to promote compliance with the recommendations by advising management on specific resource issues which have been examined by inspections and audits.*

The Inspector General should establish a quality review system to ensure that the work of the office complies with Government audit standards.
Status: Action in process.

The Secretary of State and the Inspector General should work together to establish a permanent IG staff of qualified auditors, and discontinue the IG office's reliance on a temporary staff whose tenure, promotions, and reassignments are decided by departmental managers.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

The State Department and its IG generally disagree with the report's findings and recommendations and, therefore, are taking little action on them. Concerning the recommendation to change legislation, the State Department believes that it is too soon to consider amending section 209 of the 1980 Foreign Service Act. The Department stated that the legislation has been in effect a relatively short time and appears to be well suited to the public interest. The IG agreed to establish a quality review system as GAO recommended; however, the action taken thus far has been limited to a random review of supporting documentation for two reports. Although the Department disagreed with the recommendation to establish an investigative capability within the IG office, agency management subsequently authorized four IG positions for criminal investigators.

DEPARTMENT OF THE INTERIOR

Better Management of National Park Concessions Can Improve Services Provided to the Public
(CED-80-102, 7-31-80)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: 16 U.S.C. 1. 16 U.S.C. 20.

Pursuant to a congressional request, GAO discussed the management of concession operations by the National Park Service (NPS).

Findings/Conclusions: Concessioner performance evaluation would be more effective if visitors' opinions and comments were used in appraising concessioner performance. Existing concessioners already have a competitive advantage over others who want to operate in the parks, they do not need additional legal advantages. By using single concessioners to provide the services in a park, NPS has limited its options for requiring improvement without seriously disrupting service to the public. As a result, NPS does not take necessary corrective actions. Concession rates are not always studied, justified, or documented before approval; and the quality of facilities is given little or no consideration in approving the rates.

Recommendations to Congress: Congress should finance construction of needed facilities to accommodate park visitors whenever possible.

Status: No action initiated. Date action planned not known.

Congress should amend the Concessions Policy Act of 1965 to eliminate the right of preference for contract renewal.

Status: No action initiated. Date action planned not known.

Congress should eliminate preferential rights for new and additional services.

Status: No action initiated. Date action planned not known.

Congress should amend the Concessions Policy Act to allow possessory interest only in those instances where no other alternative is available and then only under the following conditions: (1) possessory interest should be valued by the Government at no more than the original cost to construct or improve the facility less amortization over a period no longer than the estimated useful life of the facility or the term of the contract, whichever is shorter; and (2) if the contract is terminated by NPS or the concessioner and the facility has not been fully amortized.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of the Interior should require the NPS Director to see that NPS safety personnel receive the training necessary to identify safety deficiencies.

Status: Action in process.

The Secretary of the Interior should require the NPS Director to develop a training program to instruct NPS personnel to implement effectively the Concessioner Evaluation Program.

Status: Action completed.

The Secretary of the Interior should direct the NPS Director to provide adequate training for its personnel responsible for implementing concessioner rate approval procedures.

Status: Action completed.

The Secretary of the Interior should require the NPS Director to emphasize to the field offices the need to adequately document action taken on requests for convention and group use of concession facilities.

Status: Action in process.

The Secretary of the Interior should require the NPS Director to take action to ensure that park visitors and NPS and concession employees are adequately protected against health and safety deficiencies at concession operations. Contracts of concessioners that habitually violate health and safety standards should be terminated. The policy for terminating concession contracts under such circumstances should be incorporated into NPS regulations.

Status: Action completed.

The Secretary of the Interior should require the NPS Director to ensure that all required health and safety inspections are conducted in a timely manner and that followups are made to assure that deficiencies have been corrected.

Status: Action completed.

The Secretary of the Interior should require the NPS Director to require that comprehensive annual safety inspections be conducted early in the operating season so that visitors and employees are not exposed to deficiencies during most of the operating season.

Status: Action completed.

The Secretary of the Interior should require the NPS Director to conduct annual health inspections on concession facilities that continually operate under unsanitary conditions and post the inspection results at the facility so that visitors can be aware of its condition. If these measures do not improve conditions, the concessioner's contract or permit should be terminated.

Status: Action completed.

The Secretary of the Interior should require the NPS Director to ensure that a qualified sanitarian is available to conduct required health inspections at concession facilities.

Status: Action completed.

The Secretary of the Interior should require the NPS Director to develop and implement, as part of the Concessioner Evaluation Program, procedures to obtain visitor comments and opinions on the quality of concession facilities and services. Comments should be considered in determining if concessioners are performing satisfactorily.

Status: No action initiated. Date action planned not known.

The Secretary of the Interior should direct the NPS Director to expand the responsibilities of the task force established to develop alternatives to resolve problems NPS has identified with the concessioner comparability studies. The task force should be instructed to evaluate the new approval procedures more comprehensively. The task force study should examine the problems GAO identified with procedures and should solicit the views of the NPS field offices

that have used the new procedures.
Status: Action completed.

The Secretary of the Interior should require the NPS Director to develop a new franchise fee rate system that reflects the value of privileges granted under concession contracts. The new system should be easily understood with a minimum amount of subjective analysis required so that NPS concession personnel may apply it properly. The system should be thoroughly supported and documented. In the future, the system should be reviewed periodically to determine if changes are needed.
Status: Action in process.

The Secretary of the Interior should require the NPS Director to develop specific criteria and procedures to help concessions management staff make appropriate adjustments to franchise fee rates, if the new rate setting system allows adjustments to rates based on pertinent economic factors.
Status: Action in process.

The Secretary of the Interior should require the NPS Director to take steps necessary to supply the concessions management field staff with individuals that have the financial background and experience needed to set equitable franchise fee rates and deal effectively with the other areas of concessions contracts.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should require the NPS Director to require concessioners to notify NPS when they no longer want to operate in the park and want to transfer their operation to a third party. NPS should then issue a prospectus to solicit parties interested in taking over the operation. In addition to the normal distribution, NPS should also send the prospectus to parties identified by the concessioner. Interested parties should send their proposals and qualifications to NPS. NPS should then determine the parties best qualified and give their names to the concessioner so that it can negotiate the transfer.
Status: Action in process.

The Secretary of the Interior should require the NPS Director to develop and publish in the Federal Register standards for evaluating satisfactory business experience and financial position of parties interested in operating a concession in the national parks.
Status: Action in process.

The Secretary of the Interior should require the NPS Director to take steps to ensure that the field offices follow NPS Environmental Assessments and Statements Guideline NPS-12. Also, the impacts of proposed actions should be assessed before approving projects that could affect the parks' environment.
Status: Action in process.

The Secretary of the Interior should require the NPS Director to establish a firm policy to permit concessioners to participate in NPS planning processes only during the public participation phase.
Status: Action in process.

The Secretary of the Interior should require the NPS Director to assure that evaluation inspections and followups required by the Concessioner Evaluation Program are carried out and provide additional staff where necessary. When an effective system of obtaining and considering visitor comments has been established, consideration should be given to reducing the number of inspections now required.
Status: Action in process.

Agency Comments/Action

NPS initiated many corrective actions including: (1) analysis of the Public Service Corporation as a viable alternative to possessory interest; (2) establishment of a safety training program in fiscal year 1981; and (3) establishment of a concession management program in fiscal year 1981. In April 1983, NPS issued requirements for concession management inspections to improve health and safety conditions.

DEPARTMENT OF THE INTERIOR

Lands in the Lake Chelan National Recreation Area Should Be Returned to Private Ownership
(CED-81-10, 1-22-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Land and Water Conservation Fund Act of 1965. P.L. 90-544. H. Rept. 90-1870. S. Rept. 90-700.

GAO was requested to examine the land acquisition and management practices of the National Park Service at Lake Chelan National Recreation Area. Through the law which established this area, it was congressional intent that land acquisition costs be minimal, that a private community in the recreation area continue to exist, that commercial development not be eliminated, and that additional compatible development be permitted to accommodate increased visitor use.

Findings/Conclusions: The National Park Service has not acted in accordance with congressional intent. The Service has spent millions of dollars to acquire over half of the privately owned land in the recreation area. Moreover, the Service plans to acquire most of the area's remaining privately owned land. These additional land acquisitions are planned without a clear definition of the uses that are incompatible with the enabling legislation. The acquisitions are based on the premise that the Service must acquire the major areas subject to subdivision to prevent a prospective boom in recreational homesites. The Service has also prohibited new private commercial development to increase lodging accommodations and to provide needed restaurant and grocery services for both residents and visitors.

Recommendations to Congress: Congress should exempt land acquired pursuant to Public Law 90-544 from the 2-year limitation in 16 U.S.C. 4601-22(a). This would give the last owner(s) the right to match the highest bid price and reacquire property sold to the National Park Service.
Status: No action initiated. Date action planned not known.

Congress should not increase the statutory land acquisition appropriation ceiling for the North Cascades National Park and the Ross Lake and Lake Chelan National Recreation Area above the $4.5 million already approved until the Service has defined compatible and incompatible development, prepared a land acquisition plan justifying the need to acquire land from private owners, and spent the funds obtained from selling all compatible land back to private individuals.
Status: No action initiated. Date action planned not known.

The Senate Committee on Energy and Natural Resources and the House Committee on Interior and Insular Affairs should hold oversight hearings to determine why the National Park Service has not carried out the intent of Congress at the Lake Chelan National Recreation Area.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of the Interior should require the Director of the National Park Service to sell back to the highest bidder, including previous owners or other private individuals, all lands compatible with the recreation area. This would include the modest homes, the lodges, and the restaurant. The Service could attach scenic or developmental restrictions to the deeds before the properties are resold to ensure that their use will be consistent with the enabling legislation. The proceeds would be credited to the Land and Water Conservation Fund in the U.S. Treasury. Funds obtained in this manner would then be available for future acquisitions if an incompatible use is identified, subject to the $4.5 million appropriation ceiling on total acquisitions under Public Law 90-544.
Status: No action initiated. Date action planned not known.

The Secretary of the Interior should require the Director of the National Park Service to develop a land acquisition plan for the Lake Chelan National Recreation Area consistent with the Service's April 26, 1979, land acquisition policy. The plan should define compatible and incompatible uses based on the legislative history; clarify the criteria for condemnation; identify the reasons for fee simple acquisition versus alternative land protection and management strategies, such as scenic easements and zoning; address recreational development plans for the area; and establish acquisition priorities. The plan should apply to both private and Service actions.
Status: Action completed.

Agency Comments/Action

Interior said that it was performing an extensive study of the GAO report and was involved in an accelerated process to articulate land policies with respect to Federally designated areas within the National Park Service. Interior anticipated having further comments on the report and on land policies developed prior to congressional oversight hearings. Interior further stated that the report contained a number of valid points on the land acquisition problem which it would address in its policy statement. Interior later issued a policy statement emphasizing the use of alternatives to simple acquisition. The National Park Service issued standards, for compatible use of property, which would adequately address all of the requirements GAO recommended to be included in the land acquisition plan.

DEPARTMENT OF THE INTERIOR

How Interior Should Handle Congressionally Authorized Federal Coal Lease Exchanges
(EMD-81-87, 8-6-81)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Federal Coal Leasing Amendments Act of 1976 (P.L. 95-554; 30 U.S.C. 181 et seq.). Surface Mining Control and Reclamation Act of 1977 (30 U.S.C. 1201 et seq.). Mineral Leasing Act of 1920.

GAO examined the experience of the Department of the Interior in handling a proposed exchange of Federal coal lands involving the Utah Power and Light Company, an exchange authorized by Congress in October 1978.

Findings/Conclusions: GAO found an unanswered question as to whether the company had a valid right to be issued leases, thus whether an exchange was even appropriate. The prior administration entered into an exchange agreement with the company and began its evaluation on the basis that this question did not need to be addressed because Congress authorized the exchange. However, Congress clearly expressed its intent that before granting a noncompetitive lease, the requirements of the Mineral Leasing Act of 1920 be met. Secondly, there was a lack of data to make a realistic estimate of the coal reserves on the preference right lands, thus making it impossible to make a valid equal value determination, as required by legislation authorizing the exchange. Finally, consummation of the proposed exchange would have resulted in leasing noncompetitively a prospectively highly competitive tract. In addition, serious management weaknesses were noted which include: (1) the Interior tended to overlook technical problems and disregard normal operating procedures; (2) Interior officials did not involve U.S. Geological Survey (USGS) technical people in planning the technical requirements for making an equal value determination; (3) because coal data were inadequate and transportation and marketing assumptions were of questionable validity, the method used was inappropriate; (4) USGS present coal reserve evaluation standards were not adequate for evaluating complex coal deposits; and (5) USGS unnecessarily spent $800,000 and may spend about $640,000 more this year for drilling exchange lands.

Recommendations to Agencies: The Secretary of the Interior should direct USGS to set standards for the minimum level of data that are needed to evaluate a proposed exchange and not allow the exchange where that level of data is not available.

Status: Action in process.

The Secretary of the Interior should direct USGS to establish definitive criteria for determining when the discounted cash flow economic evaluation method is appropriate for use in exchange evaluations.

Status: Recommendation no longer valid/action not intended. *Interior has discontinued the use of the discounted cash flow model for exchanges.*

The Secretary of the Interior should direct USGS to revise USGS Bulletin 1450-B or establish separate guidelines to clarify guidance on how reserve estimates are to be made for lease sale purposes, particularly in instances where coal deposits reside in complex geologic formations.

Status: Action in process.

The Secretary of the Interior should direct USGS to develop explicit procedures under which the land exchange applicants could, and should, drill possible exchange tracts, thereby saving Federal expenditures and freeing the USGS limited resources to satisfy other higher priority drilling requirements.

Status: Action completed.

Agency Comments/Action

In response to the report, Interior rejected the proposed exchange and included the exchange tracts into a July 30, 1981, sale. The Federal Government received over $11 million from this sale. The recommendations for improving management and drilling data were generally accepted. GAO issued an accomplishment report and found nonrecurring savings of $11,400,000.

DEPARTMENT OF THE INTERIOR

GEOLOGICAL SURVEY

Oil and Gas Royalty Collections--Longstanding Problems Costing Millions
(AFMD-82-6, 10-29-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Windfall Profit Tax Act (Crude Oil).

GAO reviewed the Geological Survey's (GS) continued unsuccessful efforts to collect oil and gas royalties on Federal and Indian lands and the serious impact of this problem on the collection of the windfall profit tax.

Findings/Conclusions: Financial management problems in existence 20 years ago persist today because management has not focused on correcting the deficiencies reported. As a result, GS is not collecting all oil and gas royalties, and millions of dollars owed the Government may be going uncollected each year. Moreover, millions of dollars in royalty income are not being collected when due, thereby increasing the Government's interest costs. Since 1959, GAO has reported on the need for improved management of the GS royalty accounting system. However, GS still relies almost entirely on production and sales data reported by the oil and gas companies, and little effort is made to verify the accuracy of that data. Because of a breakdown in the royalty accounting system, lease account records are inaccurate, unreliable, and cannot be used to determine if royalties are properly computed and paid. To correct its many longstanding financial management problems, GS has established royalty management as a separate entity, hired additional personnel for royalty management, and is designing and implementing a new royalty accounting system. Royalty collection has been further complicated by the windfall profit tax. GS filed blank quarterly returns for the first quarter of 1981 and has not filed a return for the quarter ended June 30, 1981. Until the new royalty accounting system is working properly, the accuracy of royalty computation will be a problem. Since windfall profit tax calculations are based on royalty payments, they will be incorrectly stated to the extent that royalties are incorrectly stated.

Recommendations to Agencies: To ensure that development of the new royalty accounting system is given high priority and sustained effort, the Secretary of the Interior should closely monitor the work to see that the system is properly implemented. In this regard, immediate attention must be given to determining how the production phase will operate and how it will interface with the accounting phase which is currently being designed. Also, in developing the accounting phase, GS must acquire data on the number of leases and wells for which it is responsible and provide for verification of the royalty computation. The necessary resources must be provided and milestones must be strictly adhered to.

Status: Action in process.

To gain control over information reported by the oil and gas companies, the Secretary of the Interior should direct GS to include in its current redesign effort a plan which should provide for: (1) establishment of a detailed audit plan for periodic reviews of lease accounts and oil and gas companies' accounting records; (2) devotion of additional resources to the inspection of leases using field inspectors to help verify data reported; (3) coordination with the States to arrange the sharing of the audit and lease inspection function and the exchange of production and sales information; (4) reconciliation of existing lease account records to the extent possible; (5) identification of staff needs and resources for assessing interest on late payments; and (6) faster deposit of royalty payments using electronic funds transfer when possible.

Status: Action completed.

Agency Comments/Action

In response to the report, the Department of the Interior has entered into cooperative agreements with some States to review and reconcile existing lease account balances. Also, inspection and auditing plans have been developed. However, as discussed in the report, GAO is still concerned about the design, development, and implementation of the production phase of the royalty accounting system. The Federal Oil and Gas Royalty Management Act of 1982 contains many of the provisions that GAO recommended. GAO worked closely with the House Committee on Interior and Insular Affairs in drafting the legislation. The primary GAO recommendation that the Secretary of the Interior closely monitor the systems development effort is still valid, particularly since the Department is going through a new redesign effort on its system that was implemented in February 1983.

DEPARTMENT OF THE INTERIOR

Changing Ownership Within the U.S. Minerals Industry: Possible Causes and Steps Needed To Determine the Effects
(EMD-82-41, 4-26-82)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)

In response to a congressional request, GAO: (1) surveyed Federal agency officials, principal mineral industry representatives, and other industry experts to obtain their views and perceptions on the causes and effects of takeovers of independent mining companies by oil companies, other domestic conglomerates, and foreign enterprises; and (2) searched and surveyed literature to identify major Federal and nongovernmental studies of changing ownership trends in the U.S. mineral industry. GAO also reviewed available statistical information on mergers and acquisitions involving the metal mining and metal processing industries.

Findings/Conclusions: Although data problems associated with determining the ownership of the minerals industry exist, several trends have potential Federal policy implications. These include the loss of independent mineral and mining concerns to conglomerates, including oil company ownership, and the growing level of foreign investment in the minerals industry. Measuring the impact of these trends is extremely difficult. However, an ongoing Bureau of Mines study hopes to accumulate relevant data to assess the motives spurring minerals industry acquisitions and to gain an indication of the possible effects on industry performance. Current industry and expert opinions on the effects are subjective and varied. Further, concerns over the potential negative impacts are countered by arguments against interfering with the existing market forces. In short, there are potential benefits inherent in ownership trends as well as reasons for concern. Foreign investment in the mineral industry, although small in absolute terms, is more concentrated than in the rest of U.S. industry, and appears to be growing. No analysis on the effects of this investment on the industry has been done.

Recommendations to Agencies: The Secretary of the Interior should, while conducting the study on minerals industry ownership, specifically consider the impact of foreign direct investment on the minerals industry. Upon completion of the Bureau of Mines study, the Secretary of should report to the appropriate congressional committees: (1) what major effects were identified; (2) if and how the analysis was compromised by the lack of information; (3) whether there is a continued need for periodic assessment of ownership trends and effects; (4) if additional information collection authority would be needed to conduct future analysis; and (5) whether there is a specific need for increased monitoring and analysis of foreign direct investment in the minerals industry, as well as suggestions as to the means by which the executive branch should accomplish this.

Status: Action in process.

Agency Comments/Action

Interior is continuing to conduct its study of minerals ownership. A detailed examination of the effect of foreign ownership as recommended by the GAO report will not be included because of identified data problems. The Interior report is being delayed by internal review but should be out by March 1984.

DEPARTMENT OF THE INTERIOR

Improvements Needed in the Accounting for Personal Property
(AFMD-82-84, 7-12-82)

Budget Function: General Government: General Property and Records Management (804.0)

GAO surveyed the Department of the Interior's accounting for personal property to determine whether: (1) accounting records were accurate and periodically reconciled with property records; (2) physical inventories were properly conducted; and (3) accounting for Government-owned property held by contractors was adequate.

Findings/Conclusions: The survey of accounting for personal property at Interior identified recurrent problems at the Geological Survey, Fish and Wildlife Service, and Bureau of Indian Affairs. Although Interior's Inspector General had previously reported that physical inventories were not being taken and that accounting and property records, which differed by $96 million, were not being reconciled, action was not taken to strengthen property accounting. As a result, the reported amount of personal property was inaccurate and unreliable, and control over the $500 million of property managed by the three bureaus was seriously weakened.

Recommendations to Agencies: The Secretary of the Interior should direct the Geological Survey, Fish and Wildlife Service, and Bureau of Indian Affairs to provide the emphasis necessary to implement viable property accounting systems and to initiate measures to conduct required physical inventories of all personal property and reconcile the results with the accounting and property records.
Status: Action completed.

The Secretary of the Interior should direct the Geological Survey, Fish and Wildlife Service, and Bureau of Indian Affairs to provide the emphasis necessary to implement viable property accounting systems and to initiate measures to ensure that all appropriate information is transmitted between the accounting and property offices.
Status: Action in process.

The Secretary of the Interior should direct the Geological Survey, Fish and Wildlife Service, and Bureau of Indian Affairs to provide the emphasis necessary to implement viable property accounting systems and to initiate measures to provide that physical inventories be taken or verified by personnel who are not responsible for the custody of the property.
Status: Action completed.

The Secretary of the Interior should direct the Geological Survey, Fish and Wildlife Service, and Bureau of Indian Affairs to provide the emphasis necessary to implement viable property accounting systems and to initiate measures to ensure that all Government-owned property in the possession of contractors is accounted for, inventoried, and reconciled with the accounting and property records.
Status: Action in process.

Agency Comments/Action

The agency: (1) held nationwide property training seminars; (2) issued revised or new guidelines for accounting for government-owned property in the hands of contractors; (3) conducted and reconciled physical inventories; (4) revised internal directives governing property programs; and (5) is upgrading current systems to accomplish required general ledger reconciliation.

Increasing Entrance Fees: National Park Service
(CED-82-84, 8-4-82)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: Land and Water Conservation Fund Act of 1965. P.L. 96-87. OMB Circular A-25. S. Rept. 96-180. S. 495 (96th Cong.). H. Rept. 92-742.

GAO conducted a review to estimate National Park System entrance fees using the criteria in the Land and Water Conservation Fund Act of 1965, as amended, to determine whether it was appropriate for Congress to reconsider its fee moratorium.

Findings/Conclusions: A 1979 congressional moratorium has prevented the National Park Service from raising entrance fees at 333 units in the National Park System in spite of rising operating costs and inflation. Between 1971 and 1981, Park Service operation and maintenance costs per visitor rose 149 percent while entry fee revenues per visitor declined 30 percent. As a result, entry fee revenues declined from over 7 percent of Park Service operation and maintenance costs in 1971 to about 2 percent of those costs in 1981. During the same period, inflation rose by 129 percent. Using a unit-day-value method, GAO determined that the recreation benefits at six major park system units have a daily value ranging from $7.64 to $11.40 for a family of four. However, daily entrance fees at these parks only average about $3.00 per vehicle. Using the six legislative criteria as guidelines, GAO estimated that the Park Service could generate net additional revenues of $18 million at 48 of the 71 units which GAO reviewed. GAO also estimated that the Park Service could generate additional net income of $2.7 million by extending fee collection hours at 14 parks. The responsibility for setting park entrance fees rests with the Secretary of the Interior. GAO agrees with proposed legislation which would repeal the moratorium on initiating and increasing park entrance fees and remove the $10 limit on the price of the Golden Eagle Passport, which allows unlimited entry to all parks for the calendar year.

Recommendations to Congress: Congress should repeal section 402 of Public Law 96-87, which froze all National Park Service entrance fees at their January 1, 1979, level and prohibited collecting entrance fees at any additional units.

Status: No action initiated. Date action planned not known.

Congress should amend section 4 of the Land and Water Conservation Fund Act of 1965, as amended, to remove the $10 limit on the price of a Golden Eagle Passport.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of the Interior should direct the Director, National Park Service, to establish guidelines for applying the six legislative criteria for setting park entrance fees.

Status: Action completed.

The Secretary of the Interior should direct the Director, National Park Service, to use the guidelines established for applying the six legislative criteria to set entrance fee levels at park system units.

Status: Action completed.

The Secretary of the Interior should direct the Director, National Park Service, to set the price of the Golden Eagle Passport based on the levels of fees set at individual parks.

Status: No action initiated. Date action planned not known.

The Secretary of the Interior should direct the Director, National Park Service, to extend entrance fee collection hours at parks where it is cost effective to do so.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The National Park Service concurred with the report recommendations and has taken specific actions to implement them.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Major Improvements Needed in the Bureau of Indian Affairs' Accounting System
(AFMD-82-71, 9-8-82)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Indian Self-Determination and Education Assistance Act (P.L. 93-638; 88 Stat. 2203). Permanent Appropriation Repeal Act, 1934 (31 U.S.C. 725 et seq.). 25 U.S.C. 161.

GAO examined the Bureau of Indian Affairs' automated accounting and finance system to determine whether it ensures that: (1) contract and grant cash advances, expenditures, and balances on hand are properly and accurately reported; (2) contract and grant cash advances are not requested prematurely, thus causing balances to exceed immediate and reasonable cash needs; (3) trust fund cash receipts and disbursements are properly handled and controlled and are accurately and completely recorded in the accounting records; (4) trust funds are properly invested; and (5) the Bureau properly and completely discharges its fiduciary responsibilities as trustee for Indian trust funds.

Findings/Conclusions: GAO found that the accounting system is not functioning properly and that little action has been taken to resolve known problems. Accounting for contracts, grants, and Indian trust funds has lacked attention. Managers cannot properly discharge thei. fiduciary responsibility as trustee for the trust funds or control millions of dollars of cash advances to contractors and grantees, because they are not receiving reliable information from their accounting system. GAO believes that the Bureau's recent efforts to enhance its accounting system are misdirected and that its acquisition of new computer equipment will not solve the system's serious design and operating problems. To reestablish accountability and control, the Bureau needs to take the following corrective action: (1) purge unreliable information from the automated accounting records for contractor and grantee cash advances and trust funds; and (2) develop and implement management controls to ensure compliance with prescribed accounting, internal control, and financial reporting procedures. The Bureau must also redesign or modify the automated accounting and finance system to correct known, longstanding deficiencies so that managers' financial information needs are met.

Recommendations to Agencies: The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to determine the actual amount of expenditures made and outstanding cash advances held by Indian contractors and grantees and record this information in the automated accounting system.

Status: Action in process.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to recover any excess cash held by contractors and grantees.

Status: Action in process.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to maintain the accounting records for contracts and grants on the accrual basis of accounting.

Status: Action in process.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to reconcile detailed subsidiary and summary general ledger trust fund accounts, investigate the differences disclosed, and make appropriate correcting entries in the accounts. In doing so, all trust fund securities and cash should be counted.

Status: Action in process.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to make the maximum use practicable of the check preparation and distribution services of the Treasury's division of disbursements in making trust fund disbursements.

Status: Action in process.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to develop written procedures for entering transaction information into the automated accounting and finance system.

Status: Action in process.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to ensure that prescribed accounting procedures are followed by making sure that: (1) Indian contractors and grantees file required expenditure reports on the prescribed due dates; (2) Bureau personnel enter expenditure information promptly in the accounting system; (3) Bureau personnel suspend letter-of-credit drawdown privileges for Indian contractors and grantees who fail to comply with prescribed financial reporting and accounting procedures; (4) Bureau personnel responsible for trust funds complete all required monthly reconciliations of subsidiary and general ledger accounts and promptly enter appropriate correcting entries in the accounts; (5) local office managers provide for prescribed separation of duties in handling trust fund transactions; and (6) investment branch personnel do not exceed available trust fund cash in making investments.

Status: Action in process.

The Secretary of the Interior should direct the Commissioner of the Bureau of Indian Affairs to initiate the redesign or modification of the automated accounting and finance system to eliminate design deficiencies and operate on the accrual basis of accounting. The new system should be adequately documented and the documentation kept up to date. Also, controls should be established to ensure that system modifications are approved before implementation and that the modifications are fully

documented. When the system redesign is complete, the new system should be sent to the Comptroller General for approval.
Status: Action in process.

Agency Comments/Action

The agency stated that it generally agreed with the findings and recommendations in the report and promised corrective actions. The agency commented that the GAO report reiterated many of the concerns that the agency had had with its accounting system.

DEPARTMENT OF THE INTERIOR

Repeal of Unneeded Outer Continental Shelf Production Rate-Setting Functions Would Cut Costs
(EMD-82-97, 9-10-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Outer Continental Oil Shelf Lands Act (43 U.S.C. 1334). Outer Continental Shelf Lands Act Amendments of 1978 (43 U.S.C. 1865). Department of Energy Organization Act (42 U.S.C. 7152). Natural Gas Policy Act of 1978. 43 U.S.C. 1865(d)(1).

GAO initiated this report to determine whether there are opportunities to save money or better utilize resources within the Department of the Interior by eliminating unneeded statutory and other reporting requirements involving the production of oil and gas from Federal leases on the Outer Continental Shelf (OCS).

Findings/Conclusions: GAO found that, under authority of the OCS Lands Act of 1953 and the OCS Lands Act Amendments of 1978, Interior requires operators of OCS leases to provide various information regarding the rate at which oil and gas can and will be produced. Three different rates are currently compiled by Interior's Minerals Management Service (MMS): the maximum production rate (MPR), the maximum efficient rate (MER), and the maximum attainable rate (MAR). Most of Interior's rate-setting effort is not useful or necessary and could be curtailed. Although exact figures are not available, the costs on the part of both MMS and industry to collect and report on the production rates are significant. MMS is currently considering revisions to regulations which would eliminate the MER for nonsensitive reservoirs. GAO believes MMS could probably eliminate the MER entirely and use MPR data to monitor sensitive reservoirs. In addition, MMS officials agree that the MAR is not necessary, since the information needed on OCS production capabilities can be provided through the data supporting the MPR. However, since the MAR is required by statute, legislative relief by Congress is required before it can be discontinued.

Recommendations to Congress: Congress should repeal section 606 of the OCS Lands Act Amendments of 1978 (43 U.S.C. 1865) to eliminate the data gathering and reporting requirements related to the MAR.

Status: Action in process.

Recommendations to Agencies: The Secretary of the Interior should require the Director of MMS to establish necessary procedures to use MPR data for: (1) fulfillment of the OCS Lands Act Amendments requirement and; (2) after legislative relief is granted, for continuing to fulfill Interior's responsibilities for overseeing OCS production activity. GAO continues to believe that MMS should give further consideration to using MPR data in lieu of the MER to monitor sensitive reservoirs.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Interior agreed with the recommendation that Congress amend the OCS Lands Act to eliminate the data gathering and reporting requirements related to maximum attainable oil and gas production rates from OCS leases. Interior disagreed with the recommendation that a second production rate setting function, the maximum efficient rate of production, also be eliminated.

DEPARTMENT OF THE INTERIOR

Interior's Report of Shut-In or Flaring Wells Unnecessary, but Oversight Should Continue
(RCED-83-10, 10-5-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Outer Continental Shelf Lands Act Amendments of 1978. Outer Continental Oil Shelf Lands Act. S. 1967 (97th Cong.). H.R. 7076 (97th Cong.).

GAO reported on the methodology used by the Secretary of the Interior in allowing Outer Continental Shelf (OCS) wells to be shut-in or flaring natural gas, as required by law.

Findings/Conclusions: GAO found, as it did in three previous annual reports, that the Department of the Interior's Mineral Management Service (MMS) should continue to improve its monitoring of shut-in and flaring wells while discontinuing its annual report. Congress' primary concern in initially requiring an annual OCS shut-in and flaring wells report was to determine whether OCS operators were deliberately withholding production in anticipation of higher prices in the future. GAO found that Interior's methodology and reporting has not been adequate to make this determination, and GAO believes that recent decontrol makes it unlikely that operators would deliberately withhold production. GAO concluded that abolishing the report would be the most cost-effective solution, and that MMS could direct Interior's post-lease management functions in a more effective manner.

Recommendations to Congress: Congress should consider repealing section 15(1)(d) of the Outer Continental Shelf Lands Act, as amended, and sections 601(1) and (b) of the Outer Continental Shelf Lands Act Amendments of 1978. These repeals would abolish the requirement for Interior's annual report on OCS shut-in and flaring wells as well as for the GAO annual evaluation of Interior's methodology and reporting to Congress.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of the Interior should direct MMS to reinstitute procedures to compare Interior's onsite inspection reports with operator-reported shut-in data, at least on a selective basis, to verify the information being reported by operators.

Status: Action completed.

The Secretary of the Interior should direct MMS to reinstitute procedures for monitoring for excessive emergency gas flaring.

Status: Action completed.

The Secretary of the Interior should direct MMS to verify on a timely basis that gas flaring ceases when it is expected to cease.

Status: Action completed.

Agency Comments/Action

Interior directed the Minerals Management Service to: (1) reinstitute procedures to compare Interior's on-site inspection reports; (2) reinstitute procedures for monitoring for emergency gas flaring; and (3) verify on a timely basis that gas flaring ceases when it is expected to cease.

The House Committee on Merchant Marine and Fisheries reported H.R. 7076 to the House on October 7, 1982. The bill provided for the repeal of the shut-in and flaring well reporting requirements, but was not enacted. No bills have been introduced in this session of Congress.

DEPARTMENT OF THE INTERIOR

Public Rangeland Improvement: A Slow, Costly Process in Need of Alternate Funding
(RCED-83-23, 10-14-82)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Taylor Act (Grazing). Land Policy and Management Act. Public Rangelands Improvement Act of 1978. Environmental Policy Act of 1969 (National). Wild and Free Horses and Burros Act of 1971. Endangered Species Act of 1973.

GAO conducted a review to determine the status of and progress being made under the Bureau of Land Management's (BLM) programs for managing and protecting public rangelands in 16 Western States.

Findings/Conclusions: Since 1977, BLM has made some progress in meeting a congressional mandate to improve the unsatisfactory conditions of public rangelands in the Western States. BLM has issued over 20,000 grazing permits or leases to individuals and corporations who use Federal rangelands. Permittees with allotments range from large ranchers to some with a few animals. Because BLM has used varying methods over the years to assess range conditions, the assessments' results cannot be directly compared to show the overall effects of BLM management actions. Nevertheless, the assessments indicate that most of the rangelands are in unsatisfactory condition and produce less than their potential. The current BLM method of determining and classifying range conditions is not directly related to management objectives. In addition, field offices use different methods to gather rangeland trend and forage consumption data. GAO believes that more consistency in data gathering is needed among districts with the same rangeland types and with similar resource conditions and problems. A 1975 court order has delayed development and implementation of range management plans until site-specific environmental impact statements are completed. The decreasing availability of improvement funds caused by budget cuts and declining grazing fees, coupled with the increasing cost of range improvements will further delay BLM progress in improving range conditions and productivity.

Recommendations to Congress: Congress should assess alternative funding sources such as amending the Public Rangelands Improvement Act to provide an interim increase in grazing fees, provided the funds are used to make range improvements where they are collected.

Status: No action initiated. Date action planned not known.

Congress should assess alternative funding sources such as appropriating the special funds already authorized by section 5 of the Public Rangelands Improvement Act for range improvements.

Status: No action initiated. Date action planned not known.

Congress should assess alternative funding sources such as amending the Federal Land Policy and Management Act to allow BLM to use a higher percentage or amount of grazing fees for making improvements.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of the Interior should direct BLM to develop an additional rangeland condition assessment method that will classify conditions in relation to management objectives and require State BLM offices, to the extent possible, to obtain consistent rangeland data to be used for: (1) determining whether management objectives, such as bringing grazing use in line with grazing capacity, are being met; and (2) reporting to Congress and the public on the rangelands' overall condition.

Status: Action in process.

The Secretary of the Interior should test and evaluate the feasibility of expanding the Experimental Stewardship Program which allows permittees to receive up to a 50-percent credit of their annual grazing fees for making range improvements. This program, if feasible for expansion, should be implemented with proper fiscal safeguards and in line with the BLM range improvement priority system.

Status: Recommendation no longer valid/action not intended. *Such an expansion could not occur under existing legislative authority due to lack of time. An expansion outside the existing authority would require new legislation.*

The Secretary of the Interior should provide those incentives which the Interior determines to be needed to encourage permittees to make range improvements.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

BLM is developing an assessment of methods to classify rangeland conditions in relation to management objectives. This will also provide a basis for field offices to gather and report consistent data. BLM is reviewing its programs to ensure full availability of incentives for private investment in range improvements. BLM noted that an expansion of the section 12 experimental program would require new legislation. BLM generally concurred with the report recommendations.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Potential Exists To Reduce Construction Costs Through More Effective Promotion of the Value Engineering Incentive Program
(RCED. 12-1-82)

Budget Function: Natural Resources and Environment: Water Resources (301.0)

GAO reviewed the Department of the Interior's Bureau of Reclamation value engineering incentive program to identify opportunities for the Bureau to increase savings on water project construction costs.

Findings/Conclusions: GAO found that the Bureau has not placed enough emphasis on promoting the value engineering incentive program for its water resource construction contracts. As a result, the cost reduction potential of the program probably has not been fully realized due to limited contractor response. Since the program began, the Bureau has approved 39 contractor value engineering cost savings proposals, amounting to savings of about $2.1 million, half of which accrued to the Federal Government. Although these savings are noteworthy, the Army Corps of Engineers during the same time period achieved nearly 20 times greater savings to the Government with construction appropriations three times that of the Bureau. The Bureau could potentially realize greater reductions in water project construction costs through the value engineering incentive clause adopting certain Corps practices related to: (1) lowering various dollar limitations placed on participation in the program to encourage greater response, and (2) promoting contractor awareness of the existence of an incentive clause.

Recommendations to Agencies: The Commissioner of the Bureau of Reclamation should take action to adopt the incentive clause provisions in the proposed Federal Acquisition Regulation.

Status: Action completed.

The Commissioner of the Bureau of Reclamation should require a plan to be developed and implemented to promote the value engineering incentive program through direct contact with the contractors. This plan should include: 1) sending letters to contractors encouraging them to use the incentive clause; 2) designing and providing an informative brochure on value engineering that at a minimum explains the concept of value engineering, outlines the purpose of incentive clause, discusses the contractor's role in the process, sets forth guidelines to be followed in submitting proposals, and discusses procedures followed in reviewing and approving proposals received; and 3) providing value engineering seminars and orientation sessions for Bureau personnel construction company representatives.

Status: Action in process.

Agency Comments/Action

The Assistant Commissioner for Administration issued a Reclamation Procurement Memorandum, December 9, 1982, which adopts the value engineering incentive clause proposed by the Federal Acquisition Regulation. Specifically, the Bureau's incentive clause is now: (1) included in construction contracts valued at $100,000 or more; and (2) required of contractors to be included in any subcontract of $50,000 or more. In addition. the Bureau's clause no longer restricts contract proposals based on a $10,000 minimum limit.

DEPARTMENT OF THE INTERIOR

The Challenge of Enhancing Micronesian Self-Sufficiency
(ID-83-1, 1-25-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: P.L. 81-815. P.L. 96-63. Dep't of the Interior Secretarial Order 3039. 20 U.S.C. 1241. 42 U.S.C. 254b. 92 Stat. 2397.

In response to a congressional request, GAO reviewed the institutional capability of the Micronesian governments to plan and administer public-sector programs and services. GAO also reviewed the conditions and the operations and maintenance of the extensive public works programs.

Findings/Conclusions: Under its Micronesia trusteeship, the United States has encouraged the formation of constitutional governments, supported the growth of educational programs, expanded the access of people to modern medical care, and invested extensively in physical facilities as a requisite to economic development. Despite these efforts, the Micronesian governments continue to face serious obstacles to becoming more self-sufficient. Geographic, social, and public policy constraints have and continue to limit the growth of the private-sector economy. GAO found that government budgets exceed the capabilities of the economies to support them and remain dependent on U.S. funds. Although much progress has been made under a 5-year capital improvement program, it has been estimated that $100 million would be required to fund full-scope restoration. The operations and maintenance of Micronesia's capital improvements and support equipment lacks funds, technically capable professionals, qualified trade skills personnel, planning, and work control programs. As a result, most Micronesian facilities and equipment are deteriorating. Resources will continue to be limited, and Micronesia is experiencing public administration problems in financial and personnel management and human resource development. Enhancing these institutional capabilities will continue to require substantial technical assistance from multiple sources.

Recommendations to Agencies: The Secretary of the Interior, through the Office of Territorial and International Affairs, and in cooperation with the Governments of of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands, should, during the period before the Trusteeship ends, develop an action plan to guide the provision of all U.S. and other technical assistance to the Micronesian governments.
Status: Action in process.

The Secretary of the Interior, through the Office of Territorial and International Affairs, and in cooperation with the Governments of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands should, during the period before the trusteeship ends, conduct a series of assessments of the technical assistance requirements of the Micronesian governments.
Status: Action in process.

The Secretary of the Interior, through the Office of Territorial and International Affairs, and in cooperation with the Governments of the Republic of Palau, the Federated States of Micronesia, and the Republic of the Marshall Islands, should, during the period before Trusteeship ends, identify what technical assistance is available and can be provided to the Micronesian government by Interior, other Federal agencies, international organizations, the private sector, and colleges and universities.
Status: Action in process.

Agency Comments/Action

GAO recommended that Interior: (1) conduct a series of assessments of the technical assistance requirements of the Micronesian Governments; (2) identify what technical assistance sources are available; and (3) develop an action plan to guide the provision of all available technical assistance to the Micronesian Governments. In its March 31, 1983, response to the report, Interior stated that it is working closely with the Micronesian Governments in defining specific areas requiring technical assistance. To some extent, Interior is meeting the Micronesian Governments' priority needs: approximately $2 million has been committed to a number of technical assistance projects. Interior has contacted other Federal agencies and potential sources to determine what technical assistance is being or could be provided to those Governments. This action is not yet complete and is part of an effort to establish a comprehensive technical assistance program.

DEPARTMENT OF THE INTERIOR

Unresolved Issues Concerning the Disposal of Stockpile Silver
(RCED-83-7, 2-18-83)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Department of Defense Appropriation Act, 1982 (P.L. 97-114). Strategic and Critical Materials Stock Piling Revision Act of 1979 (P.L. 96-41).

Comments by the Department of Defense (DOD) and the Federal Emergency Management Agency (FEMA) on an earlier GAO report have raised new issues concerning the disposal of stockpile silver. GAO evaluated the DOD and FEMA positions to determine whether they warranted revising any of the conclusions and recommendations of the earlier report and identified new issues that must be addressed and resolved in reevaluating the need for the stockpile silver.

Findings/Conclusions: The Department of Defense Appropriation Act of 1982 suspended the weekly auctions of silver stockpiles pending a redetermination that the silver intended for disposal is excess to stockpile requirements and congressional approval of any proposed disposal method. However, GAO believes that other unresolved disposal issues remain, including: (1) the lack of consideration of defense-related monetary uses of silver; (2) inadequacies in the decisionmaking data base relating to legislatively mandated supply factors; (3) the lack of consideration of the estimated cost of alternative sources of silver and the impact of proposed disposal methods on foreign relations; and (4) the viability of various alternative disposal methods, such as bullion coins and convertible bonds backed by silver.

Recommendations to Agencies: The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to make clear the demand factors considered in redetermining the need for the stockpile silver and provide justification for excluding any of the defense-related monetary uses required by the fiscal year 1982 Defense Appropriations Act.

Status: Action in process.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to appropriately qualify those legislatively mandated supply factors that are based on incomplete data.

Status: Action in process.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to consider, as required by law: (1) the estimated cost of silver from recycling, domestic stocks, and foreign suppliers during a national emergency; and (2) the impact that any proposed disposal method may have on relations between the United States and its major foreign suppliers.

Status: Action in process.

The Secretary of the Interior should require the Interagency Silver Commodity Committee in its report to Congress to provide a benefit-cost analysis of the various alternatives to disposing of the stockpile silver, including bullion coins and convertible bonds backed by silver, in support of a recommended disposal method.

Status: Action in process.

Agency Comments/Action

In a May 11, 1983, letter, the Under Secretary of the Interior stated that the administration generally concurred with the recommendations and will direct the Interagency Silver Commodity Committee to consider the recommendations in its silver stockpile disposal report which is still in preparation. It would like to defer additional comments on the GAO report until that study is completed. Although the study has been completed, as of January 11, 1984, it had not yet been released.

DEPARTMENT OF THE INTERIOR

Coal Exchange Management Continues To Need Attention
(RCED-83-58, 3-7-83)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Mineral Lands Leasing Act. Federal Coal Leasing Amendments Act of 1975. Land Policy and Management Act (P.L. 95-554). Surface Mining Control and Reclamation Act of 1977. 43 C.F.R. 2200. 43 C.F.R. 3400.

In response to a congressional request, GAO examined several aspects of the proposed exchange of coal land ownership in Montana between the Bureau of Land Management (BLM) and a mineral company which is a railroad affiliate. The exchange is proposed to give both parties contiguous parcels of land which would be more conducive to leasing and development.

Findings/Conclusions: GAO found that, although the Mineral Leasing Act prohibits common carrier railroads from receiving Federal coal leases, these restrictions do not apply to coal exchanges. Under the authority of the Federal Land Policy and Management Act, BLM can noncompetitively exchange coal ownership at any time if the exchanges are in the public interest and if the exchanged resources are of equal value. In addition, GAO found no discussion of the relationship between leasing Federal coal or exchanging it in the law or regulations; nor did it find regulatory criteria for determining when to consider an exchange or leasing. Thus, BLM has a great deal of discretion in processing exchange proposals. GAO believes that there is merit to proceeding with consideration of the proposal because: (1) an exchange would be the surest way to assemble land conducive to development and even greater quantities of coal would be brought under Federal jurisdiction; (2) the long-term marketability of the Federal tract would be enhanced by the elimination of a checkerboard land problem; and (3) an alternative cooperative leasing approach has been unproven. GAO found that, although BLM intends to use the experience gained from this project to develop criteria for handling future exchanges, there is little assurance that key factors affecting exchange decisions will be fully considered.

Recommendations to Agencies: The Secretary of the Interior should establish regulatory requirements to help assure that future coal ownership exchanges are consistently and equitably handled at the State level. These regulations should include: (1) guidelines for measuring public benefit and equal value for coal suitable for exchange; and (2) a requirement that both lease and exchange options are adequately considered when a proposal is received.

Status: Recommendation no longer valid/action not intended. *Interior has no intention of establishing regulations because it feels that regulations are not appropriate since each exchange is unique.*

The Secretary of the Interior should follow through in implementing recommendations previously made by GAO with regard to lease exchanges.

Status: Action in process.

Agency Comments/Action

Interior generally concurs with the recommendations and is taking corrective actions that it believes are appropriate at this time. Interior disagreed with the recommendations to set rigid standards covering coal lease and land exchange geologic conditions and to set absolute standards for the evaluation method to be used for an exchange.

DEPARTMENT OF THE INTERIOR

National Parks' Health and Safety Problems Given Priority; Cost Estimates and Safety Management Could Be Improved
(RCED-83-59, 4-25-83)

Budget Function: Natural Resources and Environment: Recreational Resources (303.0)
Legislative Authority: Occupational Safety and Health Act of 1970. Surface Transportation Assistance Act of 1982 (P.L. 97-424). 29 C.F.R. 1960.20. Executive Order 12196. Dep't. of the Interior Manual Part 485. Dep't. of the Interior Manual Part 753.

In its second in a series of three reports, GAO reviewed the National Park Service's estimate of its current health and safety backlog of construction projects and its systems to identify, set priorities for, and fund health and safety programs.

Findings/Conclusions: In it first report, GAO estimated that the cost to complete the backlog construction projects was about $1.6 billion. Although the Park Service can improve its estimates, the uncertainty of project costs until final plans are developed limits the Service's ability to make more reliable estimates. In 1982, the Service updated its construction priority list and planned to fund $538 million for health and safety projects between 1983 and 1987. It estimated an additional construction backlog of $1.7 billion for fiscal year 1988 and beyond. GAO found that officials and employees responsible for health and safety inspections in the National Parks it visited do not fully comply with the Occupational Safety and Health Administration (OSHA), Department of the Interior, and Park Service health and safety inspection requirements. Deficiencies included lack of required inspections as well as inadequate inspection documentation, followup procedures, and monitoring by regional offices and Park Service headquarters. GAO stated that progress varied in the Service-wide inspection programs which encompass safety and maintenance assessments for roads, bridges, tunnels, buildings, and dams and environmental health inspections for water supply and sewage systems. GAO noted that the Service acted to improve roads, bridges, tunnels, dams, and water supply systems; however, summary data on corrections to sewage systems were not available.

Recommendations to Agencies: The Secretary of the Interior should review, during Interior's annual review of the Service's budget, the Service's 5-year priority list of construction projects to determine if all health and safety projects are properly identified.

Status: No action initiated. Date action planned not known.

The Secretary of the Interior should include the updated 5-year health and safety estimate in Interior's annual budget submission to Congress which should be accompanied by an explanation of the estimate's reliability and comprehensiveness.

Status: Action in process.

The Secretary of the Interior should direct the Park Service Director to develop an up-to-date, formal headquarters health and safety program to be used as a guide for regional and park programs.

Status: Action in process.

The Secretary of the Interior should direct the Park Service Director to review regional health and safety activities and require their compliance with Service requirements.

Status: Action completed.

The Secretary of the Interior should direct the Park Service Director to develop procedures for the regional safety managers to use in reviewing the parks' health and safety activities, particularly health and safety inspections.

Status: Action completed.

The Secretary of the Interior should direct the Park Service Director to identify safety training needs to meet OSHA, Interior, and Service health and safety requirements and require that the Service provide for a safety training program to meet these needs.

Status: Action completed.

Agency Comments/Action

Interior generally concurred with the recommendations and has given specific direction to the Park Service to institute action toward meeting the stated objectives. To implement the recommendations, Interior informed GAO that: (1) the Department will include the updated 5-year health and safety estimate in the annual budget submission to Congress; (2) the Park Service has developed a draft health and safety program to be used as a guideline in regional and park programs; (3) the Park Service evaluated three regional office health and safety programs in fiscal year 1983; (4) the Park Service has developed and routed to all regional safety managers a Safety and Occupational Health Profile Evaluation format containing the 15 elements contained in the guidelines; and (5) the Park Service has identified specific training needs in terms of skills and knowledge required for managers, supervisors, collateral duty safety officers, and safety committees.

DEPARTMENT OF THE INTERIOR

Analysis of the Powder River Basin Federal Coal Lease Sale: Economic Valuation Improvements and Legislative Changes Needed
(RCED-83-119, 5-11-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Mineral Lands Leasing Act. Federal Coal Leasing Amendments Act of 1975 (30 U.S.C. 201(a)(1)). 43 C.F.R. 2.20. Dep't. of the Interior Manual 355.2.1. Boesche v. Udall, 373 U.S. 472 (1963).

In response to a congressional request, GAO evaluated many sensitive and controversial issues surrounding the April 28, 1982, sale of coal leases in the Powder River Basin Federal Coal Region and its implications for the overall success of the Federal Coal Management Program.

Findings/Conclusions: GAO found that the Department of the Interior did not investigate the possibility of the disclosure of proprietary data or its potential impact on the sale. However, GAO could not verify the details related to this alleged disclosure. Interior did make two major changes in its coal lease sale bidding systems to permit the determination of fair market value after the sale rather than before. GAO found that Interior's new entry-level system and minimum bidding concept resulted in the receipt of low bids because of minimal bidder participation. The combined accepted bids on two sales were $3.5 million less than Interior's original minimum acceptable bid estimates. GAO believed that the approach used by the evaluation team, although imperfect and in need of some adjustment, was reasonable under the circumstances and provided a technically sound basis for estimating the fair market value of the tracts. However, GAO found that the lease value estimates undervalued the tracts by $95 million. GAO also noted weaknesses in the fair market value determination procedures, since the procedures were overly dependent on data derived from the sale itself. GAO found that Powder River coal sold at roughly $100 million less than the GAO estimates of fair market value at the April and October sales. A GAO analysis of maintenance leases showed that none of the tracts sold at fair market value.

Recommendations to Congress: Congress should amend the Mineral Lands Leasing Act of 1920, as amended, to: (1) authorize Interior to negotiate captive or maintenance-type leases; and (2) require Interior to publish for public comment information derived at sequential phases in the lease negotiation process. To ensure public and industry awareness of the lease negotiation process, and to provide ample opportunity for affected parties to influence the process, Interior should be required to publish its: (1) intent to negotiate a proposed maintenance lease; (2) decision to negotiate the lease as proposed and its evaluation of public comments; (3) intent to sell the lease and the proposed sale terms; and (4) decision to sell the lease as proposed, or under modified terms, and its evaluation of public comments. To facilitate future evaluations of the negotiation process, Congress should amend the Mineral Lands Leasing Act of 1920 to require that detailed records be kept of the negotiations, including evidence presented by Government and industry representatives, and of its disposition.
Status: Action in process.

Recommendations to Agencies: The Secretary of the Interior should postpone scheduled regional coal lease sales until Interior has had an opportunity to correct deficiencies in its valuation, leasing, and fair market value determination procedures.
Status: Action in process.

The Secretary of the Interior should not resume coal leasing until Interior has developed: (1) a detailed analysis of the economic and geologic variables affecting the value of a Federal coal lease; (2) new internal procedures for conducting coal lease valuations; (3) new guidelines for using untried or experimental bidding systems, such as entry level and interact bidding, at regional coal lease sales; (4) minimum regulatory selling prices for coal leases in each Federal coal region on a cents per ton basis; and (5) revised fair market value determination procedures that include specific quantitative tests which are applicable whether or not adequate bidding competition is present and place greater reliance on prior comparable sales and recent arm's length sales in the absence of bidding competition at the actual sale.
Status: Action in process.

The Secretary of the Interior should direct the Bureau of Land Management to establish written, bureauwide, internal procedures for safeguarding coal lease pricing, economic valuation, and other proprietary data.
Status: Action in process.

Agency Comments/Action

A number of the recommendations are currently being implemented. However, Interior objects to the contention that the fair market value of the Powder River Leases for $100 million is less than Interior received. Interior has not voluntarily postponed future regional sales until improvements are made as suggested by GAO. Interior's fiscal year 1984 appropriations bill was amended and signed into law. It established a commission on coal fair market value and placed a moratorium on Interior's leasing of coal until the commission reports its findings to Congress.

DEPARTMENT OF THE INTERIOR

Congress Should Extend Mandate To Experiment With Alternative Bidding Systems in Leasing Offshore Lands *(RCED-83-139, 5-27-83)*

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Outer Continental Oil Shelf Lands Act (P.L. 83-212). Department of the Interior Appropriation Act, 1982 (P.L. 97-100). Department of Energy Organization Act (P.L. 95-91). P.L. 95-372.

In response to a congressional request, GAO reviewed the Department of the Interior's use of alternative bidding systems to lease offshore lands for oil and gas development as mandated in the Outer Continental Shelf Lands Act Amendments of 1978. Specifically, the report discusses Interior's record in implementing the alternative systems and their impact on company participation and competition in lease sales, Government revenues, diligent lease exploration and production, and administrative costs to the Government.
Findings/Conclusions: GAO found that the initial effects of the alternative bidding systems on company participation and competition generally parallels or betters the results of the traditional system, although upfront money required to obtain leases is not always reduced. GAO compared the alternative bidding systems and found that two of the six sliding scale systems and the cash bonus bid with the 33.3 percent royalty alternative produced especially encouraging results. However, GAO concluded that additional time and testing are needed to determine the full impact of the systems on Government revenues, lease exploration and production, and administrative costs.
Recommendations to Congress: Congress should amend section 8(a) 5(B) of the Outer Continental Shelf Lands Act, as amended, to provide for continued use of alternatives to the cash bonus bid, fixed-royalty bidding system in leasing offshore lands for another 5-year period.
Status: No action initiated. Date action planned not known.

Congress should delete the requirement that the Secretary of Energy submit an annual report to Congress on the use of alternative bidding systems and transfer the requirement to the Secretary of the Interior.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Secretary of the Interior should comply with the existing reporting requirements of section 15(2) of the Outer Continental Shelf Lands Act, as amended, to provide Congress adequate and timely information on the impacts of using the alternative bidding systems.
Status: Action completed.

Agency Comments/Action

Interior agreed with the recommendation that the Secretary of the Interior comply with the existing reporting requirements of section 15(2) of the Outer Continental Shelf Lands Act, and issued the required report on April 29, 1983. Interior disagreed with the recommendation that Congress provide continued testing of alternative bidding systems in leasing Outer Continental Shelf lands.

DEPARTMENT OF THE INTERIOR

The Department of the Interior Should Improve Its Policies and Practices on Grant-Related Income
(GGD-83-75, 8-26-83)

Budget Function: General Government: Executive Direction and Management (802.0)

GAO performed a Government-wide review of Federal agencies' and grantees' policies and practices on handling income generated under federally assisted programs.

Findings/Conclusions: GAO found that a number of Federal agencies, including the Department of the Interior, had not established regulations addressing some grant-related income issues, were not conforming to the Office of Management and Budget's grant-related income standards, and were not adequately implementing their grant-related income regulations. As a result, the objective which the income standards sought to attain, that of using the income to increase the size of the federally assisted programs or to reduce the Federal Government's and grantees' shares of program costs, was not always being attained.

Recommendations to Agencies: The Secretary of the Interior should direct the National Park Service (NPS) and the Fish and Wildlife Service (FWS) to review grantees' practices on the use of income and to emphasize that program income must be used for program purposes.

Status: Action in process.

The Secretary of the Interior should direct NPS and FWS to establish regulations governing the: (1) timing and allowability of program income expenditures; and (2) disposition of interest earned on invested program income funds.

Status: Action in process.

The Secretary of the Interior should direct FWS officials to determine whether any Federal share exists in the interest earned on the two Florida wildlife accounts.

Status: Action in process.

The Secretary of the Interior should direct NPS and FWS to review and, where appropriate, revise their regulations on the options available to grantees for using program income to ensure that they reflect statutory requirements and clarify them as appropriate to remove internal conflicts.

Status: Action in process.

The Secretary of the Interior should direct FWS officials to be consistent in requiring grantees to account for and report on income from the sale of wildlife management area permits, taking into consideration the FWS policy statement on this issue.

Status: Action in process.

The Secretary of the Interior should direct FWS to require grantees to use the Financial Status Report for reporting program income and all other types of grant-related income.

Status: Action in process.

The Secretary of the Interior should direct NPS to enforce the Historic Preservation Program regulations requiring grantees to remit the Federal share of proceeds realized from the sale of real property without regard to whether the property is sold during or after the project period.

Status: Action in process.

Agency Comments/Action

Interior generally agreed with the report stating that it recognizes a need to provide more explicit guidance to grantees. Interior will consider the report and its recommendations in preparing such guidance.

DEPARTMENT OF THE INTERIOR

Compliance With the Department of the Interior's Cost Recovery Program Could Generate Substantial Additional Revenues
(RCED-83-94, 9-6-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Land Policy and Management Act (43 U.S.C. 1734). Mineral Lands Leasing Act (30 U.S.C. 185). Independent Offices Appropriation Act, 1952 (31 U.S.C. 483a).

GAO reviewed the Department of the Interior's recently expanded cost recovery program as it relates to oil and gas activities on Alaska's Federal onshore lands.

Findings/Conclusions: GAO found that the Bureau of Land Management (BLM), the Minerals Management Service (MMS), and the Fish and Wildlife Service (FWS) are not fully complying with Interior's requirement to identify and, where appropriate, seek recovery of costs for services which directly benefit firms and individuals. During fiscal year 1982, more than $1.5 million in potentially recoverable costs were incurred by Interior, but action was taken to recover only a small part of them. Similar costs are anticipated in the future. The costs are incurred in responding to requests for drilling permits and other services by specific individuals and firms involved in exploration, development, and production activities on Alaska's Federal lands. With few exceptions, the beneficiaries of these services are not being required to reimburse Interior for costs incurred because of the newness of the cost recovery program, the lack of emphasis and priority being given to it, and an unawareness of the requirement to reexamine these costs for the potential for recovery. GAO found that: (1) MMS was excused from filing a cost recovery report because it was a relatively new organization; (2) the FWS report did not identify, discuss, or analyze the recovery potential of oil and gas management costs; and (3) BLM currently charges for 27 leasing-related services and has proposed regulations for increasing or imposing fees for 9 others. Although BLM identified some new areas of cost recovery, it did not identify and analyze possible cost recovery for oil and gas management costs.

Recommendations to Agencies: The Secretary of the Interior should instruct the Director of the Office of Financial Management to ensure that bureaus and offices comply with the expanded program to recover appropriate costs for services provided to the non-Federal sector. Specifically, bureaus and services in Alaska should identify unrecovered oil- and gas-related costs, evaluate the appropriateness of recovery possibilities, and institute collection procedures, where appropriate.
Status: Action in process.

Agency Comments/Action

On November 8, 1983, the Department of the Interior advised GAO that the Bureau of Land Management and the Fish and Wildlife Service have initiated review of their cost recovery criteria with respect to Alaska oil and gas leasing activities. If additional cost recovery opportunities are identified, appropriate action will be taken.

DEPARTMENT OF THE TREASURY

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

Occupational Taxes on the Alcohol Industry Should Be Repealed
(GGD-75-111, 1-16-76)

Budget Function: General Government: Central Fiscal Operations (803.0)

Alcoholic beverage occupational taxes collected in fiscal year 1975 amounted to $21.5 million.

Findings/Conclusions: Taxpayer compliance with the alcohol-related occupational tax has dropped below acceptable levels; enforcement by the Bureau of Alcohol, Tobacco, and Firearms is inadequate. Although additional manpower in this area would undoubtedly increase both revenue and compliance, repeal of the occupational taxes appears preferable to increased enforcement.

Recommendations to Congress: Congress should repeal all occupational taxes in sections 5081 through 5148 of the Internal Revenue Code on retail and wholesale dealers in distilled spirits, wines, and beer; manufacturers of nonbeverage alcoholic products; brewers; manufacturers of stills; and rectifiers.

Status: Recommendation no longer valid/action not intended.

Congress should amend the Federal Alcohol Administration Act to clarify the authority of the Bureau of Alcohol, Tobacco, and Firearms to investigate possible consumer and/or unfair trade practice violations of the Act prior to a permit hearing.

Status: Action in process.

Agency Comments/Action

Sections 5081 through 5084 were repealed effective January 1, 1980. The Department of the Treasury disagreed that the other sections should be repealed because they serve as a means for determining compliance with various Federal laws. Therefore, it intends no further action. Regarding the Federal Alcohol Administration Act, Treasury is working with Congress to draft an amendment to the Act to give the Bureau subpoena power to conduct investigations.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Illegal Tax Protesters Threaten System
(GGD-81-83, 7-8-81)
Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Internal Revenue Code (IRC). Tax Reform Act of 1976.

GAO reviewed the efforts of the Internal Revenue Service (IRS) to detect and deter illegal tax protesters. The review was based primarily on a random sample of cases identified as protesters in 1978 and 1979 by three IRS districts. IRS defines an illegal tax protester as a person who advocates or participates in a scheme with a broad exposure that results in the illegal underpayment of taxes. To counter this threat to the Nation's voluntary compliance tax system, IRS has taken some important actions, including the establishment of a nationwide program to detect and deter protesters and a related program to identify persons who file false form W-4's to evade taxes.

Findings/Conclusions: IRS has had some important successes, including convictions of major illegal protest leaders, but it needs to improve its efforts to identify illegal tax protesters and to bring them into compliance in a more timely and effective manner. IRS also needs to develop an overall strategy and better target its resources to maximize their deterrent effect on the protester problem. The exact extent and makeup of the illegal tax protest movement are unknown; illegal tax protesters have developed various complex and sophisticated schemes to evade or reduce their taxes. The largest number of cases in the review sample involved protesters who were nonprofessional wage earners, had incomes between $15,000 and $50,000, and on the average owed about $3,700 in taxes. The Illegal Tax Protester Program was designed primarily to identify and control protester returns and documents. The Questionable Form W-4 Program was designed to identify illegal tax protesters and others who file false income withholding certificates to evade taxes. IRS procedures for detecting illegal tax protesters are limited primarily to identifying those who choose to file a protest return or notify IRS of their protest; other protesters elude detection. IRS has not been as timely and effective as it could be in bringing illegal tax protesters into compliance. Additional opportunities exist for IRS to use the public media in dealing with the problem.

Recommendations to Congress: Congress should revise the summons provisions of the 1976 Tax Reform Act by requiring taxpayers to expeditiously show cause to a court for not complying with a summons.
Status: Action completed.

Recommendations to Agencies: The Commissioner of IRS should direct IRS officials to routinely determine whether persons detected through the IRS nonfiler program are protesters and ensure that they are pursued accordingly.
Status: Action completed.

The Commissioner of IRS should direct IRS officials to provide appropriate personnel with sufficient training on protester identification procedures.
Status: Action completed.

The Commissioner of IRS should direct IRS officials to conduct an annual delinquency check on previously identified protesters to verify that filing requirements were met and proper tax assessed and paid.
Status: Action completed.

The Commissioner of IRS should institute the following change: when service centers identify a protester, they should accumulate a file of all pertinent data from sources within IRS, including information documents, questionable W-4's, and prior returns.
Status: Action completed.

The Commissioner of IRS should institute the following change: shipment of protester cases from service centers to districts should be specially handled to reduce lost time.
Status: Action completed.

The Commissioner of IRS should institute the following change: when protesters are uncooperative, IRS should prepare and process substitute tax returns based on available information, such as employer-provided information.
Status: Action completed.

The Commissioner of IRS should institute the following change: explicit guidance should be provided to examination and appeals personnel regarding how family estate trust cases should be expeditiously examined and processed.
Status: Action completed.

The Commissioner of IRS should institute the following change: when a protester case involves a paid preparer, IRS should expeditiously assert, where appropriate, a penalty against the preparer.
Status: Action completed.

The Commissioner of IRS should establish criteria on the time it will allow for protesters to provide records before issuing summons.
Status: Recommendation no longer valid/action not intended. *The agency disagreed with this recommendation. It believes flexibility is necessary to adequately assess each case in light of all extenuating circumstances and facts.*

The Commissioner of IRS should establish a working group in each district division to handle protester and other special compliance cases and designate one district official with the responsibility and authority for cutting across functional lines to ensure that such cases receive adequate and expeditious attention. Similar positions should be established at the national and regional office levels to ensure that the protester program and other special compliance programs receive the attention they need.

Status: Recommendation no longer valid/action not intended. *IRS did not agree with this recommendation. It believes that implemention of this recommendation would be disruptive to its existing organizational structure and would jeopardize effective tax administration.*

The Commissioner of IRS should develop, with input from the Justice Department, an overall plan for dealing with illegal protesters.

Status: Recommendation no longer valid/action not intended. *IRS believes that existing liaison with the Department of Justice is sufficient and through this liaison hopes to improve planning and coordination.*

The Commissioner of IRS should develop more comprehensive management information for use in planning, allocating resources, and making other strategic decisions relative to the illegal tax protester efforts.

Status: Action completed.

The Commissioner of IRS should, on a test basis, seek Joint Committee approval under Code section 6103(k)(3) to disclose taxpayer return information or any other information necessary to correct misstatements of fact.

Status: Action in process.

Agency Comments/Action

IRS generally agreed with most of the recommendations and has taken action or has action pending on many recommendations. It did not agree with the recommendation which called for: (1) rigid criteria on the timeframe to allow protesters to provide records before issuing summons; (2) working groups in each district to handle protester and other compliance cases; (3) developing, with input from the Department of Justice, an overall plan for dealing with illegal tax protesters; and (4) improving the management information systems of the Criminal Investigation Division and the Examination Division. In February 1983, the Joint Committee on Taxation told IRS that it had adopted the procedure proposed by the Service. IRS is now in the process of amending its procedures to implement Code section 6103(K)(3).

DEPARTMENT OF THE TREASURY

Bank Secrecy Act Reporting Requirements Have Not Yet Met Expectations, Suggesting Need for Amendment *(GGD-81-80, 7-23-81)*

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Bank Secrecy Act of 1970 (P.L. 91-508). 31 C.F.R. 103.

The implementation of the Bank Secrecy Act's reporting requirements and their usefulness to law enforcement efforts were reviewed. Congress envisioned that the reporting requirements of the Act would be useful for tracking the financial resources associated with criminal activities and the profits gained from these illegal activities. However, GAO found that the reports required under the Act are not widely used and their potential utility as an investigative tool is unknown. The Department of the Treasury, responsible for implementing the Act, has initiated actions along with other agencies to correct many of the problems hindering the use of the reports. However, GAO believes that further improvements are needed if the Act is to be effectively implemented. GAO also believes that it is time for an overall assessment of the costs and benefits of the Act's reporting requirements to determine their usefulness.

Findings/Conclusions: GAO found that after 10 years the Act has not been used sufficiently to demonstrate whether the demands it places on the private sector, especially financial institutions, are commensurate with the benefits obtained by the Federal Government. GAO believes that the next 2 to 3 years will be crucial to demonstrating the cost effectiveness of the Act's reporting requirements. Recent actions taken by the Treasury Department and the regulatory agencies to improve implementation and compliance, coupled with a greater emphasis on financial investigations by law enforcement agencies, suggest that the Act's requirements may now be receiving the attention Congress envisioned. However, as law enforcement agencies focus more on detecting the financial resources of organized criminals and, as more attention is given to the effects of Federal regulatory activities on the national economy, Treasury will have to demonstrate better that the usefulness of the Act reports justifies the costs. If this cannot be demonstrated, then GAO believes that the Act's reporting requirements should be repealed.

Recommendations to Congress: Congress should amend the Bank Secrecy Act to require a reauthorization of the Act's reporting requirements in 1984. On the basis of current progress, GAO believes that Treasury should be able to provide sufficient data before then for Congress to make a decision on the Act's continuation, modification, or elimination.

Status: Recommendation no longer valid/action not intended. *The intent was to provide a mechanism for continued periodic congressional oversight to ensure proper attention to administration and use of the Act's reporting requirements by officials. On July 13, 1982, the House Subcommittee on General Oversight concluded that progress had been made in administering and using the Act's provisions. The Subcommittee Chairman pledged continued oversight.*

Recommendations to Agencies: The Secretary of the Treasury should initiate, and submit to Congress within 2 years, a comprehensive assessment of the Act's reporting requirements. Such an assessment should include: (1) the administrative and respondent costs of the reporting requirements; (2) the report's value to criminal, tax, and regulatory investigations; and (3) recommendations for legislative or program changes.

Status: Recommendation no longer valid/action not intended. *Treasury rejected the recommendation and does not intend to implement it.*

The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should allocate, within the Treasury, the staff necessary to effectively implement, monitor, and evaluate the Act's reporting requirements and assure that Customs' commitments to increase staff in its Reports Analysis Branch are fulfilled.

Status: Action completed.

The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should revise the Department's Act data dissemination guidelines to provide law enforcement investigators easier access to Act report data and regulatory examiners' data to verify financial institutions' report filings.

Status: Action in process.

The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should work with the financial institution regulatory agencies in: (1) developing a workable compliance enforcement policy specifying penalties to be applied for noncompliance; (2) establishing effective compliance monitoring procedures that provide for each regulatory agency to extensively test some portion, perhaps as much as 10 percent, depending on resource availability, of the institutions examined each year; and (3) designating a single supervisory examiner in each district or region to review Act examinations.

Status: Recommendation no longer valid/action not intended. *Treasury adopted part 1 of the recommendation while rejecting parts 2 and 3.*

The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should develop, in cooperation with Customs' Reports Analysis Branch and the financial institutions' regulatory agencies, the capability to identify financial institutions which may not be complying, so that the regulatory agencies can most effectively focus their limited examination resources.

Status: Action completed.

The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, on a test basis, should obtain and distribute the names of retail businesses exempted from filing currency transaction reports to determine if such data are useful to law enforcement agencies.

Status: Recommendation no longer valid/action not intended. *Treasury rejected the recommendation on the basis that it was unfeasible to implement.*

The Secretary of the Treasury, through the Assistant Secretary for Enforcement and Operations, should establish a system to obtain the data necessary to make a comprehensive assessment of the costs and benefits of the Act's reporting requirements.

Status: Recommendation no longer valid/action not intended. *Treasury rejected the recommendation and plans no action to implement it.*

Agency Comments/Action

Agency officials are in agreement with the principal recommendations. Treasury officials contend that the usefulness of the Act's reporting requirements has already been demonstrated. Treasury is opposed to the enactment of a sunset provision; it has not assigned a high priority to a study of the costs and benefits associated with the reporting requirements. Treasury has explored the possibility of contracting with an outside firm for such a study, but has found it to be too expensive. Treasury and other agencies have taken several actions which indicate improved attention toward increasing the Act's usefulness. Discussions with officials support the conclusion of improved attention toward realizing the Act's full potential. At a July 1982 congressional hearing, Treasury cited "notable contributions" to better administration and use of the reporting requirements by Federal bank supervisory agencies, the Securities and Exchange Commission, and the Department of Justice.

DEPARTMENT OF THE TREASURY

Billions of Dollars Are Involved in Taxation of the Life Insurance Industry--Some Corrections in the Law Are Needed
(PAD-81-1, 9-17-81)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Revenue Act of 1964. Internal Revenue Code (IRC) Life Insurance Company Income Tax Act of 1959. Tax Reform Act of 1976. United States v. Atlas Life Insurance Co., 381 U.S. 233 (1979). United States v. Consumer Life Insurance Co., 430 U.S. 725 (1977).

GAO examined the provisions of the Internal Revenue Code under which life insurance companies are taxed to determine whether the provisions, which were enacted in 1959 and have not been reviewed since, were in need of revision.
Findings/Conclusions: The Life Insurance Company Income Tax Act needs updating to reflect substantial changes in the industry and the economy. The Act contained a number of controversial provisions. Also, many features of the Act were written to tax the industry when it was dominated by mutual companies, whole life insurance was the predominant product sold, the rate of inflation was low, and earning rates on investments were much lower than current rates. Special features in the Act recognized the competitive balance between mutual and stock companies, the importance of fostering the survival of small life insurance companies, and the long-term nature of the life insurance business. In the past 20 years, the balance in the industry has shifted, and mutual companies no longer dominate. The lines of business that life insurance companies write have shifted from whole life to term and group insurance. There has been a dramatic increase in the pension line of business and tax-deferred annuities. Policy loan provisions have induced unanticipated demands on life insurance company assets in recent years. Because of these factors, Congress should consider changing sections of the Act which deal with the method by which the reserve deduction, that portion of current income necessary to meet future obligations, is calculated. Taxable income should be redefined as well as the method for approximating those reserves that are computed on a preliminary term basis.
Recommendations to Congress: Congress should consider selecting as an alternative to replacing the 10 to 1 rule for adjusting reserves one of the following: (1) substituting the interest based on assumed rates for the 10 to 1 adjustment, the free interest method; (2) replacing the 10 to 1 rule with a reserve deduction based on a geometric approximation that provides a larger reserve deduction in the current economic environment; or (3) substituting a 4.5 percent maximum for the average earnings rate with either the 10 to 1 reserve adjustment or with the geometric reserve adjustment.
Status: No action initiated. Affected parties intend to act.

Congress should amend sections 802(b) and 815(c)(2)(A) of the Life Insurance Company Income Tax Act of 1959 to reflect the current condition of the life insurance industry. There should be no automatic deferral of half the excess of gain from operations over taxable investment income for all life insurance companies. However, eliminating this deferral should be gradual and indexed according to the age of the individual company.
Status: No action initiated. Affected parties intend to act.

Congress should amend the legislation to allow only $15 per thousand dollars of the amount at risk in revaluing reserves for permanent insurance plans.
Status: Action completed.

When considering the issue of deferred annuities, Congress should decide the issue of taxation at the corporate or individual level.
Status: Action in process.

Congress should amend the language of section 801(a) of the Life Insurance Company Income Tax Act of 1959 to define a life insurance company.
Status: Action in process.

Congress should consider amending section 801(b) of the Life Insurance Company Income Tax Act of 1959 which defines life insurance reserves.
Status: Action in process.

Congress should consider amending section 804(c)(1) of the Life Insurance Company Income Tax Act of 1959 to provide a specific definition of investment expenses.
Status: Action in process.

Congress should amend section 805(b)(4) of the Life Insurance Company Income Tax Act of 1959 to clarify the definition of assets.
Status: Action in process.

Congress should determine the extent of any abuses of reinsurance and examine section 820 of the Life Insurance Company Income Tax Act of 1959 as it refers to modified coinsurance in any evaluation of the Act.
Status: Action completed.

Agency Comments/Action

Proposed legislation to revise the Life Insurance Company Income Tax Act of 1959 and incorporate these recommendations is expected to be considered by the end of 1984.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Could Better Protect U.S. Tax Interests in Determining the Income of Multinational Corporations (GGD-81-81, 9-30-81)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Internal Revenue Code (IRC). Revenue Act.

GAO reported on the Internal Revenue Service's (IRS) administration of the Internal Revenue Code Section 482 when auditing multinational corporations. Specific changes were discussed which would improve IRS enforcement of existing regulations. The larger question was explored of whether more fundamental changes in the regulations together with additional approaches to taxation of multinational corporations could alleviate some of the uncertainty and administrative burden presently being experienced by IRS and corporate taxpayers.

Findings/Conclusions: Multinational corporations have both the incentive and the opportunity to shift income between jurisdictions to take advantage of disparate corporate tax rates. One incentive is the minimization of taxes. The opportunity lies in the pricing of interorganizational transactions. This presents an excellent opportunity for abuse. IRS has not yet developed baseline information on the incidence and magnitude of multinational corporation noncompliance in terms of improper shifting of income. Thus, IRS has no basis for determining the amount of audit resources to be assigned to the problem, nor for gauging the success of those resources that are applied to it. Enforcement difficulties are compounded by the complexities involved in measuring the amount of income misallocated. Thus, regulations and the resulting enforcement process create an unacceptable level of uncertainty and a significant administrative burden both for corporate taxpayers and IRS examiners. Neither GAO nor IRS knows how much noncompliance exists, nor how many more adjustments IRS should have made. However, it can reasonably be concluded that the potential for greater enforcement exists.

Recommendations to Congress: Congress should amend Section 6038 of the Internal Revenue Code to further provide that every United States person, as presently defined by the code, shall furnish such information as the Secretary of the Treasury may prescribe by regulation with respect to any foreign corporation which controls such person.
Status: Action completed.

Recommendations to Agencies: The Secretary of the Treasury should adjust the safe haven interest rate as frequently as necessary to realistically reflect the current costs of borrowing on the open market.
Status: Action completed.

The Secretary of the Treasury should initiate a study to identify and evaluate the feasibility of ways to allocate income under Section 482, including formula apportionment, which would lessen the present uncertainty and administrative burden created by the existing regulations.
Status: Recommendation no longer valid/action not intended. *Treasury does not agree with the GAO recommendation for reasons stated in its response to the draft report and does not intend to take any action.*

The Commissioner of Internal Revenue should aggregate and analyze existing data from a management perspective, consider ways to get a better measure of noncompliance, and establish procedures for continuously assessing the appropriateness of the IRS Section 482 enforcement strategy.
Status: Action in process.

The Commissioner of Internal Revenue should reassess the appropriateness of the IRS criteria for requesting economists' participation in Section 482 adjustments and require that participation be mandatory for all adjustments that meet the criteria established.
Status: Action completed.

The Commissioner of Internal Revenue should require IRS economists to evaluate whether the information they develop in one examination would be useful in other examinations and establish a procedure for communicating such information to other audit teams which examine corporations having similar operations or products.
Status: Action completed.

The Commissioner of Internal Revenue should clarify the description of the information that corporations should report concerning the sale and purchase of stock in trade and intercorporate loan transactions either by revising the form 2952 when current supplies are depleted or by issuing the new consolidated form currently being developed. In the interim, IRS should notify its examiners of the shortcomings in the present form.
Status: Action in process.

Agency Comments/Action

Treasury agreed in principle with the conclusions and recommendations concerning the need to adjust more frequently the safe-haven interest rate. Treasury stated that a change in the current safe-haven rate was made on July 1, 1981; it anticipated that the future rate will be adjusted periodically to reflect major changes in interest costs. Both Treasury and IRS generally agreed with the recommendations concerning specific improvements that need to be made to current section 482 enforcement procedures. IRS is taking steps to implement the recommendations. Both expressed disagreement with the recommendation that Treasury undertake a study to identify ways to lessen the uncertainty and administrative burden created by the existing regulations.

DEPARTMENT OF THE TREASURY

Millions Paid Out in Duplicate and Forged Government Checks
(AFMD-81-68, 10-1-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: 4 C.F.R. 101. H. Rept. 77-1113. 2 GAO 8.8. U.S. Const. art. 1, 9. 31 U.S.C. 82a-2. 31 U.S.C. 156. 31 U.S.C. 528(a). 31 U.S.C. 561 et seq.

GAO was asked to study the Treasury Department's accounting procedures for duplicate payments and payments on forged checks.

Findings/Conclusions: A GAO review disclosed that the Treasury is not meeting all legal requirements in accounting for and recovering the payments with the result that funds are being disbursed without congressional approval and amounts due the Government are not recovered promptly. A GAO review of Treasury's procedures for handling duplicate payments and check forgeries showed that: (1) contrary to legal requirements, Treasury has paid both original and substitute checks in many cases; (2) second payments involving original and substitute checks were not charged to appropriations; (3) replacement checks for forgeries were not charged to the fund that Congress established for this purpose; (4) there is no appropriation for payment of a forged check discovered after the substitute check is issued; (5) the exact amount of receivables and losses resulting from the duplicate payments and check forgeries was not known because of inadequate accounting procedures and controls; (6) Treasury was not acting promptly and effectively to enable recovery of all the receivables; and (7) more efforts are needed to reduce the number of future duplicate payments and forgeries. Although they represent an extremely small percentage of the total checks issued by Treasury, the amounts involved are substantial and total millions of dollars.

Recommendations to Congress: If Congress decides that Treasury should continue its current practice of issuing and paying substitute checks, it should amend 31 U.S.C. 528(a) to permit the procedure.
Status: No action initiated. Affected parties intend to act.

If Congress decides that Treasury should continue its current practice of issuing and paying substitute checks, Congress should authorize Treasury to charge all payments resulting from check forgeries to the Check Forgery Insurance Fund.
Status: No action initiated. Affected parties intend to act.

If Congress decides that Treasury should continue its current practice of issuing and paying substitute checks, it should appropriate funds to absorb the payments.
Status: No action initiated. Affected parties intend to act.

If Congress decides that Treasury should continue its current practice of issuing and paying substitute checks, Congress should provide the appropriations necessary for the fund's operation. The primary options for providing the resources are to: (1) increase the fund's existing appropriation; or (2) authorize a permanent indefinite appropriation for the fund.
Status: No action initiated. Affected parties intend to act.

Recommendations to Agencies: The Secretary of the Treasury should strengthen the accounting for and control over the receivables by identifying and aging all receivables on hand.
Status: Action completed.

To take care of forgery cases, the Secretary of the Treasury should charge to the Check Forgery Insurance Fund those payments which the law presently allows. Sufficient appropriations should be sought for that purpose.
Status: No action initiated. Affected parties intend to act.

For those duplicate payments not involving forgery, the Secretary of the Treasury should charge future cases where payees benefit from duplicate checks to the agencies responsible for them if Congress permits duplicate payments to continue.
Status: Action in process.

The Secretary of the Treasury should strengthen the accounting for and control over receivables by recording all receivables and related transactions in the appropriate accounts with proper supporting documents.
Status: Action completed.

The Secretary of the Treasury should strengthen the accounting for and control over the receivables by establishing procedures for writing off uncollectible amounts.
Status: Action completed.

The Secretary of the Treasury should expedite the collection of accounts receivable by locating and processing the checks necessary to collect the 34,000 pre-March 1979 duplicate payment cases.
Status: No action initiated. Date action planned not known.

The Secretary of the Treasury should expedite the collection of accounts receivable by shortening the timeframe for acting on forgery cases and standardizing the claim forms used to document them.
Status: No action initiated. Affected parties intend to act.

The Secretary of the Treasury should expedite the collection of accounts receivable by implementing a system to ensure that checks involving all future duplicate payments are identified and processed promptly.
Status: Action completed.

The Secretary of the Treasury should expedite the collection of accounts receivable by initiating a policy of collecting interest on all delinquent debts.
Status: Action completed.

The Secretary of the Treasury should expedite the collection of accounts receivable by requiring regularly scheduled followups on all uncollected receivables.
Status: Action in process.

The Secretary of the Treasury, in cooperation with the affected agencies, should consider various alternatives for reducing the number of future duplicate payments and forgeries.

Status: Action in process.

For those duplicate payments not involving forgery, the Secretary of the Treasury should seek appropriations to cover those receivables on hand which cannot be recovered.

Status: Action in process.

Agency Comments/Action

The Department of the Treasury was in general agreement with most of the recommendations and has taken a number of actions recommended in the report. The Department believes that many of the problems raised in the GAO report will be addressed with the implementation of a check recertification procedure. Under that procedure, agencies will be required to provide a new payment certification before a substitute check will be issued. If any duplicate payments occur, they will be automatically charged to the agencies. Implementation of the procedure, which has been delayed several times, is now scheduled for July 1984. The Department generally considers any uncollected amounts over 3 years old to be uncollectable. Thus far, the Department has determined that about $42 million is uncollectable, but it does not plan to request an appropriation to cover that amount because of budget constraints.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

What IRS Can Do To Collect More Delinquent Taxes
(GGD-82-4, 11-5-81)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Internal Revenue Code (IRC).

GAO reviewed and evaluated the Internal Revenue Service's (IRS) policies, procedures, and practices for collecting delinquent taxes and evaluating its collection activities to determine IRS effectiveness in collecting delinquent taxes from taxpayers who claim that they cannot immediately pay their taxes in full. IRS districts and their respective regions and service centers were selected for review on the basis of obtaining a geographical mix of districts considering the size of the district, available GAO resources, and the impact of conducting the review on the IRS collection activities. Samples of installment agreements and currently not collectible cases were also reviewed.

Findings/Conclusions: At the end of fiscal year 1979, about $3 billion of the IRS accounts receivable was classified as currently not collectible, and taxpayers were making installment payments against $270 million in delinquencies. A review of installment agreements showed that nearly 15 percent of the taxpayers could have paid their liabilities immediately with savings. Inadequate determinations of ability to pay severely hamper the effective use of installment agreements. Further, classifying accounts as currently not collectible is a greater problem since these taxes may never be collected. IRS has made limited use of voluntary payroll deductions, considered one of the best means of making payments, and has taken inadequate enforcement action when taxpayers miss payments. Closing codes on accounts classified as currently not collectible were set too high in 39 percent of the cases reviewed, thereby precluding prompt followup action to collect delinquencies for those accounts which could be reactivated. About 40 percent of the currently not collectible cases in four districts reviewed were audit cases, indicating that audit cases pose a bigger collection problem than other accounts. Many delinquent accounts closed by field divisions could have been closed by branch office personnel. IRS has yet to establish uniform criteria to help revenue officers decide when to consider using and when to accept offers in compromise. In addition, the IPS procedures for collecting liabilities on offers not accepted have not been very effective.

Recommendations to Agencies: The Commissioner of Internal Revenue should discontinue the current installment-agreement-by-mail program except for those accounts which would ordinarily not be sent to a district office for intensified collection action.
Status: Action completed.

The Commissioner of Internal Revenue should develop a guide based on equity in assets, gross income, income over expenses, and amount of tax liability to identify cases with loan potential and require taxpayers meeting this potential to seek loans and provide written documentation of rejections.
Status: Action completed.

The Commissioner of Internal Revenue should establish more specific guidelines for employees to use in evaluating and analyzing financial statements, including guidelines defining the necessity and amount of expenses.
Status: Action completed.

The Commissioner of Internal Revenue should require taxpayers to provide information on credit card expenses to ensure that expenses are not duplicated and are for necessities.
Status: Action completed.

The Commissioner of Internal Revenue should require taxpayers to provide proof of income and certain expense items which may be questionable.
Status: Action completed.

The Commissioner of Internal Revenue should require employees to use dates when liabilities are paid off to increase the amount of installment agreement payments, obtain advanced dated installment agreements, or reactivate currently not collectible accounts.
Status: Action completed.

The Commissioner of Internal Revenue should develop a more detailed quality review of financial statements to ensure that: (1) all information is considered in arriving at the decision to grant an installment agreement or classify the account as currently not collectible, and (2) the information is mathematically correct.
Status: Action completed.

The Commissioner of Internal Revenue should establish installment payments based on taxpayers' ability to pay regardless of whether the payments cover interest charges and increase payments when possible.
Status: Action completed.

The Commissioner of Internal Revenue should place more emphasis on the use of payroll deductions as a means to collect the monthly installment payments.
Status: Recommendation no longer valid/action not intended. *IRS believes that current instructions are adequate. Follow-up should be considered at a later date depending on actions on other recommendations.*

The Commissioner of Internal Revenue should establish procedures to enforce installment agreements better before defaulted agreements will be reinstated and give collection employees a guide on acceptable reasons for missed payments.
Status: Action completed.

The Commissioner of Internal Revenue should develop an evaluation system that would consider dollars collected, case disposition, and cost of collecting through installments to determine the effectiveness of the program, reasons for defaults, and possible corrective action.
Status: Recommendation no longer valid/action not intended. *Since the report was issued the program has been discontinued.*

The Commissioner of Internal Revenue should establish more specific guidelines for setting closing codes for accounts classified as currently not collectible due to financial hardship to ensure that prompt and timely followup is made to collect delinquent taxes.
Status: Action completed.

The Commissioner of Internal Revenue should require the Examination and Collection Divisions to make arrangements for referring taxpayers to Collection or having Examination personnel obtain financial statements from those taxpayers who agree to but are unable to pay their tax delinquencies in full.
Status: Action completed.

The Commissioner of Internal Revenue should develop a system to code delinquent accounts resulting from audits issued to the field to show whether the delinquency resulted from a no-contact audit.
Status: Action in process.

The Commissioner of Internal Revenue should develop a statistical information system for audit-originated cases to be used to determine potential problems and as feedback for the Examination Division to show the collection outcome of audit cases.
Status: Recommendation no longer valid/action not intended. *IRS stated that the costs of implementing a statistical information system by various tax classifications would not be effective. GAO will look at this during the followup review in August 1984.*

The Commissioner of Internal Revenue should establish more specific guidelines for office branches to use in processing delinquent accounts to ensure that they take all available collection actions before transferring the cases to the field office.
Status: Action completed.

The Commissioner of Internal Revenue should conduct a comprehensive study to determine the most effective use of offers in compromise and the type of case where offers should be suggested.
Status: Action completed.

The Commissioner of Internal Revenue should establish specific policies and procedures showing when and how compromises should be used as an effective collection tool. These procedures should identify how assets should be evaluated to arrive at a minimum acceptable compromise amount.
Status: Action completed.

The Commissioner of Internal Revenue should ensure that the IRS review of currently not collectible accounts includes a procedure to determine if revenue officers are suggesting offers in appropriate cases.
Status: Action completed.

The Commissioner of Internal Revenue should periodically evaluate the effectiveness of the compromise program as a collection tool.
Status: Action completed.

The Commissioner of Internal Revenue should set up procedures to ensure that financial information developed during the offer investigation is used in followup collection action and that accounts previously classified as currently not collectible are reactivated when financial information indicates that collection is possible.
Status: Action completed.

The Commissioner of Internal Revenue should take strong collection action when appropriate based on more accurate and reliable financial information to resolve delinquencies in the best interest of the Government.
Status: Action completed.

The Commissioner of Internal Revenue should establish a more comprehensive means of setting goals and measuring performance, including such criteria as dollars collected and type of disposition.
Recommendation no longer valid/action not intended. *IRS has completed its pilot test and does not intend to take further action at this time. A collection automation system will by piloted in the spring 1984. At this time, further avenues will be explored to develop the means for accomplishing this recommendation.*

The Commissioner of Internal Revenue should determine what resources are needed to work a delinquent account adequately and ensure accurate and reliable financial information, request the additional resources from Congress, and inform Congress of the cases IRS will not be able to work under various staffing levels.
Status: Action completed.

Agency Comments/Action

IRS generally agreed with the recommendations and has taken actions to implement them. IRS has discontinued its installment-agreement-by-mail program and issued revised manual sections dealing with many of the recommendations. Action on the development of a system to code delinquent accounts has been substituted by an alternate system that should accomplish the same objective. This system is planned for implementation in June 1984.

DEPARTMENT OF THE TREASURY

The Treasury Department and Its Bureaus Can Better Plan for and Control Computer Resources
(GGD-82-9, 2-22-82)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Circular A-121.

GAO reviewed the Department of the Treasury's and its bureaus' use of computer resources in achieving their missions. The objectives of the review were to: (1) evaluate how effectively these resources are managed by Treasury and its bureaus; (2) determine if they could be better used; and (3) recommend improvements where needed.

Findings/Conclusions: Treasury has lacked an effective means of implementing policies and procedures for managing computer resources. Congressional concern over a similar lack of top management oversight of information resources in other Government agencies has resulted in the recent passage of the Paperwork Reduction Act of 1980. This Act, particularly its provision for designating a senior official to report directly to the head of the agency and to be responsible for carrying out the Act within the agency, can substantially improve the management of computers and other information-related activities if properly implemented. Many Treasury bureaus have not established a formalized, coordinated system for forecasting automatic data processing needs sufficiently to allow for the orderly acquisition of computer resources to satisfy these requirements. The absence of top management and user involvement and participation in formulating long-range computer growth strategy has resulted in Treasury bureaus having either too much or too little computer capacity, excessive costs of operations, and unmet user needs. Although some Treasury bureaus have done limited testing and measuring of equipment utilization and in some cases have evaluated performance, these efforts are only part of an effective performance management program. Other critical elements, such as establishing standards and goals, periodically assessing products, and optimizing software efficiency, have been lacking.

Recommendations to Agencies: The Secretary of the Treasury should limit the senior official's duties and responsibilities to those required by the Paperwork Reduction Act to assure that the official can devote sufficient time and attention to enforcing the Act, ensure the independence and objectivity of the official, and impress upon Treasury and bureau management the critical importance of the position.
Status: Action in process.

The Secretary of the Treasury should provide the senior officials with sufficient rank to demonstrate the importance of the position and to facilitate the implementation of policies and procedures that are issued by the official. At a minimum, the official should be the Assistant Secretary or equivalent rank so that it is clear to all levels of management that the official is the direct representative of the Secretary in all matters regarding information management.
Status: Action in process.

The Secretary of the Treasury should ensure that the senior official has adequate staff resources to meet the responsibilities imposed by the Paperwork Reduction Act.
Status: Action in process.

The Secretary of the Treasury should have each bureau, and other offices where appropriate, name an individual to report directly to the bureau head and assist the senior official in implementing the requirements of the Paperwork Reduction Act within the bureau. These individuals should have the authority and staff necessary for implementing the policies and procedures established by the senior official.
Status: Action in process.

The Secretary of the Treasury should direct the designated senior official to ensure that each of Treasury's bureaus establish computer resource steering committees consisting of user and data processing management, and chaired by the bureau head or deputy, and charge these committees with responsibility for assessing computer resource needs on a periodic basis and formulating an effective growth strategy.
Status: Action in process.

The Secretary of the Treasury should direct the designated senior official to ensure that Treasury's bureaus develop and implement standardized and formalized systems development procedures that provide a logical and systematic approach for developing systems.
Status: Action in process.

The Secretary of the Treasury should direct the senior official to require that the development and installation of computer resource accounting systems be expedited in Treasury's bureaus.
Status: Action in process.

The Secretary of the Treasury should direct the designated senior official to ensure that Treasury's bureaus develop and implement standardized and formalized systems development procedures that assure agreement and understanding between users and systems development staff as to what the end product will provide.
Status: Action in process.

The Secretary of the Treasury should direct the designated senior official to ensure that Treasury's bureaus develop and implement standardized and formalized systems development procedures that provide the steering committee and management at all levels with a mechanism for reviewing progress and problems at key decision points.
Status: Action in process.

The Secretary of the Treasury should direct the designated senior official to have each of Treasury's bureaus establish a performance management program for computer resources that should focus on developing performance

standards based on specific user requirements but within the limits of overall capacity and capability.
Status: Action in process.

The Secretary of the Treasury should direct the designated senior official to have each of Treasury's bureaus establish a performance management program for computer resources that should focus on periodic and routine monitoring of the efficiency and effectiveness of the bureau's computer resources in meeting these requirements.
Status: Action in process.

The Secretary of the Treasury should direct the designated senior official to have each of Treasury's bureaus establish a performance management program for computer resources that should focus on consistent and uniform reporting to management of performance trends and areas needing improvement.
Status: Action in process.

The Secretary of the Treasury should direct the designated senior official to have each of Treasury's bureaus establish a performance management program for computer resources that should focus on developing and implementing a long-range strategy for improving performance.
Status: Action in process.

Agency Comments/Action

Treasury has established an Assistant Secretary for Electronic Systems and Information Technology and has selected an official to serve. As yet, Treasury has not described his full responsibilities; therefore, GAO does not know if this action will satisfy the recommendations.

DEPARTMENT OF THE TREASURY

OFFICE OF THE COMPTROLLER OF THE CURRENCY

Federal Review of Intrastate Branching Applications Can Be Reduced
(GGD-82-31, 2-24-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: McFadden Act (Banking) (31 U.S.C. 67). Deposit Insurance Act. Federal Reserve Act. Community Reinvestment Act of 1977. Historic Preservation Act (16 U.S.C. 470 et seq.). Depository Institution Management Interlocks Act (12 U.S.C. 3201 et seq.). Housing and Community Development Act of 1977 (12 U.S.C. 2901 et seq.). National Environmental Protection Act. Environmental Policy Act of 1969 (National) (42 U.S.C. 4321 et seq.). Banking Agency Audit Act. Banking Act of 1933.

Federal regulation of intrastate domestic bank branching sets the guidelines for the safety and soundness of any office, branch agency, additional offices, or any branch place of business located in any of the United States or its territories or in the District of Columbia at which deposits are received, checks paid, or money lent. The Federal regulators, State governments, and banks are intertwined in the branching process by a mixture of Federal and State laws. However, current Federal review of new branch applications rarely restricts branch actions, produces little new information of supervisory value and, in the case of State-chartered banks, duplicates State efforts. GAO reviewed the efficiency and effectiveness of the Federal processes for regulating intrastate branching.

Findings/Conclusions: Federal reviews require information from applicants that may not be needed and that delays branch investment decisions. GAO found that: (1) virtually all State bank applicants were classified by their Federal regulators as fundamentally sound, and most of these applicants had previous branching experience; (2) the majority of State bank branching placements are located close to existing bank operations; (3) less than 3 percent of the applications were protested in 1979 and 1980; (4) only 17 percent of the branch applications were denied by Federal regulators from 1975 through 1980; (5) reviews of an applicant bank's capacity to branch rely extensively on data and analyses already in the possession of the regulator; and (6) reviews of branch impact on the recipient community are difficult and duplicate State efforts. GAO questioned the policy of the Office of the Comptroller of the Currency which provides for an extensive review of each application. GAO believes that an exception-generated review approach for its conclusions and recommendations should be used. Because Federal regulatory agencies treat bank remote facilities as they do staffed branches, banks must receive Federal agency approval to establish these facilities even when the State involved does not consider the facilities to be branches. GAO believes that such a review is no longer necessary for State banks and should be further reduced for national banks, because such facilities represent minor actions. This would ensure regulatory consistency.

Recommendations to Congress: Congress should amend the McFadden Act and the Federal Deposit Insurance Act to differentiate between staffed branches and remote service facilities.

Status: No action initiated. Date action planned not known.

Congress should amend the Federal Reserve Act and the Federal Deposit Insurance Act to replace the requirement for a broad review of each new branch application with a notification process, wherein applicant banks notify the respective Federal agency of their desire to branch. The agency would then respond within a fixed timeframe to this notification with the options of either having no objection, denying the branch, or requiring more data.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Comptroller of the Currency should establish an exception-oriented new branch application processing system with explicit calendar-day processing time requirements for routine branch applications. Extensions beyond this timeframe should be exceptions which would necessitate an Office of the Comptroller of the Currency action to initiate.

Status: Action completed.

The Comptroller of the Currency should establish structured bank application reporting formats for national banks operating in States requiring the review of branch applications for their community convenience and needs impact, on the basis of the Office of the Comptroller of the Currency interpretation of individual State law requirements.

Status: Action completed.

Agency Comments/Action

Congress has not dealt with the question of amending the McFadden Act and the Federal Deposit Insurance Act. It will probably not do so until next spring when it will make an overall review of bank reform and the recently released report by the Bush Banking Task Force. If Congress enacts the task force recommendations into legislation, the GAO recommendations will be indirectly affected and no longer valid. The three regulatory agencies have greatly streamlined and simplified their application process, thus mitigating the need for congressional action in this regard. For example, the Federal Reserve and the Federal Deposit Insurance Corporation have reduced their application burden from a formal application to a letter notifying the regulator of their intent to establish a branch office. Similarly, the Office of the Comptroller of the Currency has streamlined its application process to reduce the burden on the applicant and shorten the processing time.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Excessive Specifications Are Limiting Competition for IRS Special Design Tax Return Folders

(GGD-82-61, 3-24-82)

Budget Function: Procurement - Other Than Defense (990.4)

GAO reviewed solicitations and contracts for the Internal Revenue Service's (IRS) procurement of special design tax return folders to identify restrictive conditions and specifications.

Findings/Conclusions: IRS buys significant amounts of paper folders annually and the folder specifications, which require manufacturers to use 14 point kraft paper with a minimum tear resistance of 920 grams and inward folding gussets, are more than necessary to fulfill IRS needs. The General Services Administration's (GSA) specifications for standard duty folders are much less restrictive but do conform to the standards developed by the Joint Committee on Printing (JCP). The paper industry works on a continuous basis with the JCP to establish specifications in such a way as to maximize competition on Federal paper procurements. Production of folder paper with IRS specifications requires a special production run, and the high tear resistance requirement deters most companies from bidding. IRS received three responsive bids from the 30 companies solicited for the 1982 folder procurement. IRS program officials stated that the 14 point paper is necessary to ensure folder longevity and that folders with inward folding gussets are necessary because they pop open naturally when removed from the shipping carton. Both Government and industry officials with whom GAO spoke agreed that IRS specifications are excessive and that the unique paper requirement contained in the specifications is unnecessary and is precluding many manufacturers from bidding. Further, officials also believe that the current gusset design is unnecessary and costly.

Recommendations to Agencies: IRS should evaluate its tax return folder specifications with a view toward using the less costly, standard 11 point kraft paper, which conforms to GSA and the Joint Committee on Printing guidelines. Using this paper will increase the number of bidders and enhance competition.

Status: Action completed.

IRS should, on a test basis, buy tax return folders with an outward folding gusset and subject these to actual work conditions to determine usability.

Status: Action in process.

Agency Comments/Action

In March 1982, IRS surveyed its regions to determine: (1) the feasibility of changing tax folder specifications; and (2) whether the recommended changes could be implemented. The survey reached a positive conclusion. In January 1983, IRS let three contracts on a 1-year test basis for less expensive tax folders of a different composition and configuration. In June 1984, IRS will determine future tax folder specifications based on the results of these tests and report to GAO on its conclusions.

DEPARTMENT OF THE TREASURY

The Federal Government Can Save $1.7 Million Annually by Eliminating Strip Stamps
(GGD-82-60, 5-7-82)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Internal Revenue Code (IRC). Distilled Spirits Tax Revision Act of 1979 (26 U.S.C. 5001 et seq.).

GAO reviewed the administration of excise taxes on distilled spirits.

Findings/Conclusions: GAO found that Government-issued strip stamps which are placed on containers of distilled spirits no longer serve their intended purpose. The Federal Government could avoid the possibility of public misinterpretation of the strip stamps' significance and save at least $1.7 million annually by eliminating the stamps. The Internal Revenue Code provides for the use of strip stamps which are printed at the annual cost of $1.7 million and are distributed to distillers and bottlers at no charge. Although the code authorizes the use of alternative closure devices, the stamps are the most frequently used devices. Recent legislation significantly changed the Federal regulation and taxation of distilled spirits. It eliminated the need for control over certain operations at distilling plants by Federal employees and provided for the determination of taxes on distilled spirits before bottling. The strip stamp no longer signifies that the tax on the spirits has been paid or that the spirits have been lawfully bottled. Consequently, the public may be misled into thinking of the strip stamps as the Government's stamp of approval of the product. Quality assurance can be provided equally well by alternative sealing devices provided by the distiller. However, distillers have not adopted the alternative devices because the Government provides strip stamps free of charge. Trade association officials are opposed to the elimination of the Government-supplied strip stamps because of the potential of increased costs, danger to tax revenue, and the requirement of State stamps.
Recommendations to Agencies: The Secretary of the Treasury should revise the regulations to eliminate Government-supplied strip stamps while retaining a requirement that bottlers and distributors provide and use approved closure devices. If it is decided that approved closure devices are unnecessary, the Secretary of the Treasury should request legislation to repeal section 5205 and related provisions of the Internal Revenue Code.
Status: Action in process.

Agency Comments/Action

Treasury agreed that strip stamps should be abolished. Proposed legislation was approved by OMB, but revisions were needed and a new OMB approval was required. On November 22, 1982, OMB had accepted legislation but had not submitted it to Congress. On January 27, 1983, a Treasury official said that submission to the 98th Congress is still likely but a date and vehicle have not been determined. On June 10, 1983, a Treasury official expected legislation to go to Congress by June 17. The official believed that there would be no congressional opposition to elimination of the strip stamp requirement and that action should occur during this session of Congress. A repeal proposal is included in H.R. 3475, the Tax Simplification and Improvement Act.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Further Research Into Noncompliance Is Needed To Reduce Growing Tax Losses
(GGD-82-34, 7-23-82)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: S. 2198 (97th Cong.).

The Federal Government is losing billions of dollars in tax revenues annually because individuals are not complying with U.S. tax laws. There is a growing trend toward disregard for the principle of voluntary tax compliance, a trend which the Internal Revenue Service (IRS) estimates increased tax revenue losses from $12 billion in 1976 to at least $20 billion in 1980.

Findings/Conclusions: GAO found that IRS needs more complete information and insight on what makes people willing to comply. Such data are essential to determine the most cost-effective strategy in combating unreported income, the most serious problem confronted by IRS. Until IRS has better compliance data, it should place more emphasis on increasing the tax revenue yield from its various programs. IRS relies on the examination of tax returns as its primary strategy for stimulating compliance, and it has allocated more than one-half of its compliance resources to the examination program. However, the examination program has not stemmed the decline in voluntary compliance. GAO found that the actual effect of the examination program on voluntary compliance is, at best, unclear. The most severe compliance problem involves unreported income, which accounts for almost three-fourths of the estimated tax revenue lost through taxpayer noncompliance. Recent IRS studies of the unreported income problem indicate that even its most intensive examinations were only detecting about 25 percent of the income not reported by those persons audited. Obviously, IRS needs to find out which of its various compliance programs can be brought to bear in dealing with this problem. Allocating resources to obtain maximum revenues would also increase tax revenue in the examination program.

Recommendations to Agencies: The Commissioner of Internal Revenue should design, and assign a high priority to, compliance research which will provide data on how and why IRS compliance programs, both collectively and individually, affect peoples' willingness and ability to accurately report taxable income and to otherwise comply with the tax laws.

Status: Action completed.

The Commissioner of Internal Revenue should design, and assign a high priority to, compliance research which will identify techniques for measuring and analyzing the effects of the compliance programs on both those taxpayers actually contacted and others who might be affected.

Status: Action completed.

The Commissioner of Internal Revenue should use cost/revenue data to reallocate staff years from those compliance programs with historically lower average revenue yields to those with much higher yields in order to increase tax revenues from those programs.

Status: No action initiated. Date action planned not known.

The Commissioner of Internal Revenue should develop additional data so that resources can be allocated among all compliance programs to increase, insofar as practicable, overall tax revenue.

Status: Action in process.

The Commissioner of Internal Revenue should plan and budget within each program to maximize revenue using the best available cost/revenue data.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

IRS indicated that it was beginning action to implement the recommendation regarding research but expressed reservations about the equity effects of the recommendations on adopting maximum yield strategy among and within programs.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Needs To Curb Excessive Deductions for Self-Employment Retirement Plans
(GGD-82-85, 8-26-82)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Economic Recovery Tax Act of 1981. Self-Employed Individuals Tax Retirement Act of 1962.

GAO reported on the deductions which self-employed individuals have been allowed, since 1962, to contribute to retirement plans authorized by Congress, known as "Keogh plans." Because the legal requirements associated with these plans are complex, there is considerable potential for error in computing allowable deductions.

Findings/Conclusions: GAO found that the results of the Internal Revenue Service's (IRS) 1976 Taxpayer Compliance Measurement Program and its own review both show that many taxpayers who claim Keogh deductions do not fully understand the rules applicable to such deductions. IRS estimated that excessive Keogh deductions for tax year 1976 totaled $34 million. Analyses of 1977 tax returns indicated that excessive Keogh deductions may have totaled $114 million for that year. GAO found that neither the Form 1040 instructions nor the various IRS publications present the specific tax rules in a clear and useful way. GAO also found that, in addition to the problem of excessive taxpayer deductions, many taxpayers neglect to file for deductions which they qualify for.

Recommendations to Agencies: The Commissioner of Internal Revenue, to help alleviate the problem of excessive Keogh deductions, should provide taxpayers with some basic guidance on Keogh deductions in the Form 1040 instructions and Publications 17 and 334. At a minimum, the guidance should specify that taxpayers should be self-employed to be eligible for such deductions. It should also specify that different rules govern defined benefit and defined contribution plans. Further, the guidance should specify, with respect to defined contribution plans, that an individual must have net profits from self-employment to be eligible for a deduction and that the deduction cannot exceed certain percentage and dollar limits. Also, the Commissioner may want to consider developing a worksheet for use by taxpayers in computing Keogh deductions. The worksheet could be included in Publications 17, 334, and/or 560.

Status: Action in process.

The Commissioner of Internal Revenue, to help alleviate the problem of excessive Keogh deductions, should develop and implement a service center error correction program for excessive Keogh deductions. In so doing, the Commissioner may wish to revise the Form 1040 to require taxpayers to specify whether they contribute to defined contribution or defined benefit plans.

Status: Recommendation no longer valid/action not intended. *The IRS Counsel has determined that the error correction program cannot be used to disallow excessive KEOGH deductions. IRS has established alternative procedures for testing and recovering excessive deductions and verifying contributions claimed, which should accomplish the intent of the recommendation.*

Agency Comments/Action

The agency is working to implement one of the recommendations and has developed alternatives to the other one that will accomplish the intent of the recommendation.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Can Do More To Identify Tax Return Processing Problems and Reduce Processing Costs (GGD-83-8, 10-14-82)

Budget Function: General Government: Central Fiscal Operations (803.0)

GAO reviewed Internal Revenue Service (IRS) procedures to determine how well it processes individual income tax returns and whether improvements can be made in the tax return processing system.

Findings/Conclusions: The review showed that IRS can reduce individual income tax return processing costs by gathering and analyzing additional data on return processing problems. The most specific data on return processing errors should provide IRS with the detailed information it needs on the causes of processing problems so that preventive action could be taken. In fiscal year 1981, IRS processed about 94 million individual returns and identified about 33 million errors on those returns. Although IRS corrects most errors it detects, its present quality-monitoring activities do not produce the detailed data necessary to readily determine systematic and procedural causes of errors so that it can take corrective action. GAO also gathered specific data on the errors, including the cause of error, and where on the tax return the error occurred. GAO believes that these kinds of data are essential for determining the systematic and procedural weaknesses which cause the errors. Through its evaluation of the return processing system, GAO found that IRS could reduce costs by as much as $1.7 million annually if it made several changes to its return processing operations.

Recommendations to Agencies: The Commissioner of Internal Revenue should have the quality monitoring activity gather more specific data on types of errors made, who made the errors, why the errors occurred, and where the errors occurred. These data should then be analyzed at both the service center and national office levels to determine the corrective action that can be taken to prevent similar future errors.

Status: Action in process.

The Commissioner of Internal Revenue should change procedures for correcting tax returns with multiple error conditions so that all readily identifiable independent errors can be corrected when they first appear on the error register.

Status: Action completed.

The Commissioner of Internal Revenue should require taxpayers who want IRS to compute their tax for them to enter their income tax withholding on their returns. IRS should change its processing procedures so that these returns do not automatically appear on the errors register.

Status: Action completed.

The Commissioner of Internal Revenue should clarify for taxpayers the difference between FICA tax withheld and Federal income tax withheld by changing the wording on the form W-2, clarifying tax booklet instructions, and revising the math error notice message presently sent to taxpayers who mistakenly enter the amount of FICA tax withheld instead of the amount of Federal income tax withheld.

Status: Action completed.

The Commissioner of Internal Revenue should determine the cost effectiveness of providing new direct data entry equipment with the capability to prompt transcribers when they fail to key certain tax data into the computer. If cost effective, he should ensure that the new direct data entry equipment includes this prompting feature.

Status: Action in process.

The Commissioner of Internal Revenue should determine the merits of having data transcribers key into the computer the money amounts and line numbers from tax returns.

Status: Action in process.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Legislation Needed To Improve Administration of Tax Exemption Provisions for Electric Cooperatives *(GGD-83-7, 1-5-83)*

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Internal Revenue Code (IRC). Revenue Act. Economic Recovery Tax Act of 1981. Tax Equity and Fiscal Responsibility Act of 1982. Rural Electrification Act of 1936. Miscellaneous Revenue Act of 1980. Rev. Rul. 57-494. Rev. Rul. 72-36. Rev. Rul. 72-76. Rev. Rul. 78-238. Peninsula Light Co., Inc. v. United States, 552 F.2d 878 (1977). United States v. Pickwick Electric Membership Corp., 158 F.2d 272 (1946).

GAO reviewed the changes that have occurred in some tax-exempt electric cooperatives since they were first granted tax exempt status and the difficulty that the Internal Revenue Service (IRS) has had in attempting to apply the broad tax exemption provisions of the Internal Revenue Code to cooperatives.

Findings/Conclusions: GAO found that, since electric cooperatives were granted tax exempt status almost 60 years ago, the operations of many cooperatives and the environment in which they do business have changed substantially. Originally, most electric cooperatives were small associations which distributed electricity to sparsely populated rural areas. Today, many electric cooperatives serve both rural and suburban areas, and their operations and activities closely resemble those of investor-owned utility companies. Some electric cooperatives have expanded their activities to form subsidiaries or associations which generate power, provide financing, own or lease coal mining properties, procure fuel and supplies, and provide ancillary business services. Consequently, many cooperatives have been able to accumulate and retain substantial amounts of member equity or capital. Because the law generally exempts all electric cooperatives regardless of the differences in their operations and activities, financial condition, size, or mix of consumers served, GAO has proposed alternatives to the present law which would modify the cooperatives' nonmember income allowance or eliminate that allowance and apply tax rules which are already applicable to other types of cooperatives. These alternatives would have an estimated revenue impact ranging from $2 to $45 million.

Recommendations to Congress: Congress should establish a tax treatment which better addresses electric cooperatives' present operating environment.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Commissioner of Internal Revenue should provide more complete guidance to assist electric cooperatives and other section 501(c)(12) organizations in complying with the 85-percent member income requirement of the law and to assist IRS examiners in determining compliance with this requirement. At a minimum, such guidance should address those issues that affect the computation of member and nonmember income.

Status: Action in process.

The Commissioner of Internal Revenue should direct the Tax Forms Coordinating Committee to examine the need for revisions to the exempt organization return (Form 990) and the need to include a supplementary schedule to provide the format necessary for section 501(c)(12) organizations to properly account for their member and nonmember income and compute the percentage of gross income collected from members.

Status: Action completed.

Agency Comments/Action

Since it had expected to publish a notice of proposed rulemaking in the near future, soliciting comments as to how the cost of goods sold should be computed, IRS thought it premature to revise the Form 990 Instructions before issuing final regulations on the subject. IRS stated that it would make any necessary changes at a later date.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

IRS Administration of Penalties Imposed on Tax Return Preparers
(GGD-83-6, 1-6-83)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Tax Reform Act of 1976 (P.L. 94-455). Rev. Proc. 80-40. Rev. Rul. 80-28. Rev. Rul. 80-262. Rev. Rul. 80-266.

In response to a congressional request, GAO reported on the Internal Revenue Service's (IRS) administration of the tax return preparer penalties authorized by the 1976 Tax Reform Act.

Findings/Conclusions: For a variety of reasons, IRS administration of conduct-related penalties has been uneven, and administration of the penalty for willful misconduct also has been hampered by inadequate guidelines. The lack of specific guidelines, together with minimal documentation in case files, has limited IRS ability to assess the effectiveness of its efforts to detect and deter preparers who willfully understate their clients' tax liabilities. Through program action cases IRS has sought to assess multiple penalties against preparers who have committed multiple violations, but budget constraints have limited the effectiveness of this program. Better management information is needed, because IRS has not sought to specifically identify the size of the problem preparer group, nor has it collected the data needed to determine the effectiveness of its administration of the penalty provisions. In particular, IRS lacks data on the extent to which penalties have been assessed against the same preparers over the course of several years.

Recommendations to Agencies: The Commissioner of Internal Revenue should identify and implement the least costly means of collecting needed management information on the preparer population and on preparer penalties, and ensure that the data collected include information on preparers who commit multiple violations over the course of several years.

Status: Action in process.

The Commissioner of Internal Revenue should reassess certain IRS compliance approaches and take corrective actions as appropriate. In this regard, he should specifically: (1) determine whether a sizeable group of preparers exists who are not identifying themselves on returns they prepare and have not been detected by the IRS current compliance program; and (2) reevaluate the IRS current nationwide approach to detecting paid preparers who negotiate taxpayers' refund checks.

Status: Action in process.

The Commissioner of Internal Revenue should publish guidelines better defining the circumstances under which the willful misconduct penalty ought to be asserted.

Status: Action in process.

The Commissioner of Internal Revenue should identify additional means to better ensure that examiners take tax law complexity into account when making penalty assertion decisions.

Status: Action in process.

The Commissioner of Internal Revenue should specify that all penalty case files contain information on the type of penalty assessed, the basis for the penalty action, the dollar amounts involved, especially in terms of understated tax liabilities, and the results of supervisory and quality control reviews.

Status: Action in process.

Agency Comments/Action

IRS is in the process of taking action on all of the recommendations. For example, IRS is collecting needed management information on preparers and preparer penalties and is reevaluating the appropriateness of its compliance approaches with respect to paid preparers.

DEPARTMENT OF THE TREASURY

A Strategy Is Needed To Deal With Peaking Problems at International Airports
(GGD-83-4, 3-24-83)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Customs Procedural Reform and Simplification Act of 1978. 49 U.S.C. 1382(a)(1). 49 U.S.C. 1384.

In response to a congressional request, GAO examined how rescheduling international flight arrivals might ease the problems caused by multiple arrivals within a short time period and the effect of multiple arrivals on the Federal inspection process. Assuming no change in the Federal agencies' staffing levels, GAO developed a computerized simulation program which attempted to spread out flight arrivals without violating any airport's curfew and gave some consideration to travelers' preferences for arrival and departure times.

Findings/Conclusions: GAO found that, under its alternative simulated flight arrival schedule, the average time spent waiting to complete the airport inspection process could be reduced by approximately 50 percent. Over 99 percent of the passengers could be processed within an hour. Currently, only 48 percent of the arriving passengers are processed within that time. The impact of schedule changes on aircraft and crew utilization and connecting flights is unknown; however, the analysis indicated that rescheduling may not need to be extensive to produce a sharp drop in the length of time a traveler waits to enter the country. The need for rescheduling would also be affected by the extent to which other alternatives could be used to speed the entry of travelers. Foreign airports have successfully rescheduled flights to reduce airport congestion problems. In addition, the Federal Aviation Administration began to use scheduling controls on a limited basis to keep the air carriers' landing and departure rights during peak periods in line with takeoff and landing capacity at certain congested domestic airports. Finally, air carriers periodically form scheduling committees to decide how flight arrival and departure slots will be allocated. GAO found that the landing rights policies and procedures of the Customs Service have not been effective and have come under increasing attack by the air carriers as being arbitrary and discriminatory. Customs has considered several alternative procedures but none have been adopted.

Recommendations to Agencies: The Secretary of the Treasury, in cooperation with the other Federal inspection agencies, should establish criteria for identifying the existence of peaking problems at airports, based primarily on the number of international travelers that can be efficiently and timely handled by the Federal inspection system, as currently configured or potentially enhanced.

Status: Action in process.

The Secretary of the Treasury should develop a strategy to deal with the problems of peaking. Such strategy should include an assessment of alternatives including controlling the timing of flight arrivals if timely entry of travelers cannot be improved through other alternatives. Further, the Secretary, in conjunction with the airlines and other concerned Federal agencies, should reconsider the procedures for allocating landing rights.

Status: Action in process.

Agency Comments/Action

The Assistant Secretary of the Treasury (Enforcement and Support) has directed Customs management officials to develop, by October 1983, a written strategy, with milestones, to deal with the problems of peaking at international airports. The study will also include the establishment of criteria, in cooperation with the other Federal inspection agencies, for identifying the number of international travelers that can be handled efficiently and timely by the Federal inspection system at the 15 largest airports. To alleviate peaking problems that may occur prior to the development and acceptance of a new landing rights strategy, Customs has taken a number of steps to further refine passenger selection criteria in order to make better use of resources and to introduce new operational procedures.

DEPARTMENT OF THE TREASURY

Status of U.S.-Saudi Arabian Joint Commission on Economic Cooperation
(ID-83-32, 5-26-83)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Foreign Assistance Act of 1961 (22 U.S.C. 2357). Technical Cooperation Agreement, November 25, 1979, United States-Saudi Arabia, T.I.A.S. 9691. Technical Cooperation Agreement, February 13, 1975, United States-Saudi Arabia, T.I.A.S. 8072.

GAO assessed the organization, operations, and activities of the U.S.-Saudi Arabian Joint Commission on Economic Cooperation. Specifically, GAO reviewed: (1) overall U.S. management of the Commission; (2) how effectively projects are being carried out; and (3) what problems exist and what actions are being taken to resolve them.
Findings/Conclusions: GAO found that, although activities were being carried out without major problems, projects were not being independently evaluated on an ongoing basis. Further, there is a need to establish more specific goals and objectives to allow for program efficiency. GAO found that the importance of transmitting trade information to U.S. businesses has been slowed or terminated because not all site team leaders regard trade information dissemination to be their responsibility. GAO noted that many of the problem areas have already been identified by U.S. and Saudi officials, and efforts have been made to solve them.
Recommendations to Agencies: The Secretary of the Treasury should direct the U.S. Coordinator to: (1) work with the Saudi Coordinator and establish specific goals, objectives, and milestones for each project including when U.S. Federal employees in operational-type positions can be phased out, and when project goals and objectives will be met and projects terminated; and (2) request that the training coordination group determine whether increased incentives, primarily increased compensation, would improve the availability of Saudi trainees and their subsequent retention.
Status: Action in process.

The Secretary of the Treasury, to further ongoing efforts to identify and disseminate information on trade opportunities to U.S. firms, should emphasize to implementing agencies the importance of project team leaders' being fully aware of the Joint Commission trade objective.
Status: Action in process.

Agency Comments/Action

Treasury has prepared a Joint Commission project review procedure which focuses on project objectives, including the role of the U.S. Advisers. The draft procedure was submitted for review to Saudi Arabian Ministries and Agencies. Also the Interagency Action Group members have been tasked with: (1) providing Treasury with suggestions for incentives the Saudi Government might offer its employees to improve availability of trainees and their retention; and (2) alerting their project team leaders to trade objectives of the Joint Commission program. Implementation of the recommendations will largely depend on the cooperation of the Saudi Arabian Government.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

Legislative Change Needed To Enable IRS To Assess Taxes Voluntarily Reported by Taxpayers in Bankruptcy *(GGD-83-47, 6-20-83)*

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Bankruptcy Tax Act of 1980. Bankruptcy Reform Act. Internal Revenue Code (26 U.S.C. 6201 et seq.).

Pursuant to a congressional committee request, GAO was asked to examine the effects of bankruptcy laws on tax administration. GAO reviewed the impact that the 1978 Bankruptcy Reform Act's restriction on tax assessments is having on the Internal Revenue Service (IRS) and bankrupt taxpayers.

Findings/Conclusions: GAO believes that the assessment restriction should be amended to allow IRS to assess the taxes that bankrupt taxpayers report on their returns. Moreover, removing the assessment restriction would ensure consistent treatment for all bankrupt taxpayers. IRS needs to modify its collection procedure to make sure that it does not violate the legislative restriction on initiating collection action against bankrupt taxpayers. Some bankruptcy court districts permit IRS to assess taxes against bankrupt taxpayers, but IRS officials informed GAO that they cannot change the computerized collection procedures to stop collection notices from being sent to bankrupt taxpayers once taxes are assessed, but not paid.

Recommendations to Congress: Congress should amend the Bankruptcy Code to allow IRS to assess the taxes reported by bankrupt taxpayers on their returns.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Commissioner, IRS, should modify the automated IRS collection procedures to prevent sending collection notices that would violate the protection afforded taxpayers by the Bankruptcy Code.

Status: Action in process.

Agency Comments/Action

IRS has agreed with and has taken appropriate steps to implement necessary changes to carry out the recommendations.

DEPARTMENT OF THE TREASURY

INTERNAL REVENUE SERVICE

With Better Management Information, IRS Could Further Improve Its Efforts Against Abusive Tax Shelters
(GGD-83-63, 8-25-83)

Budget Function: General Government: Tax Administration (803.1)
Legislative Authority: Tax Equity and Fiscal Responsibility Act of 1982. Tax Reform Act of 1976. Revenue Act of 1978. Economic Recovery Tax Act of 1981. Internal Revenue Manual.

In response to a congressional request, GAO reviewed Internal Revenue Service (IRS) activities in the tax shelter area.
Findings/Conclusions: Lately, the size and complexity of the IRS workload in the tax shelter area have strained its resources. The number of those types of tax shelters which IRS has identified as abusive have risen from 2 to 18 in 9 years, while the IRS approach to examining shelter returns requires that virtually every shelter return identified as potentially abusive be examined. Examiner staff days devoted to the Tax Shelter Program have risen from 2.5 percent of direct examination time during fiscal year (FY) 1979 to 8.9 percent during the first 6 months of FY 1983. Examining abusive shelters imposes a large administrative burden on examiners because an abusive shelter is often set up as a partnership and examining such a shelter often requires the control of several returns, for different tax years, and in different districts. GAO found that about 60 percent of examiner time is spent on administrative tasks with only 40 percent applied to examining returns and developing examination issues. At the present pace, tax shelter returns take more than 4 years to process. To compound the problem, about 50 percent of completed tax shelter examinations are appealed, involving 90 percent of all potential revenue from these examinations. IRS has focused top management attention on this area and devised new approaches to reduce the number of cases in its inventory. In addition, Congress has provided legislative relief, most recently, in the Tax Equity and Fiscal Responsibility Act (TEFRA) which gives IRS several enforcement tools and simplifies the administrative aspects of partnership examinations.
Recommendations to Agencies: The Commissioner of Internal Revenue should develop such management information as is appropriate and necessary to more accurately gauge the current size of the problem of abusive tax shelters and the impact IRS is having on noncompliance in this regard.
Status: Action in process.

The Commissioner of Internal Revenue should develop such management information as is appropriate and necessary for determining whether the TEFRA and administrative changes have eliminated the causes of past problems and for identifying as early as possible any other obstacles to effective and efficient program operations. If IRS finds that the must-work approach is still resulting in administrative difficulties, the Commissioner of Internal Revenue should: (1) reassess the goal of expeditiously examining every abusive shelter which is identified, in light of this goal's impact on the IRS examination plan; (2) formulate, if this goal is found to be no longer attainable, criteria for deciding which abusive tax shelters are most in need of examination; and (3) make more extensive use of centralized support staffs and computer, rather than manual, systems to further free examiners from clerical and administrative tasks.
Status: Action in process.

Agency Comments/Action

IRS cited its responses in Appendix VI of the GAO report saying that those responses reflect its current position. IRS is working toward implementation of the recommendations as it described.

DEPARTMENT OF THE TREASURY

Selling Abandoned Merchandise: How the U.S. Customs Service Could Increase Revenues
(GGD-83-79, 9-30-83)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Tariff Act. Tariff Act of 1930 (19 U.S.C. 1493). Customs Procedural Reform and Simplification Act of 1978. 19 C.F.R. 127.31. 19 U.S.C. 1491(a).

GAO evaluated the U.S. Customs Service's program for the disposal of merchandise which was abandoned for more than a year by importers and stored by Customs in public or private warehouses.

Findings/Conclusions: GAO found that Customs could increase the net sale proceeds of its auctions of abandoned merchandise by revising procedures and strengthening program controls. A review of five auctions showed that: (1) a shorter storage period would have reduced storage expenses and increased net revenues by $71,131 if the merchandise could have been sold 6 months sooner, or $94,093 if it could have been sold 9 months sooner; (2) additional storage costs of $335,870 were incurred because merchandise was not removed from storage when the 1-year storage period expired because of staff shortages; and (3) additional duties of about $8,060 could have been realized if Customs had better implemented existing procedures for collecting and disposing of proceeds from the sale of bonded merchandise.

Recommendations to Agencies: The Secretary of the Treasury should draft and submit legislation to amend section 491(a) of the Tariff Act of 1930 (19 U.S.C. 1491(a)) to reduce the 1-year period that unclaimed imported merchandise must remain in Customs' custody before it is considered abandoned by the Government.
Status: No action initiated. Affected parties intend to act.

The Secretary of the Treasury should direct the Commissioner of Customs to promptly remove from storage and sell abandoned merchandise as soon as practical after the expiration of the prescribed storage period.
Status: No action initiated. Affected parties intend to act.

The Secretary of the Treasury should direct the Commissioner of Customs to implement existing regulations for the recovery of duties from the sale of abandoned bonded merchandise.
Status: No action initiated. Affected parties intend to act.

DEPARTMENT OF TRANSPORTATION

How To Improve the Federal Aviation Administration's Ability To Deal With Safety Hazards
(CED-80-66, 2-29-80)

Budget Function: Transportation: Air Transportation (402.0)
Legislative Authority: Airline Deregulation Act of 1978 (P.L. 95-504). Airport and Airway Development Act of 1970. Airport and Airway Development Act Amendments of 1976. Executive Order 12044. 49 Fed. Reg. 65550. DOT Order 5800.2. Aviation Act (49 U.S.C. 1421).

The Federal Aviation Administration (FAA) is responsible by law for ensuring the safe and efficient use of the Nation's airspace and fostering civil aeronautics and air commerce. FAA attaches great importance to its safety-related programs. Aviation, compared with other transportation modes, has a good safety record.

Findings/Conclusions: However, FAA has not been effective or timely in developing systems to identify safety hazards because it has not: (1) recognized their importance; (2) emphasized information gathering and analysis, nor (3) undertaken long-term planning for comprehensive identification systems. Organizational problems along with the lack of a comprehensive planning process for addressing aviation safety issues have also hampered the effectivenss of FAA. Without this process, management lacks a reference frame for planning, approving, implementing, and evaluating specific safety projects. Also, once FAA has identified its overall safety priorities, it must have a procedure to ensure that safety project plans are prepared, reviewed, and approved. To date, such a procedure has either been incomplete or nonexistent. Additionally, FAA management needs a system of controls to govern the implementation phase of safety projects. The difficulties that FAA has had regarding priorities, requirements, cost-benefit analyses, interim corrective actions, internal coordination, staffing-workload analyses, and accountability in safety projects need to be documented in project files. Previously, safety projects have not always been adequately monitored as FAA has no agencywide requirement for recording actual time charged on safety project work.

Recommendations to Agencies: The Secretary of Transportation should direct the FAA Administrator to prepare a comprehensive long-range plan: (1) to improve FAA identification of safety hazards; and (2) laying out the problems to be solved, the integration of various systems to solve them, and milestones for arriving at solutions.
Status: Action in process.

The Secretary of Transportation should direct the FAA Administrator to monitor the progress of the overall safety information effort at the highest management levels within FAA and periodically report progress to the Secretary of Transportation.
Status: Action in process.

The Secretary of Transportation should direct the FAA Administrator to adhere to milestones for plan implementation.
Status: Action in process.

The Secretary of Transportation should direct the FAA Administrator to develop a mandatory, written progress report system.
Status: Action completed.

The Secretary of Transportation should direct the FAA Administrator to explore all means for obtaining a common FAA/National Transportation Safety Board approach to accident information.
Status: Action completed.

The Secretary of Transportation should direct the FAA Administrator to establish a top management group, which might be called Administrator's Safety Advisory Group, to identify overall safety priorities.
Status: Recommendation no longer valid/action not intended. *No action is intended because agency officials believe that present participation by top management accomplishes the same thing as would the proposed Safety Advisory Group; the present AVS plan and the budget preparation and review process identifies safety program priorities. Top management currently participates in and approves the budget formulation and AVS program and project planning.*

The Secretary of Transportation should direct the FAA Administrator to achieve better coordination of human factors research by establishing an agencywide human factors spokesman and preparing a comprehensive statement of position on human factors, an FAA human factors definition, an agency long-range plan, and a summary of dollars spent or needed on human factors research.
Status: Action in process.

The Secretary of Transportation should direct the FAA Administrator to implement a system of recording in project folders staff time charged to safety projects.
Status: Action completed.

The Secretary of Transportation should direct the FAA Administrator to establish a comprehensive planning process which defines organizational goals, objectives, policies and priorities to guide the overall safety mission and provides a frame of reference for planning and approving specific safety efforts, implementing individual safety project plans, and evaluating safety projects.
Status: Action completed.

The Secretary of Transportation should direct the FAA Administrator to develop a comprehensive system of controls to guide and monitor safety project work both before and during the rulemaking actions, record specific key project events and maintain project files.
Status: Action completed.

The Secretary of Transportation should direct the FAA Administrator to develop formal safety project plans showing how the total agencywide solution is to be accomplished. Elements of the formal plan should include a specific and detailed description of at least the following: problem, safety contribution, objectives, requirements, alternative solutions, interim corrective actions, costs and benefits, coordination, resources, milestones, results desired, responsible official, and priority.
Status: Action completed.

The Secretary of Transportation should direct the FAA Administrator to see that each safety project is monitored continually. The monitoring can be done either within each Associated Administrator's office or, as needed, by the recommended Administrator's Safety Advisory Group.
Status: Action completed.

The Secretary of Transportation should direct the FAA Administrator to establish permanent procedures to ensure that adequate feedback about compliance is obtained on nonregulatory safety actions.
Status: Recommendation no longer valid/action not intended. *The agency believes that the present system of compliance work obtains adequate information and intends to take no action.*

The Secretary of Transportation should direct the FAA Administrator to require that formal plans for individual safety projects be reviewed and approved at the Associate Administrator level. Where agreement on requirement, resource commitment, etc., between organizational components cannot be effected at the Associate Administrator's level or on broad efforts involving more than two organizational components, a top management group, such as the recommended Administrator's Safety Advisory group, should be the principal body for reviewing and approving specific and detailed safety project plans.
Status: Action completed.

The Secretary of Transportation should direct the FAA Administrator to: (1) prepare an annual report on the safety evaluation activities, both as planned and achieved, by the Office of Aviation Safety; and (2) monitor the safety evaluation activities of this office.
Status: Recommendation no longer valid/action not intended. *The agency disagrees that an annual report is needed and feels that feedback received after specific evaluations and studies provides sufficient information; therefore, the agency intends to take no action.*

The Secretary of Transportation should have FAA management of its safety mission periodically evaluated, including assessing the annual report on the Office of Aviation Safety's evaluation activities.
Status: Action in process.

The Secretary of Transportation should direct the FAA Administrator to assign appraisal responsibilities and the requisite manpower resources to the Program Review Staff, Office of the Associate Administrator for Administration, to conduct independent and objective agencywide evaluations of major areas or issues of concern, or assign this responsibility to a new organizational component reporting to the FAA Administrator.
Status: Recommendation no longer valid/action not intended. *The agency believes no new organizational component is needed and that the present method of ad hoc appraisals, staffed either from within or from without, is more effective and efficient use of personnel resources. The agency intends no action.*

Agency Comments/Action

DOT stated that many of the observations contained in the report had been recognized and, as a result, FAA headquarters had undergone a major reorganization in order to focus additional attention on sensitive safety issues. DOT believes that the reorganization is consistent with the GAO recommendations. However, DOT advised that it was taking additional action with respect to the areas cited in the GAO report.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Coast Guard Personnel Records Storage Areas Need Fire Protection Systems
(GGD-81-72, 4-22-81)

Budget Function: General Government: General Property and Records Management (804.0)

The U.S. Coast Guard maintains over 6,000 officer and over 30,000 enlisted personnel records in two rooms at the Transpoint Building in Washington, D.C. GAO reviewed the official personnel records of the Coast Guard to determine how efficiently the records were being maintained.

Findings/Conclusions: GAO believes that the Coast Guard should acquire fire protection systems to protect its records. Although the Government leases the Transpoint Building, Government-occupied space is subject to the building fire safety standards established by the Public Buildings Service (PBS). According to PBS criteria, only one of the two rooms used to store the records requires an automatic sprinkler protection system. However, GAO believes that the importance of the records and the expense of replacing them warrants installation of the system in both rooms. The Coast Guard stated that it intends to install a fire protection system during the upcoming renovation of the building.

Recommendations to Agencies: GAO believes that the Coast Guard should take action now to protect the records because the renovation has already been delayed once and could be delayed further.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

Action on the recommendation is contingent upon the building renovation which has not yet occurred.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Management Improvements Needed in Coast Guard Supply System
(PLRD-81-37, 7-2-81)

Budget Function: National Defense: Defense-Related Activities (054.0)

GAO reviewed Coast Guard efforts to establish a more viable supply system by eliminating wholesale inventories of items which are also stocked and managed by other Federal agencies and reducing the number of inventory control points (ICP).

Findings/Conclusions: GAO found that some progress had been made in resolving these problems. However, GAO determined that: (1) the Coast Guard could save millions of dollars annually by obtaining supplies and spare parts from other Government agencies when needed, instead of maintaining inventories; (2) the Coast Guard stocks thousands of inactive line items at levels above Coast Guard needs, although many of these items are needed and are being procured by other Federal agencies; (3) ship inventory records were inaccurate, and item managers do not know what repair parts and components are available to them; (4) duplicate filings of aeronautical requisitions result in air stations receiving supplies in excess of the amount authorized; (5) inventory discrepancies are not adequately corrected, and records do not accurately reflect available stock levels; and (6) improvements are needed in controls over project material by the inventory control point and headquarters' offices. The Coast Guard needs to purge its system of other Government agency-managed items. Stockage of parts managed by these agencies contributes to unnecessary storage, handling, and transportation costs. The Coast Guard has a large amount of inactive inventory that could be redistributed to other Government agencies. Periodic physical inventories at Coast Guard control points have not been taken as required and, when taken, discrepancies between onhand stocks and stock records have not been properly reconciled nor adequately researched to prevent similar occurrences.

Recommendations to Agencies: The Secretary of Transportation should require the Commandant of the Coast Guard to direct the ICP's to adopt requisitioning procedures that would permit shipments directly to the users.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should require the Commandant of the Coast Guard to direct the ICP's to: (1) eliminate wholesale levels of stock available from other Government supply sources; and (2) report to the Commandant on the progress made.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Commandant of the Coast Guard to implement a Coast Guard-wide inactive item program similar to the Aviation ICP program. This program would ensure that unneeded items are purged regularly from the supply system and made available to other Government agencies.

Status: Action in process.

The Secretary of Transportation should direct the Commandant of the Coast Guard to monitor the ICP supply management practices to ensure that: (1) periodic physical inventories are systematically taken to identify items in excess of needs and those not needed for other projects; (2) stock discrepancies are reconciled properly and stock records are adjusted properly to reflect onhand stocks; (3) discrepancies are researched adequately to determine and correct the causes; and (4) units assign the appropriate designators to their requisitions.

Status: Action in process.

Agency Comments/Action

Coast Guard headquarters did a limited followup on actions taken by its ICP's on the recommendations. Although the Coast Guard's position has been that it agrees conceptually with the recommendations, it appears that little progress has been made in eliminating wholesale levels of stock centrally managed by other Government agencies (OGA). The Coast Guard has made limited progress on the recommendation that it implement an inactive item program similar to its Aviation ICP program. To date, the Ships ICP eliminated 681 OGA items from inventory, and the Electronics and General Supplies ICP deleted 2,975 items. Coast Guard headquarters did not obtain the dollar value of the items purged by either of the ICP's. It said that new ADP hardware should significantly improve inventory management capability. The Aviation ICP continued to make sizable deletions from its inactive inventory.

DEPARTMENT OF TRANSPORTATION

MARITIME ADMINISTRATION

Maritime Subsidy Requirements Hinder U.S.-Flag Operators' Competitive Position
(CED-82-2, 11-30-81)

Budget Function: Transportation: Water Transportation (403.0)
Legislative Authority: Merchant Marine Act, 1920 (46 U.S.C. 883). Merchant Marine Act, 1936 (46 U.S.C. 1101). Merchant Marine Act, 1970. Cargo Preference Act (Merchant Marine) (46 U.S.C. 1241(b)). H.R. 4769 (97th Cong.). 10 U.S.C. 2631. 46 U.S.C. 1241 et seq.

GAO evaluated the effectiveness of the operating differential subsidy program through which the Maritime Administration provides a subsidy to U.S. operators to cover the difference between certain U.S. vessel costs and similar costs of foreign competition. The policy was enacted to help U.S. operators compete with their foreign counterparts. The review primarily focused on the liner or general cargo segment of the subsidized U.S.-flag fleet. However, most of the issues discussed also affected the bulk operators.

Findings/Conclusions: Some program requirements and procedures imposed on U.S.-flag operators increase costs and create other disadvantages which tend to negate the competitive position the program is supposed to provide. To promote U.S. shipyards, the operating subsidy program requires that vessels be built in the United States. However, the construction subsidy rate does not always compensate the operator for the higher construction financing costs, longer construction times, and other costs incurred by using U.S. shipyards. Thus, building vessels in the United States limits subsidized operators' ability to compete with foreign competition. Policies to promote U.S. ship repair yards also hurt subsidized operators by limiting their ability to compete with foreign-flag operators who can schedule their maintenance and repairs in any geographical location that best suits the efficiency and economy of their operations. Steps have been taken to reduce some of the restrictive requirements placed on subsidized operators that become costly and time-consuming such as the hearings that are held on issues relating to operating subsidy applications. Additionally, the subsidy payments are delayed due to an extensive and time-consuming process used to compute final liner wage subsidy rates. This process precludes the operators from timely receipt of monies due them and hurts their cash management position. Maritime officials are not optimistic about future subsidy reductions because of increasing competition from foreign operators which have lower wage costs and manning levels.

Recommendations to Congress: Congress should amend the Merchant Marine Act of 1936 to extend and clarify the Secretary of Transportation's authority to allow subsidized operators to build vessels overseas. Congress should require the Secretary, in permitting overseas building, to consider the adequacy of the construction differential subsidy (CDS) ceiling, vessel delivery dates, the availability of CDS funds, and the effect of overseas building on the U.S. shipbuilding base. In revising the 1936 Act, Congress should consider the propriety of using such vessels in domestic trade and the role of the Maritime Administration's other financial assistance programs in aiding the operator to build these vessels.

Status: Action in process.

Congress should consider revising U.S. policies for promoting the U.S. ship repair industry with the objective of making them more equitable to U.S.-flag operators. When considering these policies, Congress should address the effect of the maintenance and repair subsidy, the maintenance and repair penalties, and the maintenance and repair 50-percent tariff on U.S.-flag operators.

Status: Action in process.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of the Maritime Administration to assign a high priority to its review of the section 605(c) hearing process and to assign a deadline for the issuance of the revised procedures.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of the Maritime Administration to implement, on a trial basis, operating differential subsidy liner wage payment procedures based on a revised tentative wage subsidy rate. During this trial period, the costs and benefits of these payment procedures should be evaluated to determine whether the procedures should be permanently adopted.

Status: Action in process.

Agency Comments/Action

The agency was in support of the recommendations to Congress. It also agreed to implement new procedures to accelerate final payments to subsidized operators when funds are available. The agency has plans to submit a new maritime policy to Congress which includes the GAO recommendations. Legislation is slowly working its way through Congress.

DEPARTMENT OF TRANSPORTATION

Applicability of Public Law 89-306 to the FAA Procurement of Computers for the Air Traffic Control System *(AFMD-82-47, 2-18-82)*

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: 41 C.F.R. 4.1102-1. 41 C.F.R. 1-4.1109-18(b). 41 C.F.R. 1-4.1100-3. 41 C.F.R. 1-4.1102-1. P.L. 89-306. DOT Order 1370.2A.

In response to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) planning, management, and acquisition of automated information systems for air traffic control and FAA management purposes.

Findings/Conclusions: By the mid-1980's, FAA plans to replace the computers at the Nation's en route air traffic control centers with computers capable of running the existing software with minimum modifications. The new computers which FAA plans to buy will be general purpose, mass-produced, commercially available computers. However, FAA officials do not plan to follow the process established under applicable law by the General Services Administration (GSA) for buying such automatic data processing (ADP) equipment. An important objective of the law is the economic acquisition of Government ADP equipment. To promote this acquisition of general purpose, mass-produced, commercially available ADP equipment, an agency must submit a procurement request to GSA for a delegation of procurement authority. FAA officials stated that they are procuring an air traffic control system, not a computer system, and that it is not subject to the GSA procurement process. Since GSA has jurisdiction over the procurement of ADP equipment supplied to the Government, GAO concluded that, unless the Administrator of General Services specifically exempts FAA from following the applicable regulations, it does not have the legal authority to buy such equipment.

Recommendations to Agencies: The Secretary of Transportation should revise Department of Transportation Order 1370.2A to eliminate the present blanket exemption and to substitute language closer to that of the current GSA language.
Status: Action in process.

The Administrator, FAA, should comply with the provisions of Public Law 89-306 in procuring the replacement computers for the air traffic control system.
Status: Action in process.

Agency Comments/Action

On April 30, 1982, FAA submitted a request to GSA for a delegation of procurement authority for the acquisition to be conducted under OMB Circular A-109. The Department of Transportation is developing a directive which eliminates the present blank exemption and delineates acquisition procedures to be followed for procuring computer resources.

DEPARTMENT OF TRANSPORTATION

Alaska Railroad: Federal Role Should End; Some Management Problems Remain
(CED-82-9, 2-25-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Alaska Native Claims Settlement Act. S. 1500 (97th Cong.). B-114886 (1956). 43 U.S.C. 975 et seq.

Because of pervasive weaknesses in the management of the Alaska Railroad and recent congressional interest, GAO re-examined the question of the Railroad's ownership.

Findings/Conclusions: The major factors supporting the Federal Government's ownership role in the Alaska Railroad, such as national defense needs, Alaska's territorial status, extensive Federal land ownership, and Federal responsibility for economic development, have all changed considerably since the Railroad's construction. Federal ownership of the Railroad now conflicts with or inhibits actions needed to improve its profitability. Development of other transportation modes has made the Railroad one of several acceptable transportation alternatives rather than the only practical source in the area which it serves. Military defense of some sections of the Railroad would also be impossible. If the Railroad's land was transferred from Federal ownership, it would no longer be subject to claims by Native corporations to Government lands. Also, as a Federal agency, the Railroad has been limited in its ability to fully exploit business opportunities due to personnel management restraints and difficulty in obtaining capital for expansion. There have been many serious problems in the Railroad's management, including many financial and control weaknesses, inadequate marketing efforts and cost information on which to base marketing decisions, and unreasonably low rental rates for Railroad property leased to other parties. Railroad management has attempted to correct most of the financial and control weaknesses and has improved its rental rate policy; however, management's efforts have not been completely effective. An effective internal audit and review function for the Railroad has not been instituted.

Recommendations to Congress: Congress should enact legislation leading to termination of the Federal Government's ownership and operation of the Alaska Railroad.
Status: Action in process.

Recommendations to Agencies: The Secretary of Transportation should institute a plan for periodic, independent financial audits of the Alaska Railroad's operations as well as other comprehensive audits necessary to identify and follow up on management problems.
Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

The Department of Transportation agreed with the recommendation for financial audits of the Alaska Railroad operations. It stated that a financial audit will be performed if legislation to terminate the Federal role in the railroad is not enacted.

GAO recommended that the Federal involvement in the Alaska Railroad be terminated. P.L. 97-468 transfers the Railroad to the State of Alaska if the State meets certain conditions including payment of a fair market value of $22.3 million.

in the level of State participation.
Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of the Federal Railroad Administration, prior to attempting to significantly expand the program, to broaden the scope of periodic assessments of the State participation program to assess, among other things, the consistency in State enforcement.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

DOT generally agreed with the GAO conclusions and recommendations, and indicated that FRA had been undertaking some of the recommended actions before the report was issued. FRA maintained that it had already shifted its emphasis toward system assessments and away from individual inspections and would shift inspector resources toward system assessments as needs dictated. FRA stated that it found the recommendations on the civil penalty process useful and established new procedures to substantially implement each of them. It also indicated that the recommendations on the State participation program were quite beneficial and that it was implementing each of the recommendations.

DEPARTMENT OF TRANSPORTATION

Better Administration of Capital Grants Could Reduce Unnecessary Expenditures on Mass Transit Projects (CED-82-22, 4-20-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601). Federal Aid Highway Act (23 U.S.C. 1976). OMB Circular A-102.

GAO reviewed six capital grants awarded to the Massachusetts Bay Transportation Authority to determine how well the Urban Mass Transportation Administration (UMTA) was monitoring them and whetner the program was cost effective.

Findings/Conclusions: The Massachusetts Bay Transit Authority received more than $1.8 billion in capital grants from fiscal years 1965 through 1981. GAO found that UMTA did not adequately monitor grant projects in accordance with its management guidelines and operating manual and did not have guidance on third-party funding of UMTA-supported projects. As a result, $2.3 million was spent to construct a rapid-transit track that is not being fully used, and $5.6 million was spent to purchase and install power equipment that will not be used. Thus, nearly $8 million of Federal funds was expended with only minimal benefits to the Authority. Furthermore, delays have occurred in the acquisition of automatic train control equipment which could increase equipment costs by more than $6 million. In addition, funds expected from third parties to help finance projects have not been obtained and may not be forthcoming. As a result, the Authority will have to scale down the project or ask UMTA for additional funds. Office of Management and Budget guidelines require grantees to submit quarterly progress reports to UMTA and require UMTA to make periodic visits to construction sites and to perform inspections. Due to staff shortages, UMTA did not follow its monitoring procedures. The quarterly reports were often incomplete and improperly analyzed. Inspections were not made as often as required, and trip reports were vague and incomplete.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of UMTA to require grantees to include a project monitoring plan as part of the grant application. At a minimum, the plan should include UMTA requirements for monitoring projects. UMTA could then certify the plan and randomly spot check the grantee's monitoring performance using either project managers or independent evaluators. UMTA should insist on a minimum level of acceptable performance and that a grantee's performance be tied to future grant awards. UMTA should adopt a system of penalties and incentives that would either punish or reward grantees based on performance.

Status: Recommendation no longer valid/action not intended. *Since this report was issued, Congress has made major legislative changes which affect grant administration and the appropriateness of the recommendation. It appears that the intent of the recommendation may be satisfied with the new legislative requirement for annual and triennual audits of UMTA grantees. GAO will examine the adequacy of UMTA regulations to implement these provisions.*

The Secretary of Transportation should direct the Administrator of UMTA to redistribute project managers' grant workloads by having them concentrate on major grants and monitor minor grants on a sample basis until procedures are in place to carry out a project-monitoring plan and a system of punishment and rewards based on grantee performance.

Status: Recommendation no longer valid/action not intended. *Since this report was issued, Congress has made major legislative changes which affect grant administration and the appropriateness of the recommendation. It appears that the intent of the recommendation may be satisfied with the new legislative requirement for annual and triennual audits of UMTA grantees. GAO will examine the adequacy of UMTA regulations to implement these provisions.*

The Secretary of Transportation should direct the Administrator of UMTA to negotiate with the Massachusetts Bay Transportation Authority for better use of the Haymarket North project's express track. If a better use cannot be found, it should examine ways of recovering some of the track's costs.

Status: Recommendation no longer valid/action not intended. *The Massachusetts Bay Transportation Authority has agreed to apply for technical study funds to examine alternative uses of the express track. However, UMTA believes that recovering funds used to construct the track is not a realistic option because the initial decision to construct the track was a good one.*

The Secretary of Transportation should direct the Administrator of UMTA to limit UMTA participation in the acquisition of automatic train control equipment for the Orange Line to an amount equal to what UMTA participation would have been in 1978.

Status: Recommendation no longer valid/action not intended. *UMTA does not plan to take action on this recommendation. It believes that the Massachusetts Bay Transportation Authority should not be penalized for delays in purchasing and installing automatic train control equipment because such delays were justified.*

The Secretary of Transportation should direct the Administrator of UMTA to recover $5.6 million used to purchase and install three boilers for the Massachusetts Bay Transportation Authority Immediate Needs Power Program.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of UMTA to establish guidelines for UMTA-supported projects involving external funding to ensure that sufficient funds will be available to complete projects.

Status: Recommendation no longer valid/action not intended. *UMTA plans no action on this recommendation. It*

disagrees with the GAO interpretation of the facts which support the need for the recommendation.

Agency Comments/Action

DOT generally disagreed with the report findings and recommendations indicating that the UMTA Boston Regional Office is failing to adequately monitor operations of the Massachusetts Bay Transportation Authority and is permitting the misuse of grant funds. Negotiations are still underway to purchase the boilers for the Massachusetts Bay Transportation Authority for $5.6 million.

DEPARTMENT OF TRANSPORTATION

Changes to the Motor Vehicle Recall Program Could Reduce Potential Safety Hazards
(CED-82-99, 8-24-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Traffic and Motor Vehicle Safety Act (P.L. 89-563). Motor Vehicle and Schoolbus Safety Amendments of 1974 (P.L. 93-492). 49 C.F.R. 577.

GAO reported on the motor vehicle recall program's safety defect investigation process and its owner response rates. The National Highway Traffic Safety Administration (NHTSA), which administers the program, conducts defect investigations of approximately 50 to 70 percent of the recalled motor vehicles, and the motor vehicle industry voluntarily initiates investigations of the remaining recalls. Since 1966, about 128 million motor vehicles, tires, and other related replacement items have been recalled because of safety defects. GAO reviewed the recall program to determine if: (1) NHTSA could hasten its safety defect identification process; and (2) the number of owners responding to recalls could be increased.

Findings/Conclusions: GAO found that the NHTSA investigations often take years to complete, while vehicles continue to be exposed to possible safety deficiencies. The average time for each case in the NHTSA Office of Chief Counsel is approximately 14 months. As a result of delays, information to support some case findings often has to be updated. GAO also found that about 50 percent of the owners notified of potential safety defects do not take their vehicles in for inspection and/or correction. A 1980 survey indicated that some owners do not respond to recalls because they do not perceive the defect as a problem or do not believe the recall is important. GAO believes that the reason behind those perceptions and beliefs could be that the recall letters are too difficult for many owners to understand.

Recommendations to Agencies: The Secretary of Transportation should instruct the Administrator, NHTSA, to take corrective action to speed up the defect investigation process by reducing delays caused by the Office of Chief Counsel review. Specifically, the Administrator should look at whether better coordination and more direct communication between the Office of Defects Investigation and the Office of Chief Counsel could achieve this goal and how specific review timeframes could be established to eliminate further delays.

Status: Action completed.

The Secretary of Transportation should instruct the Administrator, NHTSA, to work with motor vehicle manufacturers to change the wording and format in a recall letter to lower its reading level and test the revised letter in an actual recall to determine its effectiveness in increasing response rates.

Status: Action in process.

The Secretary of Transportation should instruct the Administrator, NHTSA, to work with motor vehicle manufacturers to test various reminder techniques in actual recalls to determine whether they increase response rates and are cost effective.

Status: Action in process.

Agency Comments/Action

As of November 16, 1983, the NHTSA Office of Defects Investigation was working on the recommendation concerning NHTSA work with motor vehicle manufacturers to revise the defects recall letter and to test various reminder techniques to increase the recall response rates. A contract to revise the letter has been completed and nine motor vehicle manufacturers have been contacted. Each manufacturer will choose a recall to use as a test. Four "cells" will be tested: (1) a normal letter and followup, if any; (2) a normal letter and a 30-day followup; (3) a revised letter and no followup; and (4) a revised letter and followup. It will probably take 9 months to a year to get the first results. If the results showed that a revised format was beneficial, it would take a couple of years to revise the regulations.

DEPARTMENT OF TRANSPORTATION

Greater Emphasis on Information Resource Management Is Needed at the Federal Aviation Administration *(RCED-83-60, 11-24-82)*

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Air Commerce Act. Civil Aeronautics Act of 1938. Aviation Act. Executive Order 12003. H. Rept. 97-137. FAA Order 1370.52A.

In response to a congressional request, GAO reviewed Federal Aviation Administration (FAA) planning, management, acquisition and use of automatic data processing (ADP) for personnel, financial management, accident/ incident/ violation reporting and other administrative functions.

Findings/Conclusions: FAA has taken steps to improve its ADP procedures and guidelines for initiating and approving national hardware and software development projects. However, despite these improvements, GAO found a number of management and technical problems remaining in these FAA information-related functions. Despite the growing complexity and size of FAA computer hardware and software acquisitions, FAA has not made a comprehensive analysis of its overall information requirements. FAA is procuring excessive computer hardware capacity at the Aeronautical Computer Center and at its regional offices. In addition, major software projects are proceeding or are being developed without appropriate management controls. These conditions prevail because ADP management control and oversight are dispersed throughout the agency. Information requirements planning is conducted on a project-by-project basis. FAA does not conduct overall planning to meet agencywide needs. Therefore, overlapping or duplicative systems have not been identified, long-term planning has been impeded, and evaluation of the overall effectiveness of existing information systems has been hampered. Furthermore, information requirements analyses are not adequately conducted to support computer acquisitions. GAO found that, at the secretarial level, the Department of Transportation could provide better guidance on acquiring, managing, operating, and using information resources to its subunits, including FAA.

Recommendations to Agencies: The Secretary of Transportation should direct FAA to implement a comprehensive planning process for information resources, including ADP. This process should provide a mechanism to: (1) define information requirements on an agencywide basis; and (2) establish objectives, strategies, and priorities for these requirements.
Status: Action in process.

The Secretary of Transportation should direct FAA to strengthen and integrate its management structure for information resources by placing responsibility for information resource management under the control of a single, high-level official and by creating clear lines of authority to any other official to whom aspects of information management are delegated.
Status: Action in process.

The Secretary of Transportation should direct FAA to shift software management responsibilities from the Information Systems Review Committee to a central office of the type recommended by GAO.
Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct FAA to require user organizations to prepare a thorough analysis of requirements, feasible alternatives, and cost-benefits as a basis for approving software development projects.
Status: Action in process.

The Secretary of Transportation should direct FAA to implement standard cost collection and control procedures for software projects and establish a control mechanism to trigger management reviews of high-cost variances.
Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Assistant Secretary for Administration to develop a department-wide computer capacity and workload management program.
Status: Action in process.

Agency Comments/Action

The Department of Transportation is in agreement with three of the GAO recommendations and is working toward their implementation. Steps are being taken to direct FAA to: (1) strengthen and integrate its management structure for information resources; (2) require user organizations to prepare a thorough analysis of requirements for approving software projects; and (3) develop a departmentwide computer capacity and workload management program.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Need to Periodically Reassess Mass Transit Construction Projects

(RCED-83-82, 12-22-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Urban Mass Transportation Act of 1964.

GAO reviewed Urban Mass Transportation Administration (UMTA) policies for project administration because UMTA has made large expenditures over the past decade to finance construction of capital projects. The review focused on a high-speed rail project in Philadelphia and a project extending the New York City subway system.

Findings/Conclusions: Although UMTA has taken significant steps to ensure that only meritorious projects are approved for UMTA capital assistance, GAO found that UMTA does not require project reassessment, even if changed conditions indicate that the project will not meet its original objectives. GAO found that a postapproval assessment of the Philadelphia Airport High Speed Line and the Queens Trunk Line might have prevented constructing projects whose success is questionable. Lack of air passenger growth, construction delays, and increases in project costs on the Philadelphia line caused the city to seek alternatives to make the line self-sustaining, yet UMTA continued to fund the original project. GAO found that UMTA did not require the New York City Transit Authority (NYCTA) to explore alternatives to project segments or modifications in the scope of the Queens project, although the city's financial crisis caused NYCTA to use capital grant funds to finance operating deficits and to defer construction of a required bypass. GAO concluded that the lack of an UMTA policy requiring reassessment has resulted in construction of some projects under conditions that differ significantly from forecasts.

Recommendations to Agencies: The Administrator, UMTA, should establish policy requiring reassessment of major capital projects at the completion of specified project milestones.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

The Department of Transportation agreed that it had no policy that required periodic reassessment of mass transit construction projects. It pointed out that legislation, enacted after the GAO report, would require periodic audits of mass transit grant recipients and, as a result, provide an opportunity to reassess construction projects.

DEPARTMENT OF TRANSPORTATION

Value Engineering Has the Potential To Reduce Mass Transit Construction Costs
(RCED-83-34, 12-29-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601). Federal Aid Highway Act of 1973.

Millions of dollars in Federal, State, and local construction funds can be saved by applying value engineering (VE) to the designs of construction projects funded by the Urban Mass Transportation Administration (UMTA). GAO conducted this review to determine: (1) how effective VE would be when applied to heavy rail and bus construction projects; and (2) whether VE could produce greater savings than the UMTA peer review on one aspect of a proposed subway station.

Findings/Conclusions: Most transit authorities that receive UMTA funds lack the technical expertise to design projects. To obtain this capability they hire architectural/engineering firms. Because the firms design facilities to satisfy the requirements of transit authorities, the cost to construct the facilities may be greater than necessary. The design plans are evaluated by UMTA regional engineers for cost effectiveness, safety, and technical feasibility. However, UMTA officials and architectural/engineering representatives acknowledge that UMTA does not have enough engineers to adequately review designs. Unlike VE, peer review does not include use of a job plan, analysis of the functional requirements of a system before recommendations are made, or use of formal criteria and guidelines. UMTA believes that peer reviews held during the conceptual and informational stages of project development have saved millions of dollars in construction costs. For fiscal years 1965-81, UMTA has provided about $18 billion in capital grants to local transit authorities to construct and rehabilitate rail and bus facilities, which included $7.5 billion for rail and $1.5 billion for bus projects. The remaining funds were used to purchase rolling stock and equipment and for similar purposes. In fiscal year 1981, obligations for UMTA capital programs totaled about $2.9 billion; $866 million was used for bus and $2 billion for rail projects. GAO believes VE can significantly reduce construction costs as demonstrated in VE workshops and by other Federal agencies.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of UMTA to appoint a full-time program manager for value engineering activities who reports to the UMTA Administrator when implementing the program.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of UMTA to implement a value engineering program for construction projects.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of UMTA to apply value engineering early in a project's design on all UMTA-funded construction projects exceeding $2 million.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of UMTA to share with the grantee the cost and savings of value engineering in proportion to its participation in project costs when implementing the program.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of UMTA to ensure that value engineering is performed by a private architectural/engineering firm not participating in the project when implementing the program.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of UMTA to retain final authority for approving and disapproving value engineering recommendations when implementing the program.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of UMTA to ensure that construction contracts include a value engineering incentive clause when implementing the program.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of UMTA to limit its peer review program to the conceptual and informational phases of major construction projects and complement it with value engineering during the early design and construction phases of such projects.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

UMTA recognizes that VE can be a valuable tool in cutting construction costs but believes its peer review and joint working sessions processes can also contribute to minimizing costs. UMTA considers its present management structure adequate to address the overview of the VE process. As UMTA develops its comprehensive project management guidelines, it will review how VE and other processes should be applied early in a project's design phase. UMTA will also review the need to apply VE to all its projects.

DEPARTMENT OF TRANSPORTATION

Applying DOT Rail Policy to Washington, D.C.'s Metrorail System Could Save Federal Funds
(RCED-83-24, 1-12-83)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601 et seq.). Federal Aid Highway Act of 1973 (P.L. 93-87). National Transportation Amendments of 1979 (P.L. 96-184). P.L. 89-774. 31 U.S.C. 720.

GAO reviewed funding for the Washington, D.C., Metrorail system to evaluate whether Federal funds were used effectively and efficiently to construct Metrorail and whether local jurisdictions are able to support Metrorail.

Findings/Conclusions: GAO noted that, in 1969, the Washington Metropolitan Area Transit Authority (WMATA) began constructing a planned 101-mile rail system with funding from Federal and local governments. By mid-1982, the Federal Government had contributed $3.1 billion of $4.9 billion; the remainder was contributed by the authority or local jurisdictions. Construction was fully or partially funded for about 75 miles of Metrorail with 26 miles unfunded because the Urban Mass Transportation Administration (UMTA) policy requiring full-funding contracts was not applied retroactively. GAO believes that applying the full-funding policy, which sets a ceiling on the Federal Government's expenditures and gives projected annual funding levels, could still result in substantial Federal savings. Use of full-funding contracts would highlight the need for tight cost control and require the transit authority to manage within the ceiling amount or request local jurisdictions to contribute more money. Further, GAO believes that a modified version of the incremental construction policy, which requires that a rail system be approved and built in stages, needs to be applied to the remaining 26 miles so that high priority segments will be completed expeditiously. Additionally, GAO believes that reevaluation of local funding sources is needed because of: (1) changes in State and local laws and funding sources; (2) rising Metrorail deficits which burden local jurisdictions; and (3) overly optimistic operating deficit estimates.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator, UMTA, to negotiate full-funding contracts with WMATA for unfunded Metrorail segments which UMTA is willing to fund.
Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator, UMTA, to provide WMATA with anticipated levels of annual Federal funding and require that WMATA develop more realistic capital cost estimates using this data.
Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator, UMTA, to work with the General Manager, WMATA, to reduce the number of operable Metrorail segments under construction, consistent with the UMTA policy objective of more rapid completion of highest priority segments in times of limited Federal funding.
Status: Recommendation no longer valid/action not intended. *DOT plans no action on this recommendation because it believes that it has already urged WMATA to build the most beneficial, operable segments first and that other factors aside from cost effectiveness must be considered before determining which metrorail segments should be constructed first.*

The Secretary of Transportation should issue guidance requiring periodic reevaluation of jurisdictions' stable and reliable revenue sources.
Status: Recommendation no longer valid/action not intended. *DOT believes that its current practice of reviewing any proposed changes to the agreed upon local stable and reliable funding plan adequately assures the availability of local funding sources.*

The Secretary of Transportation should issue criteria defining what constitutes a stable and reliable funding source for WMATA, including the minimum percentage of the total to be supplied by sources earmarked for WMATA.
Status: Recommendation no longer valid/action not intended. *DOT believes that the development of such criteria is unnecessary because the criteria is contained in an August 8, 1982, legal opinion which was prepared by DOT and is available to the public.*

Agency Comments/Action

DOT will consider the GAO recommendation that a full funding contract be used to fund the remaining 26 miles of the WMATA metrorail system when and if DOT decides to participate in the system's construction. DOT believed that the remaining recommendations relating to implementing the incremental construction and written guidance for "stable and reliable" funding sources offered no benefits beyond existing DOT practices.

DEPARTMENT OF TRANSPORTATION

Department of Transportation Needs Better Assurance That Transit Systems Are Maintaining Buses
(RCED-83-67, 3-25-83)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Public Transportation Act of 1982.

GAO examined the preventive maintenance activities of six major transit systems to determine whether the substantial Federal investment in transit buses is adequately protected through proper maintenance.

Findings/Conclusions: GAO found that, although the Urban Mass Transportation Administration (UMTA) requires grantees to maintain buses purchased with Federal assistance, it has no policy or guidelines explaining the criteria for adequate maintenance. In addition, it has not systematically evaluated how well vehicles purchased with Federal assistance are maintained. The scope and severity of maintenance problems nationwide is largely unknown. However, in its study of six major transit systems, GAO found that buses did not always receive timely preventive maintenance which could affect their reliability and useful life. In one system, over one-third of the year's scheduled maintenance activities were performed when the vehicles' mileage exceeded that prescribed for maintenance by at least 1,000 miles. Although climate and terrain can also affect bus performance, GAO believes that some of the decline in the reliability of many transit systems' vehicles may be attributed to untimely or inadequate maintenance. GAO found that many transit operators lack the resources to carry out preventive maintenance programs despite the availability of Federal operating assistance. In addition, it found inadequate mechanic training and maintenance facilities, a lack of mechanics, and more sophisticated vehicles requiring more maintenance.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of UMTA to require that Federal capital grant assistance for bus purchases be subject to maintenance certification and independent audit provisions similar to those required for block grants. The amount of future Federal grant assistance should be dependent on correction of maintenance program deficiencies.

Status: No action initiated. Affected parties intend to act.

The Secretary of Transportation should direct the Administrator of UMTA to work with the transit industry and develop a Federal bus maintenance policy with flexible guidelines on what constitutes an adequate maintenance program and criteria to evaluate these programs.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

DOT generally agreed that bus maintenance activities are not always timely and that it lacks adequate maintenance guidance and oversight mechanisms. DOT believes that these problems will be corrected when it publishes its maintenance policy and implements the annual and triennial review provisions of the 1982 Surface Transportation Assistance Act. DOT expects its maintenance policy to apply to all federally assisted bus purchases regardless of whether the assistance was in the form of block grants or categorical grants.

DEPARTMENT OF TRANSPORTATION

FAA Can Better Manage the Aircraft It Uses To Keep Pilots Current and Provide Transportation
(PLRD-83-52, 4-1-83)

Budget Function: Transportation: Air Transportation (402.0)
Legislative Authority: FAA Order 4040.1. FAA Order 4040.9A. FAA Order 4040.19. OMB Circular A-76. H. Conf. Rept. 97-960.

In response to a congressional request, GAO reviewed Federal civilian agencies' aircraft operations to determine whether they are being managed efficiently and economically. The Federal Aviation Administration (FAA) conducts aircraft flight programs to keep pilots current.

Findings/Conclusions: GAO found that more effective management of the FAA programs is needed, because: (1) most pilots do not acquire the minimum flight hours to remain current; (2) most passenger transportation flights could have been made at lower cost on commercial airlines; (3) nonofficial passengers have routinely traveled at Government expense; and (4) more aircraft acquisition is planned without adequate justification or consideration of less costly alternatives.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of FAA to consider less costly alternatives, like interagency sharing and commercial service, before buying either the four Beechcraft King F-90's currently being leased or the new logistics aircraft.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of FAA to reduce the number of evaluation, currency, and transportation aircraft to only those necessary to meet valid program requirements.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should issue a written policy generally prohibiting the carrying of spouses, other dependents, and other nonofficial travelers on FAA aircraft.

Status: Action completed.

The Secretary of Transportation should require the Office of the Inspector General to periodically review FAA aircraft request and use records and verify that aircraft are being used properly.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of FAA to revise FAA Order 4040.9A to incorporate the recommended Department of Transportation regulations and to strictly enforce them.

Status: Action completed.

The Secretary of Transportation should direct the Administrator of FAA to require that FAA aircraft request and use records be filled out correctly and kept in accordance with the subject order.

Status: Action completed.

The Secretary of Transportation should direct the Administrator of FAA to conduct an A-76 review of all evaluation, currency, and transportation and logistics mission aircraft to see whether the services they provide could be provided more economically by the private sector.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of FAA to comply with A-76, as required, when modernizing, replacing, upgrading, or enlarging its aircraft fleet and related services.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of FAA to adequately justify the reasons for each flight on agency aircraft by properly filling out the aircraft request and use records as required by FAA Order 4040.9A.

Status: Action completed.

The Secretary of Transportation should direct the Administrator of FAA to establish criteria, guidelines, and procedures that require consistent and valid comparisons of the cost of transporting passengers on agency aircraft versus commercial airlines.

Status: Action completed.

The Secretary of Transportation should direct the Administrator of FAA to require the use of commercial airlines, or other less costly means, to transport passengers when it is more economical and does not interfere with mission accomplishment.

Status: Action completed.

The Secretary of Transportation should direct the Administrator of FAA to limit VIP transportation on FAA aircraft to the absolute minimum necessary and permit it only when: (1) commercial airlines cannot be used due to mission requirements and (2) the Government benefits justify the costs.

Status: Action completed.

The Secretary of Transportation should direct the Administrator of FAA to require that the costs of transporting passengers be charged to the Transportation Appropriations account and, where passengers are transported with a bona fide mission, the cost of such transportation should be prorated between the appropriations accounts on an equitable basis.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the Administrator of FAA to require that officials responsible for approving such flights be held accountable through their performance evaluations that these recommended practices are followed.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should require the FAA Administrator to accurately determine evaluation, currency, and transportation flight program requirements by implementing FAA Orders 4040.9A and 4040.19 and ensure that flight program participants are limited to those that can be supported by the budget and programed flight-hours.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should require the FAA Administrator to accurately determine evaluation, currency, and transportation flight program requirements by implementing FAA Orders 4040.9A and 4040.19 and ensure that flight programs are developed and flight-hours are allocated so that each designated pilot may meet the program's currency requirements.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should require the FAA Administrator to accurately determine evaluation, currency, and transportation flight program requirements by implementing FAA Orders 4040.9A and 4040.19 and ensure that pilots are removed from the program for failure to maintain the required level of currency or failure to meet minimum participation standards.

Status: Action completed.

The Secretary of Transportation should require the FAA Administrator to accurately determine evaluation, currency, and transportation flight program requirements by implementing FAA Orders 4040.9A and 4040.19 and ensure that each program pilot is authorized no more currency hours than necessary to meet minimum standards, as previously required by regulations.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should require the FAA Administrator to accurately determine evaluation, currency, and transportation flight program requirements by implementing FAA Orders 4040.9A and 4040.19 and prohibit transportation flights from being justified for currency, unless they are necessary to meet minimum standards.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should require the FAA Administrator to accurately determine evaluation, currency, and transportation flight program requirements by implementing FAA Orders 4040.9A and 4040.19 and reassess evaluation, currency and transportation program pilot requirements to ensure that program pilots are in positions that require them to actually fly aboard aircraft as crewmembers.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

On October 7, 1983, the Department of Transportation responded to this FAA report and to the two other reports that GAO issued that impact on the Department's aircraft operations. The Department advised GAO that FAA has undertaken the reassessment of the management practices associated with the Evaluation, Currency, and Transportation program and that a number of actions have been taken to improve the program.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

UMTA Could Take Steps To Reduce Costs in the Development of Light Rail Projects
(RCED, 4-26-83)

Budget Function: Transportation: Ground Transportation (401.0)

GAO conducted a review of the development of the Pittsburgh light rail system to identify what actions were taken to hold down the costs of the system and to ensure that the most effective use is being made of Federal funds.

Findings/Conclusions: GAO found that the decision to upgrade the existing streetcar system and other actions have held down the costs of the Pittsburgh system. However, several additional steps could be taken to further reduce costs and could also be applicable to other systems. The Urban Mass Transportation Administration (UMTA) has been using a peer review technique on selected capital projects that has been successful in reducing costs. However, a recent GAO report has pointed out that costs could be further reduced through the use of value engineering. GAO found that the planned stations in the Pittsburgh system have not been subjected to either peer review or value engineering. GAO hopes that a new UMTA cost-control guideline concerning value engineering will be issued in time to achieve savings. GAO also found that UMTA had not developed any guidance as to when the additional expense of constructing high-level platforms is justified, and the Pittsburgh system decision to use such platforms at many stops seems arbitrary. Finally, GAO found that UMTA does not question or review grantee ridership projections, although several systems have found that actual ridership did not support their projections. UMTA did not question the reasonableness of Pittsburgh's ridership figures although few other new systems have experienced the large increase that the Pittsburgh system has projected. If Pittsburgh does not realize its projected 70 percent increase in ridership, it will not be fully utilizing all of its 55 new vehicles.

Recommendations to Agencies: UMTA should have the Pittsburgh light rail stations not yet under construction value engineered as soon as possible so that any potential savings could still be realized.

Status: Recommendation no longer valid/action not intended. *DOT has not acted quickly enough to achieve the full benefits that might result from value engineering the light rail stations identified in the report.*

UMTA should provide guidance on the level of usage needed to justify the selection of high-level platforms when ridership is the only criterion affecting the decision.

Status: Recommendtaion no longer valid/action not intended. *DOT does not intend to implement this recommendation because it believes that high-level platform decisions are more appropriately made at the local levels.*

UMTA should review and question ridership projections used by transit systems as the basis for selecting various options in designing new rail systems.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

UMTA believes that it is too late to value engineer contracts for the light rail stations recommended by GAO. UMTA agrees that the additional expense of constructing high-level platforms should be justified but does not agree that it should develop criteria to evaluate the justifications. UMTA intends to require ridership forecasts during a project's engineering stages as recommended by GAO.

Metro Needs To Better Manage Its Railcar Procurement
(NSIAD-83-26, 8-10-83)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Urban Mass Transportation Act of 1964 (P.L. 88-365). Federal Aid Highway Act of 1973 (P.L. 93-87). OMB Circular A-102.

GAO examined a Washington Metropolitan Area Transit Authority (WMATA) procurement of 294 railcars. The review was conducted because of public and congressional interest in the completion of the rail system, which represents the largest Federal investment for a subway system under construction, and indications that slippages in the railcar delivery schedule are delaying new station openings.

Findings/Conclusions: GAO found that the first two railcars in the procurement arrived 22 months behind schedule and that subsequent deliveries were delayed by testing problems at the assembly facility. Initial testing of the first two cars is behind schedule and serious technical problems have been identified. Therefore, testing, delivery, and station opening schedules are in doubt pending WMATA review. GAO found that WMATA increased its acquisition risk by supplementing an original 94-car order with 200 additional cars without the benefit of test and evaluation. WMATA also increased its acquisition risk by agreeing to pay the contractor more than half the contract price of the additional 200 cars before delivery. Quality assurance activities during production and testing of railcars could reduce acquisition risk, but WMATA has neither enforced contract provisions which call for submission of quality assurance plans nor developed a master test plan. Federal oversight of the railcar acquisition has been limited. The Urban Mass Transportation Administration (UMTA) has not complied with requirements for monitoring this procurement and has made funding decisions without sufficient knowledge of WMATA management or the contractor's performance. GAO believes that UMTA needs to strengthen its oversight to adequately assess how Federal funds have been spent and that it needs information more detailed than WMATA has provided to determine whether funding for a remaining 34 railcars is justified.

Recommendations to Agencies: The Secretary of Transportation should direct the UMTA Administrator to make periodic onsite inspections as required by Office of Management and Budget and UMTA operating procedures.
Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the UMTA Administrator to enforce existing reporting requirements to provide more information on the progress and difficulties encountered by the railcar contractor. In connection with the enforcement of these requirements, UMTA also should ensure that it receives sufficient information to evaluate WMATA progress in obtaining quality assurance plans and performing comprehensive tests on railcars.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

DOT replied to GAO on December 15, 1983. DOT stated that, while UMTA procedures do not provide for onsite visits of third party contractors, UMTA is providing adequate oversight of WMATA supervision and management controls by periodic onsite visits to WMATA. The overall message of the GAO report was that WMATA should depend more on quality assurance activities to ensure that railcars meet contract specifications prior to production and testing. WMATA disagreed with the report and said it is not acting on the GAO recommendations. Consistent with its position during the audit, the WMATA response emphasized quality control over quality assurance, and justified its acquisition decisions in terms of the need to obtain cars quickly in order to open new stations. GAO also emphasized that UMTA oversight of the railcar procurement was inadequate to ensure the most effective use of the Federal funding. Although UMTA disputed the GAO findings and did not fully implement the GAO recommendations, it nonetheless increased its oversight of the railcar acquisition and is requiring WMATA to provide more detailed progress reports.

DEPARTMENT OF TRANSPORTATION

Cost Effectiveness of Life-Cycle Process in Buying Transit Vehicles Questionable
(RCED-83-184, 9-1-83)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Surface Transportation Assistance Act of 1982 (P.L. 97-424). Department of Transportation Appropriation Act, 1983 (P.L. 97-369). Department of Transportation Appropriation Act, 1980 (P.L. 96-131). Department of Transportation Appropriation Act, 1982. (P.L. 97-102). Department of Transportation Appropriation Act, 1981

GAO discussed the Urban Mass Transportation Administration's (UMTA) procedure that requires federally funded transit systems to use life-cycle costs when buying transit vehicles.

Findings/Conclusions: GAO found that major obstacles inhibit this process, resulting largely from: (1) transit systems' failure to prove that such procurement decisions are cost effective; and (2) a lack of adequate information, resources, or technical expertise for transit systems to effectively use the process. Further, transit systems have not adequately documented performance costs for the vehicles purchased to assess the validity of the cost projections. GAO believes that, if performance projections cannot be effectively confirmed, the continued use of the life-cycle cost process should be questioned because of the additional costs involved.

Recommendations to Agencies: The Secretary of Transportation should direct the UMTA Administrator to develop research and demonstration projects with selected transit systems to document the costs associated with using the life-cycle cost process to buy transit vehicles.

Status: No action initiated. Date action planned not known.

The Secretary of Transportation should direct the UMTA Administrator to develop research and demonstration projects with selected transit systems to keep operating and maintenance cost records for the vehicles bought to determine the validity of the cost projections used making the contract award.

Status: Action in process.

The Secretary of Transportation should direct the UMTA Administrator to develop research and demonstration projects with selected transit systems to identify ways to overcome the obstacles to using the life-cycle cost procurement process by addressing the problems of the availability of adequate data, selection of verifiable cost factors, failure to consider the present value of the projected costs, development of fair evaluation processes, and expertise needed to adequately evaluate cost projections.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The Department of Transportation agrees that, in the transit industry, the information resources and technical expertise that would be necessary for life-cycle cost evaluations are insufficient. It indicated that UMTA and the transit industry raised similar concerns at the time the requirement was mandated by Congress. Because of these concerns, UMTA has developed a life-cycle cost program addressing the issues raised. While UMTA believed that a comprehensive analysis of the life-cycle cost process could be premature at this time because of the limited experience with the process, it has designed and developed a project in which a long-term study of a multivehicle procurement will establish, in one case, a measure of cost effectiveness. UMTA will also continue to collect data on operating and maintenance costs and life-cycle cost techniques and experiences and make this information available to the transit industry.

ARCHITECT OF THE CAPITOL

Conventional Design and Construction Methods Are More Applicable for Capitol Hill Construction Projects
(PLRD-82-1, 10-30-81)

Budget Function: General Government: Legislative Functions (801.0)
Legislative Authority: P.L. 84-24. P.L. 86-469. P.L. 86-628. P.L. 89-260. P.L. 89-309. P.L. 91-214. P.L. 92-607. P.L. 93-245. P.L. 93-554. P.L. 94-219. P.L. 94-226. P.L. 94-6. P.L. 95-355. P.L. 95-94. P.L. 96-69. 2 U.S.C. 141. 40 U.S.C. 162. 40 U.S.C. 175. 40 U.S.C. 193a. 74 Stat. 446. 79 Stat. 1133.

A review was undertaken of the overall construction activities of the Architect of the Capitol. Specifically, GAO presented its evaluation of the Architect's construction activities, including updating the information in its past studies of the Hart, Madison, and House Annex No. 2 projects; identifying the underlying causes for the Architect's problems; and informing Congress of changes needed to help minimize or avoid the pitfalls that have plagued previous Capitol Hill projects.

Findings/Conclusions: In its review, GAO found that, over the past 12 years, each of the Architect of the Capitol's four major construction projects has experienced significant cost overruns, completion delays, and management problems. GAO believes that many of the problems the Architect has encountered are a result of phased construction methods. Under the phased construction method, construction is begun on some segments of a project while others are still being designed. Specifically, GAO believes that phasing is not compatible with Capitol Hill projects because of the: (1) myriad number of reviews and approvals required throughout the planning, design, and construction cycles; (2) funding problems that often prevent the prompt and timely award of multiple construction contracts; (3) complexity of design and quality of construction required on monumental buildings; and (4) likelihood of numerous design changes throughout a project's design and construction cycle. GAO also found that the Architect: (1) does not have adequate systems for controlling time and cost on major construction projects; (2) has increased the time and cost incurred by the associate architects commissioned to work on Capitol Hill projects by not developing standard policies and procedures; (3) has difficulty verifying that materials were delivered to and used on a particular project site; and (4) will probably be unable to recruit and retain the necessary in-house work forces that are needed to effectively and efficiently restore two Library buildings.

Recommendations to Agencies: The Architect of the Capitol should try more conventional planning, design, and construction methods for major projects to minimize or alleviate some of the problems that have plagued Capitol Hill projects designed and constructed using the phasing process.

Status: Action in process.

The Architect of the Capitol should: (1) develop standard policies and procedures for associate architects regarding general design criteria, performance standards, and general operating procedures; (2) improve inventory controls over construction materials to ensure that the materials are properly used; (3) thoroughly study the types of workers, in-house, contracted-out, or some combination thereof, that will be best suited to effectively and efficiently carry out the restoration of the Library buildings; and (4) minimize the number of phases and amount of occupancy during the restoration of the Library buildings.

Status: Action in process.

CIVIL AERONAUTICS BOARD

More Flexible Eligibility Criteria Could Enhance the Small Communities Essential Air Service Subsidy Program *(RCED-83-97, 5-18-83)*

Budget Function: Transportation: Air Transportation (402.0)
Legislative Authority: Airline Deregulation Act of 1978 (P.L. 95-504). Civil Aeronautics Act of 1938. Aviation Act (49 U.S.C. 1301 et seq.). P.L. 97-276.

Pursuant to a congressional request, GAO provided its views on: (1) whether the essential air service subsidy program's eligibility criteria contained in the Airline Deregulation Act of 1978 should be changed; and (2) alternatives available to administer the program after the Civil Aeronautics Board (CAB) ceases to exist in 1985.

Findings/Conclusions: Under the Airline Deregulation Act, communities are guaranteed essential air service if they were listed on the routes of CAB certified air carriers on the date of the act. As of October 1982, CAB was paying airlines to provide service to 85 communities that would otherwise have had all service canceled. CAB cannot discontinue subsidies to any of the communities with an air service guarantee, even where a community cannot realistically be expected to support air service when the subsidy program expires. GAO believes that the essential air service program could be more cost effective and have more long-term value if CAB were authorized to give communities the opportunity to develop an economically sound market during the remaining transition period. If the act's eligibility criteria were more flexible, CAB could discontinue subsidies to communities that probably will not be able to retain service after the subsidies end. If the community has the potential to be a viable self-supporting market, but poor air service in the past has discouraged passengers, CAB could improve a community's competitive position with temporary subsidy increases to improve flight scheduling, services, and promotion. Additionally, GAO found no overriding reasons why the program should not be transferred to the Department of Transportation, as provided in the act, when CAB ceases to exist.

Recommendations to Congress: Congress should consider permitting CAB to allow communities with greater demonstrated air service needs to replace lower priority essential air service communities if States propose such replacement.

Status: No action initiated. Affected parties intend to act.

Congress should consider changing the program's eligibility criteria to allow CAB greater flexibility to increase or decrease subsidies to selected communities. It should be recognized that discontinuing subsidies to these communities during the 10-year transition period would represent a change in the guarantee provided by the 1978 act. CAB should be given authority to: (1) temporarily increase some subsidies to improve flight scheduling, services, and promotion where this can help a community's air service market to where it will no longer require subsidies; and (2) discontinue subsidies to communities that are unlikely to be able to support air services after 1988 because they are close enough to larger airports offering better air service or are too small and isolated to generate enough traffic for self-sufficient service.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

The Civil Aeronautics Board is in general agreement with the GAO recommendations.

One oversight hearing has been held with the House Committee on Public Works and Transportation, Subcommittee on Aviation, and there will be additional oversight hearings by both the Senate and the House. The House Committee held hearings on January 31, 1984, at which GAO testified.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Improved Planning Needed by Corps of Engineers To Resolve Environmental, Technical and Financial Issues on the Lake Pontchartrain Hurricane Protection Project
(MASAD-82-39, 8-17-82)

Budget Function: Natural Resources and Environment: Water Resources (301.0)

GAO reviewed the status of the Army Corps of Engineers' Lake Pontchartrain Hurricane Protection Project which is intended to provide hurricane protection to the Greater New Orleans metropolitan area. Because of environmental and other issues, the Project which was to be completed in 1978 is only half finished.

Findings/Conclusions: GAO found that the Corps is considering changing its original plan of barrier structures and some low levees to one requiring much higher levees with no barriers, an alternative which is less costly and less detrimental to the environment. However, besides engineering and environmental concerns, there are also other unresolved problems on the project. Because no project plan has been formally adopted, cost estimates are inaccurate and, due to limited funds, current financing has not been assured by the local sponsors. In addition, costly work at the drainage canals has not been reported to Congress.

Recommendations to Agencies: The Secretary of the Army, to resolve environmental and technical issues, should require the Chief of Engineers to develop an acquisition strategy plan, and after approval, work closely with local sponsors to acquire the necessary rights-of-way, easements, and construction priorities for the remaining portions of the Project.

Status: Action completed.

The Secretary of the Army, to resolve environmental and technical issues, should require the Chief of Engineers to develop a technical approach to construction at the drainage canals which can be implemented and which has concurrence from local sponsors.

Status: Action completed.

The Secretary of the Army, to resolve environmental and technical issues, should require the Chief of Engineers to develop specific milestones for completion of the remaining portions of the Project.

Status: Action in process.

The Secretary of the Army, to ensure adequate financing by local sponsors of their share of project funding, should require the Chief of Engineers to estimate the cost to local sponsors if the high-level plan is adopted or if the barrier plan is retained and to obtain local sponsors' concurrences on financial shares to be borne by them.

Status: Action completed.

Agency Comments/Action

The Assistant Secretary of the Army (Civil Works), in a letter dated November 2, 1983, concurred with all of the recommendations. Regarding an acquisition strategy for selecting a plan to complete the project, the Assistant Secretary stated that corrective actions on the engineering and environmental concerns cited by GAO are being taken and that currently the change in plan is moving forward as rapidly as procedural requirements and sound engineering, economic, and environmental considerations will permit. He also informed GAO that the Corps has developed a conceptual plan for protection at the drainage canals which local interests agree deserves further study. The project plan has been revised to include the estimated cost and a construction schedule for this work, and Congress will be apprised of this in the Corps' FY 1985 budget submission. With respect to establishing specific milestones for development of a plan for completing the project and for subsequent execution of that plan, the Assistant Secretary noted that the study and determination for adopting a plan is nearing completion. He further noted that, subject to satisfying various procedural and administrative requirements, it is now estimated that construction on the revised plan could begin before the end of FY 1984 and that, on this basis, completion of the entire project could be achieved by the year 2000. Meanwhile, the completion date will be controlled by levee construction which will likewise be influenced to an extent by national and local priorities which tend to limit the rate of project funding.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Federal Involvement in the Mount St. Helens Disaster: Past Expenditures and Future Needs
(RCED-83-16, 11-15-82)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Disaster Relief Act. Supplemental Appropriations and Rescission Act, 1980 (P.L. 96-304). Urgent Supplemental Appropriations Act of 1982 (P.L. 97-216).

GAO reviewed problems related to the Mount St. Helens disaster and attempted to determine whether the experience could be useful to the Government in dealing with future disasters.

Findings/Conclusions: Within weeks of the disaster, Congress appropriated $946 million in response to requests from 12 Federal agencies for cleanup and recovery funds. However, the appropriations language did not restrict the use of the funds to the Mount St. Helens disaster. GAO found that 6 of the 12 agencies had substantially overestimated their Mount St. Helens needs at a total of more than one-half million dollars and had used or were planning to use the excess funds on other disasters. Five other agencies had exhausted their disaster funds and had to reprogram funds from other activities, obtain additional appropriations, or suspend Mount St. Helens recovery efforts. GAO found that the Army Corps of Engineers' information supporting its future funding needs significantly overstated both the probable effects of future flooding around Mount St. Helens and resulting economic losses. GAO calculated that losses in the absence of river dredging and maintenance may be as high as $400 million, but would likely be only several million dollars, rather than the $1.9 billion estimated by the Corps.

Recommendations to Congress: Congress should direct that the statutory appropriations language clearly spell out the intended use of the disaster relief funds, the length of time the funds are to be committed or their intended use, and the disposition of any unused funds.

Status: No action initiated. Date action planned not known.

Congress should designate a lead agency such as the Federal Emergency Management Agency to coordinate the use of and, if necessary, the sharing of specific major disaster funds among the Federal agencies.

Status: No action initiated. Date action planned not known.

Congress should approve funds only for emergency or other immediately needed maintenance work for dredging and flood control related to the Mount St. Helens disaster, until the Corps of Engineers provides more reliable information on its long-range needs for Mount St. Helens recovery.

Status: Action in process.

Recommendations to Agencies: The Secretary of the Army should direct the Chief of Engineers to use more realistic assumptions relating to the probability of failure of the highway and railroad bridges over the Toutle River, and to the potential economic losses to the region if the bridges do fail, in making the Presidentially directed study of the long-term impacts and future funding needs for Mount St. Helens recovery.

Status: Action completed.

Agency Comments/Action

The Assistant Secretary of the Army (Civil Works), in a letter to the Comptroller General dated March 1, 1983, concurred with the recommendation that the Corps of Engineers use more realistic assumptions in reassessing future needs. He has requested the Chief of Engineers to use the most probable estimate of benefits and costs of the alternative strategies being evaluated.

DISTRICT OF COLUMBIA

OFFICE OF THE INSPECTOR GENERAL

Better Management Would Improve the Effectiveness of the District of Columbia's ADP Resources *(GGD-82-47, 3-12-82)*

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Self-Government and Governmental Reorganization Act (District of Columbia) (P.L. 93-198; 87 Stat. 774). B-192623 (1978).

GAO reviewed the problems which the District of Columbia is experiencing in managing and using its automatic data processing (ADP) resources.

Findings/Conclusions: The cost of programs managed or controlled with information maintained by computers is a significant portion of the District's operating budget. However, inadequate management practices have reduced the effectiveness of this support, affected agency and ADP operations, adversely affected service to the public, and resulted in wasted city funds. The District has not established formal policies, standards, or procedures for long-range planning, software development and maintenance, contracting for software development, or computer performance evaluation. The District has been steadily losing experienced ADP personnel and has found it hard to attract qualified replacements. Lifting a residency requirement for employees and recruiting efforts have helped, but the District still needs career development and training programs to attract and retain staff and attain high quality operations. The District's Office of the Inspector General has not evaluated the economy, efficiency, and effectiveness of the many ADP systems and computer centers which support District programs and services to the public. Such evaluations are essential to ensure that ADP resources are properly acquired, managed and used, that software systems are accurate and reliable, and that adequate support is provided to District agencies. The District has initiated action to begin correcting these problems; however, it needs to do more to develop its management organization and processes to solve its ADP problems.

Recommendations to Agencies: The Mayor of the District of Columbia should direct the City Administrator to establish a coordinated ADP planning process for the city government.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to require District agencies that use ADP resources to prepare and submit long-range plans.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to prepare a long-range ADP plan for the District government.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to update the long-range plans for each agency and for the District government at least annually. The plans should include agencies' information and ADP needs, proposed software systems projects, costs and benefits, priorities, workloads, and equipment and personnel required to support the workloads.
Status: Action in process.

D.C. General Hospital should, as appropriate with its status as an independent agency: (1) establish a coordinated ADP planning process; (2) prepare and submit long-range plans; (3) and prepare a long-range ADP plan. These plans should be updated annually and should include information and ADP needs, proposed software system projects, costs and benefits, priorities, workloads, and equipment and personnel required to support the workloads.
Status: Action in process.

The University of the District of Columbia should, as appropriate with its status as an independent agency: (1) establish a coordinated ADP planning process; (2) prepare and submit long-range plans; (3) and prepare a long-range ADP plan. These plans should be updated annually and should include information and ADP needs, proposed software system projects, costs and benefits, priorities, workloads, and equipment and personnel required to support the workloads.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to establish a comprehensive management process and related policies, standards, and procedures for software development, software maintenance, and computer performance management.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to establish policies, standards, and procedures for software development contracting which incorporate the methodology and standards in the city's software development policies, standards, and procedures.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to require District agencies which use ADP resources to implement these policies, standards, and procedures.
Status: Action in process.

The University of the District of Columbia should, as appropriate with its status as an independent agency: (1) establish a comprehensive management process and related policies, standards, and procedures for software development, software maintenance, and computer performance management; (2) establish policies, standards, and procedures for software development contracting which incorporate the methodology and standards in its software development

policies, standards, and procedures; and (3) implement these policies, standards, and procedures.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to establish career development programs that will identify careers, positions, and salaries; specific knowledge, skills, and abilities needed at each stage of the career ladder; alternative career paths for each type of employee; and the knowledge, skills, and experience required for advancement.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to establish training policies and programs for the various career paths to ensure an adequate supply of properly trained employees and to enhance the District's recruiting position.
Status: Action in process.

The Mayor of the District of Columbia should direct the City Administrator to require District agencies to regularly prepare training plans and budgets for training consistent with current and future operational needs.
Status: Action in process.

The University of the District of Columbia should, as appropriate with its status as an independent agency: (1) establish career development programs that will identify careers, positions, salaries, specific knowledge, skills, and abilities needed at each stage of the career ladder, alternative career paths for each type of employee, and the knowledge, skills, and experience required for advancement; (2) establish training policies and programs for the various career paths to ensure an adequate supply of properly trained employees and to enhance its recruiting position; and (3) regularly prepare training plans and budgets for training consistent with current and future operational needs.
Status: Action in process.

The Mayor of the District of Columbia should direct the Inspector General to provide sufficient training to staff to ensure they have the knowledge and skills needed to evaluate ADP operations.
Status: Action in process.

The Mayor of the District of Columbia should direct the Inspector General to periodically evaluate the economy, efficiency, and effectiveness of the city's ADP operations, computer centers, and automated systems.
Status: Action in process.

Agency Comments/Action

Under Reorganization Plan No. 5, expected to be implemented by March 1984, the District intends to centralize responsibility for ADP activities in the newly formed Department of Administrative Services. This will mark the first time such responsibility will be so centralized.

DISTRICT OF COLUMBIA

OFFICE OF THE MAYOR

Improved Billing and Collection Activities Would Increase District of Columbia's Revenues
(GGD-82-68, 8-6-82)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: Self-Government and Governmental Reorganization Act (District of Columbia). P.L. 94-399.

GAO evaluated the District of Columbia's efforts to record, bill, and collect accounts receivable and found that two-thirds of the accounts receivable of three agencies were delinquent.

Findings/Conclusions: GAO found that the collection actions taken by the agencies were frequently untimely, inconsistent, and poorly documented. In addition to moneys owed, there is a continuing problem of overpayments involving public assistance, personal and home care, day care, and foster care. GAO found that there are individuals currently being paid for providing care under these programs who have been overpaid and that the Department of Human Services (DHS) has not offset against current payments to help collection. Billing delays due to lack of collection criteria and lack of staff have caused accounts to age and made them more difficult to collect. A major problem related to all District collection and billing processes is that there are no District-wide procedures which require specific actions.

Recommendations to Agencies: The Mayor of the District of Columbia should require that all agencies take timely, consistent action to collect all accounts.
Status: Action in process.

The Mayor of the District of Columbia should require that all agencies document billing and collection actions taken on each account.
Status: Action in process.

The Mayor of the District of Columbia should require that all agencies notify the credit bureau when accounts become uncollectible.
Status: Action in process.

The Mayor of the District of Columbia should require that the D.C. Controller monitor and periodically test agencies' billing and collecting activities to make sure that timely action is being taken.
Status: Action in process.

The Mayor of the District of Columbia should require that DHS, the Department of Environmental Services (DES), and the Department of Transportation follow up on delinquent accounts by taking aggressive collection actions which include at a minimum sending three collection letters at not more than 30-day intervals.
Status: Action in process.

The Mayor of the District of Columbia should require that DHS maximize its collection efforts by collecting new delinquent accounts and continue collection action on those making payments and pursue collection of old delinquent accounts as time permits.
Status: Action in process.

The Mayor of the District of Columbia should make sure that other agencies not covered by the GAO review take aggressive collection action to collect all outstanding delinquent accounts.
Status: Action in process.

The Mayor of the District of Columbia, within the framework of his statutory authority and, as appropriate, should require that DHS attempt to collect all overpaid public assistance cases using collection letters, Corporation Counsel, collection agencies, offset, and other means as applicable.
Status: Action in process.

The Mayor of the District of Columbia, within the framework of his statutory authority and, as appropriate, should require that DHS implement guidelines to assist the Office of Inspection and Compliance in processing and collecting overpaid public assistance cases.
Status: Action in process.

The Mayor of the District of Columbia should direct DHS to collect overpayments through offset from those individuals who have been overpaid in the past and who are again providing services and receiving pay from the District.
Status: Action in process.

The Mayor of the District of Columbia should direct DHS to include social security numbers on future overpayment notifications to make identification easier should overpaid individuals leave the programs and return later.
Status: Action in process.

The Mayor of the District of Columbia should direct DHS to compare now, and periodically thereafter, names and addresses of overpaid individuals with the computer payroll to identify those who left the program and reentered under a different payroll number.
Status: Action in process.

The Mayor of the District of Columbia should require that the Bureau of Payments and Collections Payroll Branch forward a copy of each overpayment notification it prepares to applicable program officials.
Status: No action initiated. Date action planned not known.

The Mayor of the District of Columbia should direct DHS to require officials in personal care services, in-home support, day care services, and foster care to: (1) flag case files of overpaid workers using a color scheme or other system to readily identify those who have received overpayments; (2) execute an agreement to withhold amounts from future pay when overpaid individuals reenter the programs (if they will not sign an agreement, do not let them reenter the program); and (3) notify the collection agents when overpaid individuals reenter the programs.
Status: Action in process.

The Mayor of the District of Columbia should require DHS to place the reordering of blank bill forms under a forms management program which will include reordering on a systematic basis so that forms will be available when needed.
Status: Action in process.

The Mayor of the District of Columbia should require DHS to transfer DHS printing budget authority to the Department of General Services early in the fiscal year so that reorders will not be delayed.
Status: No action initiated. Date action planned not known.

The Mayor of the District of Columbia should require DHS to establish procedures to annually review and adjust the per diem rate charged District residents at St. Elizabeths Hospital so that the rate would be geared to recover at least the amounts the District pays to St. Elizabeths.
Status: Action completed.

The Mayor of the District of Columbia should require DHS to take immediate action to bill and collect inactive medical vendor accounts.
Status: No action initiated. Date action planned not known.

The Mayor of the District of Columbia should require DHS to transfer outstanding balances from the old medical vendor billing system to the new billing system for those vendors already in the new system and for those vendors with outstanding balances that enter the new system at a later date.
Status: No action initiated. Date action planned not known.

The Mayor of the District of Columbia should require DHS to require the Office of Health Care Financing to forward monthly lists of new vendors to the Delinquent Accounts Section so that collection attempts will be coordinated rather than duplicated.
Status: No action initiated. Date action planned not known.

The Mayor of the District of Columbia should require DES to establish procedures to achieve prompt mailing of bills for water meter repairs.
Status: Action in process.

The Mayor of the District of Columbia should provide written guidelines requiring agencies to develop internal collection procedures which include aggressive action on a timely basis, with effective followup, to collect funds due the District.
Status: Action in process.

The Mayor of the District of Columbia should have DHS amend its collection procedures to provide for at least three collection letters on all overdue accounts; to take timely collection action that starts not more than 30 days after the initial bill is sent and continues at not more than 30-day intervals; to use collection agencies regardless of the amount owed; and to report unpaid amounts to the credit bureau.
Status: No action initiated. Date action planned not known.

The Mayor of the District of Columbia should direct DHS to change its procedures to require write-off approval by the Inspector General or a high District official.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

The District's February 18, 1983, response was provided to GAO on June 8, 1983. The District's response was very general, although it did agree to establish guidelines and standards for billing and collection and did note an increase in the billing rate for St. Elizabeths Hospital patients. The District has implemented plans developed in response to other GAO report recommendations which impact favorably on billing and collection activities. A December 1983 (District) report indicates improved billing and collection efforts, use of collection agencies, and implementation of an Automated Revenue Management Control System.

DISTRICT OF COLUMBIA

Some District Agencies Deposit Receipts Timely: Others Need To Improve
(GGD-83-14, 1-13-83)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: Self-Government and Governmental Reorganization Act (District of Columbia) (P.L. 93-198; 87 Stat. 774). D.C. Code §29-399.31. D.C. Code §29-399.22. D.C. Code §29-348. D.C. Code §29-398. D.C. Code §29-585.

GAO reviewed the processing and depositing of receipts in the District of Columbia Treasury by several District agencies.

Findings/Conclusions: GAO found that some District agencies are processing and depositing receipts promptly while other agencies are slower in handling collected funds, resulting in lost interest income, mishandling, theft, and delays. In its review of seven agencies, GAO found that the Department of Environmental Services and the D.C. General Hospital were more prompt in making deposits than the Departments of Housing and Community Development (DHCD); Licenses, Investigations, and Inspections (DLI); Insurance; and the Recorder of Deeds. Sufficient data were not available for the Department of Transportation' s Miscellaneous Trust Fund deposits. GAO learned that the District has not promulgated citywide standards concerning the timeliness and frequency of agency receipts processing, although standards are common elsewhere. GAO noted that: (1) U.S. Treasury requirements state that Federal agencies deposit receipts with the Treasury on a timely basis and design their processing system to separate payments received from accompanying documents at initial processing; (2) GAO standards for Federal agencies suggest prompt deposit of receipts; and (3) the Municipal Finance Officers Association's Guide states that cash managers should establish written procedures for all deposits. GAO stated that these concepts are applicable to local governments. Although District agencies have developed their own procedures for handling receipts in the absence of citywide standards, GAO stated that these procedures do not ensure prompt deposit.

Recommendations to Agencies: The Mayor, District of Columbia, should direct the D.C. Treasury to complete and distribute written standards and guidelines detailing the procedures agencies must follow in processing incoming receipts.

Status: Action in process.

The Mayor, District of Columbia, should direct the D.C. Treasury to instruct DLI and the Department of Insurance to remove checks from accompanying paperwork at the earliest stages of processing.

Status: Action in process.

The Mayor, District of Columbia, should direct the D.C. Treasury to direct DHCD and D.C. General Hospital to centralize collection of receipts.

Status: No action initiated. Date action planned not known.

The Mayor, District of Columbia, should direct the D.C. Treasury to require District agencies to log in and date-stamp all receipts.

Status: Action in process.

The Mayor, District of Columbia, should direct the D.C. Treasury to direct the Recorder of Deeds to publish a listing of the most common errors made in preparing annual reports which cause these reports to be rejected.

Status: Recommendation no longer valid/action not intended. *The District does not agree that the listing would be helpful.*

The Mayor, District of Columbia, should direct the D.C. Treasury to require the Department of Insurance to include on the instruction sheet sent with applications for new licenses the same information about typing the form as appears on the rejection letter.

Status: Recommendation no longer valid/action not intended. *The District believes that the current instructions are adequate.*

The Mayor, District of Columbia, should direct the D.C. Treasury to direct all agencies to deposit checks payable for incorrect amounts and make necessary accounting adjustments later.

Status: Recommendation no longer valid/action not intended. *The District does not agree that all checks should be handled in this manner and prefers to make no change.*

The Mayor, District of Columbia should seek enactment of legislation to amend section 29-399 of the D.C. Code so as to require that the fee required for annual reports be paid at the time the report is tendered for filing.

Status: Recommendation no longer valid/action not intended. *The District does not agree that the legislation needs amendment.*

The Mayor, District of Columbia, should seek the enactment of legislation to amend section 29-585 so as to provide that if the Mayor finds that the annual report does not conform to law, he shall either promptly return the same to the corporation for any necessary corrections or, where appropriate, notify the corporation that additional documents be filed.

Status: Recommendation no longer valid/action not intended. *The District does not agree that the legislation needs amendment.*

The Mayor, District of Columbia, should direct the D.C. Inspector General to analyze the Department of Finance and Revenue processing of incoming receipts to determine how efficiently the receipts are being deposited.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The District did not respond specifically to all of the recommendations in commenting on the draft report. GAO received the District's 90-day comments on October 5, 1983.

The District agreed to further study the need for District-wide guidelines. It agreed with the recommendation to remove checks from related paperwork at the earliest stage of processing for one District department and to study the processing for another. The District did not agree with the recommendations to publish a list of the most common errors requiring the return of certain filings for correction or to clarify certain forms to be filed by applicants.

DISTRICT OF COLUMBIA

DEPARTMENT OF HUMAN SERVICES

Improvements Needed in the District's General Public Assistance Program
(GGD-83-13, 3-3-83)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: District of Columbia Public Assistance Act of 1962 (P.L. 87-807). District of Columbia Dep't of Human Resources Policy Handbook.

GAO reviewed the District of Columbia's General Public Assistance (GPA) program and recommended specific action which it believes will enhance the District's administration of the program.

Findings/Conclusions: GAO found that some recipients worked and earned income in excess of allowable earnings or received unemployment compensation while they received GPA benefits. Increased use of the reports which list recipients who may have earned wages or received unemployment compensation will ensure that correct payments are made to eligible recipients. Also, recipients need to be adequately informed of the program's eligibility requirements and the consequence of failure to report changes in their medical conditions or social status. Many recipients should not have been certified to receive GPA either because they were ineligible or because sufficient information was not available to make a determination of eligibility. Guidelines have not been developed to assist the District's Medical Review Team (MRT) in making determinations for GPA eligibility. In addition, since recipients referred for Supplemental Security Income (SSI) are not regularly certified, many continue to receive GPA benefits without a current medical evaluation. A GAO analysis of a sample of judgmentally selected cases showed that data concerning other recipients' periods of eligibility are not being accurately entered into the computer data base.

Recommendations to Agencies: The Mayor should instruct the Department of Human Services (DHS) Director to establish procedures to require that all Match Recipient Reports (MRR's) be reviewed. Such reviews can be accomplished by distributing MRR's to caseworkers for preliminary review before complete investigation by the Office of Eligibility Review.

Status: Action in process.

The Mayor should instruct the DHS Director to prepare monthly MRR's for GPA recipients who received unemployment compensation benefits.

Status: Action in process.

The Mayor should instruct the DHS Director to develop guidelines for use by MRT for determining medical eligibility for GPA benefits.

Status: Action in process.

The Mayor should instruct the DHS Director to devise a new form, or revise existing forms, to strengthen the procedures concerning the requirement that recipients report changes in their medical condition or social status and the consequences of not reporting such changes.

Status: Action in process.

The Mayor should instruct the DHS Director to review all cases referred for SSI every 3 months and those cases determined not eligible for SSI should be reviewed for recertification for continued GPA benefits. Periodic reports should be made to management on the number of cases pending and the status of case reviews.

Status: Action in process.

The Mayor should instruct the DHS Director to ensure that all information concerning recipients' eligibility expiration dates in the computer data base is accurate and that all cases with past-due expiration dates are reviewed.

Status: Action in process.

The Mayor should instruct the DHS Director to emphasize to caseworkers the need to forward all medical reports to the MRT when they are received.

Status: Action in process.

The Mayor should instruct the DHS Director to seek authority to discontinue assistance in those cases where the recipient offers inadequate justification for refusing to act on referrals for training or treatment.

Status: Action in process.

The Mayor should instruct the DHS Director to implement procedures requiring followup and exchange of data on recipients referred for training/treatment.

Status: Action in process.

The Mayor should instruct the DHS Director to implement a quality control system for the GPA program.

Status: Action in process.

The Mayor should instruct the DHS Director to prepare and issue a procedure manual for the day-to-day operations of the GPA program.

Status: Action in process.

Agency Comments/Action

The District of Columbia Government is required to respond to GAO recommendations under the provisions of the District of Columbia Self-Government and Governmental Reorganization Act (Section 736(b)). The Mayor, in his response, dated June 6, 1983, indicated that, while a number of legislative and administrative proposals are being evaluated by the City Council to address the types of individuals, needs, and costs associated with the General Public Assistance Program, DHS is developing interim procedures to improve daily operations. None of the actions have been verified by GAO.

DISTRICT OF COLUMBIA

Lessons Can Be Learned From Corrections' Reduction-In-Force Resulting From Budget Cutbacks
(GGD-83-22, 3-9-83)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)
Legislative Authority: F.P.M. ch. 351, S1-6. F.P.M. ch. 351, S1-7. F.P.M. ch. 351, S1-8.

GAO reported on its review of the impact on the District of Columbia Department of Corrections of reduction-in-force (RIF) and budget cutbacks.

Findings/Conclusions: Although Corrections officials had forecast major problems in agency operations, including institutional security, as a result of the cuts, GAO found that Corrections adequately coped with the situation when the RIF was implemented. The loss and shortage of correctional officers, program personnel, equipment, and supplies disrupted operations for a while, but Corrections made the necessary adjustments over several months. However, when the hiring freeze was lifted, security staff shortages continued for more than a year because of unresolved problems between Corrections and the D.C. Office of Personnel. Corrections officials stated that there was an extraordinary slowness in the processing of personnel papers in the Office of Personnel, despite the fact that there were sufficient applicants and sufficient funds to pay them. GAO believes that the worst effect of the RIF and budget cut-backs was the lowering of staff morale. The damage was magnified because of: (1) the length of time between first knowledge of the RIF and the final listing of the individuals affected; (2) frequent changes in the number of those who would be affected; and (3) the lack of clear and reliable information available to the employees. GAO also found that Corrections and the Office of Personnel did little to help the separated correctional officers find other correctional jobs.

Recommendations to Agencies: The Mayor should require the Department of Corrections and the D.C. Office of Personnel to jointly develop a plan to deal with circumstances when the likelihood of a RIF arises. The plan should provide for: (1) improving communications with employees likely to be affected by making better use of existing information channels, such as the Department's monthly newsletter, to inform staff of administrative decisions that affect them, particularly when job security, career advancement, or similar vital issues are involved; (2) frequent written communications to explain changing circumstances as quickly and completely as possible; and (3) developing special programs to provide training, counseling, and assistance to help employees who are affected by budgetary cutbacks.

Status: No action initiated. Date action planned not known.

The Mayor should require the D.C. Office of Personnel to consider whether plans for other departments within the D.C. Government should be developed.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The agency stated that, although necessary cutbacks did result in temporary disruptions in service, adequate security was maintained throughout the period. The agency realized that the negative impact of such large-scale reductions can be minimized, but does not plan to implement reductions-in-force of this magnitude in the near future.

DISTRICT OF COLUMBIA

The District of Columbia Can Pay More Vendors on Time
(GGD-83-38, 4-1-83)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: Prompt Payment Act (P.L. 97-177).

GAO identified problems that the District of Columbia experiences in making timely payments to vendors; it also estimated costs to both the District and its vendors resulting from untimely payments.

Findings/Conclusions: GAO estimated that, in fiscal year 1981, only 28 percent of the District's vendor payments were paid within 30 days which resulted in a loss of about $383,000 in purchase discounts. Late payments also cost vendors an estimated $612,000 for lost investment income or borrowing expenses. GAO believes that late payments damage the District's reputation, erode its competitive base and may result in higher prices, poorer quality goods and services, and fewer discounts. Although the District eliminated late utility bill payments by centralizing the payment function in the Department of General Services, this created lost investment earnings due to early payments, which were estimated at about $204,000 over a 1-year period.

Recommendations to Agencies: The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to perform postaudits to ensure compliance with established procedures, policies, and internal controls.
Status: Action in process.

The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to proceed with implementation of a vendor information subsystem in the Financial Management System.
Status: Action in process.

The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to emphasize the importance of agencies' processing payments quickly so bills can be paid on time and require priority handling of payments to vendors offering purchase discounts.
Status: Action in process.

The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to standardize all policies, procedures, and documents relating to the payment process and consolidate them in a single, comprehensive manual.
Status: Action in process.

The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to develop time standards for the payment process, generate Financial Management System reports on the timeliness of payments and on prompt payment discounts lost and taken, and monitor and report on the billpaying performance of individual agencies.
Status: Action in process.

The Mayor, District of Columbia, should assign responsibility to the Office of the Controller for improving District-wide vendor payment performance and require the Controller to develop a plan to eliminate the delay caused by the cash management policy and replace it with a system that calculates due dates and schedules payments to be made when due. The plan could be implemented over a period of time to minimize the impact of cash flow.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

The District of Columbia Government is required to respond to GAO recommendations under the provisions of the District of Columbia Self-Government and Governmental Reorganization Act, section 736(b). The Mayor, in his response dated July 11, 1983, said that several actions have been taken or are in process to improve the payment process. However, the actions do not cover all of the recommendations. None of the actions were verified by GAO.

DISTRICT OF COLUMBIA

Improvements in Certain District of Columbia Public Schools' Administrative Operations
(GGD-83-77, 7-28-83)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)

GAO reviewed the emergency procurement of supplies for the repair and improvement of District of Columbia Public School buildings, the school system's paperwork flow at the regional office level. It also conducted a limited review regarding property and equipment controls.

Findings/Conclusions: GAO found that, in fiscal year 1982, about 60 percent of the expenditures made by the school system for repair materials were through open market purchases at higher costs than if the materials were purchased through District or Federal Government supply sources. However, the school system is in the process of remodeling a building to serve as a warehouse, which will allow for bulk purchases from District or Federal Government supply sources. Under the new procedure of buying in large quantity, the number of purchase orders issued should also decrease significantly. In a regional office review, GAO found that certain data collection and reporting functions can be eliminated by automation; the school system is planning a new information system which should reduce the paperwork flow. In addition, GAO found that the physical inventories of accountable property and equipment taken at schools and offices in 1982 have not been independently verified, and the system's computerized inventory control system has not been updated since 1979. Actions have been taken or are underway in response to an inspector general's report to improve the school system's inventory management system. However, GAO believes that some verification of physical inventories and better recordkeeping is needed.

Recommendations to Agencies: The Superintendent of the District of Columbia Public Schools should monitor the actions being taken by the Division of Buildings and Grounds to ensure that the most competitive prices are received for all supply items to be stocked in the warehouse. Also, operations should be monitored to ensure maximum utilization of personnel who would be associated with the reduction in the purchasing workload.

Status: Action in process.

The Superintendent of the District of Columbia Public Schools should monitor the transition from manual to automated operation of the student information system to ensure the most effective utilization of personnel.

Status: Action in process.

The Superintendent of the District of Columbia Public Schools should complete the taking and reconciliation of physical inventories and require spot checks to establish the reliability or reporting data on inventories. In addition, the Superintendent should emphasize the requirement of reporting all inventory acquisitions, especially those shipped directly to the using factory.

Status: Action in process.

Agency Comments/Action

The Mayor of the District of Columbia is required to respond to GAO recommendations under the provisions of the Home Rule Act. The school system, a semi-autonomous body, is not covered by this requirement. Accordingly, no further comments on this report are anticipated because each of the recommendations was directed to the Superintendent. In commenting on the draft report, the Superintendent agreed with the recommendations and cited the corrective actions planned to deal with them.

ENVIRONMENTAL PROTECTION AGENCY

Many Water Quality Standard Violations May Not Be Significant Enough To Justify Costly Preventive Actions

(CED-80-86, 7-2-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Water Pollution Control Act.

The Environmental Protection Agency (EPA) administers a Construction Grants Program under the Water Pollution Control Act to restore and maintain the quality of the Nation's waters. EPA estimates that $10 billion will be needed through the year 2000 to construct advanced wastewater treatment (AWT) facilities for municipal sewage for the program. GAO discussed wastewater treatment with Federal and State water quality officials and consultants in the field. Each State has developed water quality standards to protect its waterways and their uses. The standards help determine the type of wastewater treatment needed to protect waters for those uses. AWT, which may be required in municipalities, is very expensive. Violation of a water quality standard may not always mean that significant environmental, social, or public health damage has occurred. The scientific basis for the standard may be questionable, and the water may not be important to society. In many instances, municipalities are constructing treatment facilities which are more sophisticated than necessary to prevent predicted water quality standard violations. The mathematical models, upon which these predictions are based, produce highly uncertain results. The law does not require communities to consider adequately the costs of achieving water quality standards. An agency analysis of nine projects did not show the significance of the projects' AWT to the environment, its effect on public health, its significance on established waterway uses, or the social significance or benefits of the projects.

Findings/Conclusions: GAO found that the water quality standard setting process is questionable, modeling to determine violations is often imprecise and inexact, Federal funding is insufficient to achieve water quality standards for all waterways within a reasonable period of time, obtaining downward reclassification from EPA is very difficult, and relating the impact of various treatment levels on water uses is difficult. GAO believes that AWT, with few exceptions, may not be justified at this time. GAO concluded that funding of AWT projects should be curtailed. Federal funds should not be spent to provide a level of treatment that produces such uncertain results. These factors affect billions of dollars that have been or will be spent under the EPA Construction Grants Program. The standard setting process places too much emphasis on preventing all types of water quality standard violations rather than just significant violations.

Recommendations to Congress: Congress should consider amending the Clean Water Act to: (1) require explicitly a cost/benefits review to show whether AWT will result in significant water quality, social, or public health benefits before such projects can be funded; (2) require the States to do a cost/benefits analysis of effluent limitations more stringent than those required by the Act; (3) declare a moratorium on AWT projects by withholding funding for wastewater treatment beyond secondary until EPA can clearly show what ecological, social, and public health benefits are being realized by the various levels of treatment beyond secondary; and (4) eliminate the requirement for a margin of safety which compensates for the lack of knowledge concerning the relationship between effluent limitations and water quality and include language in the Act to require that all treatment beyond secondary and costing $1 million or more must produce significant ecological and social or public health improvements.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator, EPA, should establish criteria to determine the degree of modeling reliability that will be acceptable.

Status: No action initiated. Date action planned not known.

The Administrator, EPA, should require EPA regions to be more consistent in approving variances of water quality standards and downgrading water quality standards.

Status: No action initiated. Date action planned not known.

The Administrator, EPA, should develop specific criteria governing what constitutes an adequate and cost-effective water quality survey for justifying AWT projects.

Status: No action initiated. Date action planned not known.

The Administrator, EPA, should become more realistic and cost conscious about the attainability of water quality standards when a State has made a reasonable showing that standards are unattainable or too costly to attain. The Administrator should not impede the downgrading process with burdensome evidentiary requirements.

Status: No action initiated. Date action planned not known.

The Administrator, EPA, should reduce the cost criteria for what constitutes an "expensive" sewage plant. To a greater degree, the Administrator should accept State and local views that project costs are not commensurate with benefits.

Status: No action initiated. Date action planned not known.

The Administrator, EPA, should permit variances in reclassification criteria in cases where stream improvement requires treatment beyond secondary to meet water quality standards but where ecological and social or public health improvements are not significant enough to justify the costs of the improvements.

Status: No action initiated. Date action planned not known.

The Administrator, EPA, should require, when AWT is an issue, that at least two thorough surveys of the waterway be done: (1) one for calibrating the mathematical model; and (2) another for verifying the calibrated model.

Status: No action initiated. Date action planned not known.

The Administrator, EPA, should develop material to help decisionmakers know the predictive accuracy of models used to justify AWT and establish minimum requirements for the predictive accuracy of these models.

Status: No action initiated. Date action planned not known.

The Administrator, EPA, should revise the AWT review guidelines or, if necessary, suggest legislative changes to allow revisions to delete the provisions that allow projects: (1) not having significant water quality improvements to be funded because the projects will cost more if they have to be revised or redesigned to delete insignificant treatment processes; (2) to be exempted from the review process if they involve land treatment; and (3) to be exempted from the review process just because the State's definition of "secondary treatment" is more stringent than that of EPA.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

EPA generally agreed that the GAO conclusions and recommendations were valid and said that it might provide the guidance that GAO had recommended under certain circumstances. EPA provided no target date as to when it might take action.

Wyoming Wastewater Treatment Facility Proves Unsuccessful
(CED-81-94, 6-15-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Water Pollution Control Act Amendments of 1972 (Federal) (P.L. 92-500). Clean Water Act of 1977 (P.L. 95-217).

Pursuant to a congressional request, GAO investigated the circumstances surrounding the failure of the wastewater treatment facility in Thayne, Wyoming.

Findings/Conclusions: The $1.15 million facility is now being used by 106 sewage hookups in Thayne while the Star Valley Cheese Corporation (SVCC), for which the facility was principally designed, discharges its wastes directly into the local waterway. Throughout its history, the facility has been beset by problems. The spray irrigation system selected for the project was high-risk because it tended to ice up in the harsh winters and needed a high level of operation and maintenance. SVCC continually overloaded the facility's capacity to treat wastes. The project design was deficient in that both the storage pond and the land on which the treated wastewater was sprayed were too small. The construction company did a poor job: liners of the storage pond were improperly installed and the land receiving the sprayed water was improperly prepared. Operation and maintenance activities were neglected, and most of the new construction items provided for in a grant amendment were never installed. The system did not function properly to alleviate the severe odor problems caused by the SVCC high discharge levels. Because the Environmental Protection Agency (EPA) did not adequately monitor the project: more than $11,000 in industrial cost recovery payments made by SVCC were not collected from Thayne; Thayne used 34 percent of the modification and repair funds for architectural and engineering services, an amount far in excess of the grant agreement; and EPA may have overpaid the construction, repair, and modification costs by about $95,000.

Recommendations to Agencies: The Administrator of EPA should require the Region VIII regional administrator to collect from Thayne the funds due the Federal Government for industrial cost recovery payments.

Status: Action completed.

The Administrator of EPA should require the EPA Inspector General to perform a comprehensive and detailed audit of all costs associated with the Thayne project. If ineligible or unsupported costs are found, EPA should recover these amounts.

Status: No action initiated. Affected parties intend to act.

Agency Comments/Action

EPA agreed to perform the audit of the Thayne project. The mayor of Thayne sent the payment due to the Federal Government for the industrial cost recovery paymments ($14,875) to EPA in June 1982.

ENVIRONMENTAL PROTECTION AGENCY

Hazards of Past Low-Level Radioactive Waste Ocean Dumping Have Been Overemphasized
(EMD-82-9, 10-21-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Marine Protection, Research, and Sanctuaries Act of 1972 (P.L. 92-532).

GAO evaluated the environmental and public health consequences of past ocean dumping of low-level radioactive waste. Its report discussed Federal efforts to identify the extent of past ocean dumping, assure that it poses neither an environmental nor public health hazard, and insure that any possible future dumping is conducted safely and in an environmentally acceptable manner.

Findings/Conclusions: GAO found that the Federal Government has no complete and accurate catalog of information on how much, what kind, and where low-level nuclear waste was dumped because detailed records were not required. An overwhelming body of scientific research and opinion shows that concerns over the potential public health and environmental consequences posed by past ocean dumping activity are unwarranted and overemphasized. The Environmental Protection Agency (EPA) has been slow in developing low-level radioactive waste ocean dumping regulations. Although its current approach is sound, improvements are needed in developing specific dumpsite monitoring requirements. The EPA program for developing ocean dumping regulations has been based primarily on monitoring prior dumpsites. The EPA program could be improved if the agency recognized the limited benefits of monitoring prior dumpsites and fully utilized the results of extensive research and international experience with the ocean disposal of low-level radioactive waste instead of relying on the results of agency-funded research projects and studies. Monitoring prior dumpsites is limited because of the lack of baseline data on the amounts of natural fallout-related radioactivity in the oceans, the small volume of low-level radioactive waste dumped at sea, and a lack of information on the specific contents and locations of the waste that has already been dumped.

Recommendations to Agencies: In addition to embracing the internationally established guidance, the Administrator of EPA should develop specific criteria for dumpsite monitoring and periodic monitoring requirements for all future dumpsites.

Status: Action in process.

The Administrator of EPA should terminate the ongoing dumpsite inventory project now being done by EPA staff. This action would recognize the numerous limitations of the information contained in the Federal records and avoid more elaborate searches for information which is nonessential to determining the consequences of past ocean dumping activities.

Status: Action completed.

Agency Comments/Action

The agency agreed with both of the recommendations and intends to implement them as written.

ENVIRONMENTAL PROTECTION AGENCY

User Charge Revenues for Wastewater Treatment Plants--Insufficient To Cover Operation and Maintenance
(CED-82-1, 12-2-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Clean Water Act of 1977. Water Pollution Control Act (33 U.S.C. 1251 et seq.). P.L. 84-600.

Billions of dollars in Federal grants have been made to municipalities throughout the Nation to construct publicly owned wastewater treatment plants. Once the plants are constructed, municipalities are responsible for raising sufficient monies from system users to properly operate and maintain these plants. GAO made a review to determine whether user charge revenues collected by municipalities are sufficient to properly operate and maintain the treatment plants; whether such costs are fairly and equitably distributed among system users; and whether sufficient revenues are being generated to pay for replacing major capital items in the plants.

Findings/Conclusions: GAO found that half of the 36 municipal treatment plants, randomly selected for review, were not charging users enough to cover operation and maintenance costs and were relying on other municipal revenue sources for funds. Also, 40 percent were not charging all users their fair and equitable share of costs. Thus, the future successful operation of the costly treatment facilities may be in jeopardy, and the Nation's clean water goals may not be achieved. Replacing the thousands of federally funded plants will require billions of dollars. Current Federal legislation is silent on the sources of funds for plant replacement. Only three of the municipalities reviewed are now setting aside replacement funds. Twenty-three indicated that they would return to the Federal Government for replacement funding. The need to eventually replace major equipment items can significantly strain local financial resources. Inequitable user charge systems allow a few users to benefit while many users pay excessive charges. GAO believes that such subsidies violate a basic intent of the user charge concept, equity. Fifteen of the 36 municipalities had not met the grant requirement of making a periodic review and of updating their user rates and classes to meet increased costs or changing operating conditions. Neither the Environmental Protection Agency nor the States have followup programs to verify a municipality's compliance with user charge grant conditions, and no enforcement program exists under which penalties could be assessed for noncompliance.

Recommendations to Congress: Congress should consider whether there will be further Federal participation in treatment plant replacement or whether plant replacement will become the responsibility of State and/or local governments. If Congress should decide that State and/or local governments are to be held responsible, these governments must be made aware of this requirement so that they can begin planning for such future expenditures.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator of the Environmental Protection Agency should incorporate, as part of the financial management guidance package, instructions to the municipalities that clearly state: (1) the purpose of the user charge program; (2) that, except for ad valorem taxes, direct user charges are the only source of funding authorized for financing treatment plant operation and maintenance expenses; (3) the need to review and revise the user charge system in accordance with Federal regulations and the grant agreement; and (4) the need to maintain the treatment plants' financial integrity and self-sufficiency as envisioned by Congress.

Status: Action in process.

The Administrator of the Environmental Protection Agency should incorporate, as part of existing operation and maintenance inspections and closeout financial audits of construction grants, a review of user charge system adequacy, including a review of the adequacy of reserve accounts for replacing major pieces of equipment considered essential for continued plant operations.

Status: Action in process.

The Administrator of the Environmental Protection Agency should incorporate the user charge system requirements under the National Pollutant Discharge Elimination System permit program.

Status: Action completed.

Agency Comments/Action

EPA generally agreed with the GAO recommendations. EPA plans to provide municipalities with additional guidance in user charge systems and to expand the agency's review and oversight of user charge systems to insure their adequacy. EPA disagreed that user charge system requirements be incorporated under the National Pollutant Discharge Elimination System (NPDES) permit program. Instead, EPA has implemented a compliance improvement program to insure the adequacy of user charge systems, especially those of municipalities in noncompliance with their NPDES permits.

ENVIRONMENTAL PROTECTION AGENCY

EPA Slow in Controlling PCB's

(CED-82-21, 12-30-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Toxic Substances Control Act.

Various studies have associated the widely used polychlorinated biphenyls (PCB's) with a number of health problems. Industry has purchased over 1 billion pounds of PCB's for use in electric transformers and capacitors. Since PCB's have a potential for environmental harm, Congress passed a special provision under the Toxic Substances Control Act to control PCB's. With certain exceptions, the Act prohibits the manufacture of PCB's, limits their use, and requires the Environmental Protection Agency (EPA) to develop regulations to ensure proper marking of PCB materials and prescribe acceptable methods for disposal. Since PCB's were the only chemicals Congress specifically identified for immediate EPA action, GAO initiated this review to determine how well the PCB control mandate has been implemented.

Findings/Conclusions: GAO found that EPA missed by more than 7 months its congressionally mandated deadline for issuing rules on marking and disposing of PCB's. In addition, regulations for implementing the statutory ban on PCB's were late by as much as 18 months. Tight rulemaking timeframes and complicated regulatory issues are factors that contributed to the delays. EPA was not prepared to enforce regulations through a coordinated inspection program. Although progress has been made in developing such a program, additional improvements are needed to make better use of limited EPA inspection resources. EPA enforcement actions which are issued in response to violations are processed slowly and do not encourage rapid or widespread compliance with PCB regulations. Since EPA does not have the additional resources to inspect all potential PCB facilities, it must rely on the deterrent value of its penalties and voluntary industry efforts to help achieve compliance. However, penalties assessed in accordance with an agencywide penalty policy are reduced during settlement. Such reductions may weaken the penalties' deterrent value and could be a strong indication that either the policy is not being applied properly or that the policy is incorrect. One of the EPA enforcement strategy objectives is to maximize voluntary compliance; however, its user awareness program is of limited scope. Another problem hindering the initial EPA PCB control efforts was the lack of incinerators capable of destroying the large quantities of PCB. Only two commercial incinerators are available to handle the PCB waste disposal.

Recommendations to Agencies: The Administrator of the Environmental Protection Agency should review the penalty policy and its application and, if necessary, revise it so that the limited EPA resources are used to penalize the most serious violations and that penalty reductions are limited.

Status: Action in process.

The Administrator of the Environmental Protection Agency should require that the industry awareness component of the strategy be expanded.

Status: Recommendation no longer valid/action not intended. *According to EPA, budgetary limitations prevent any expansion of the industry awareness program. However, the Industry Assistance Office will continue to operate the program at its present level of activity. This includes updating guidance when appropriate and making information available upon request.*

The Administrator of the Environmental Protection Agency should develop a PCB enforcement strategy that encompasses such areas as: (1) inspection priorities on a regional basis; (2) complete lists of potential PCB facilities within the targeted industries; and (3) target groups, such as transformer repair shops and waste oil dealers, which are not included among the strategy's currently targeted industries.

Status: Action in process.

The Administrator of the Environmental Protection Agency should periodically review the regional implementation of inspection strategies to help ensure that the most appropriate facilities are being inspected.

Status: Action in process.

The Administrator of the Environmental Protection Agency should develop and use an information system capable of assisting in program evaluation and oversight. This information system should contain such information as types of facilities inspected, the compliance rate of a given industry, and number of inspections resulting from complaints.

Status: Action completed.

The Administrator of the Environmental Protection Agency should require written interim notification of possible violations to inspected facilities to speed the correction of the violation.

Status: Action in process.

Agency Comments/Action

EPA stated that it generally agreed with the report's recommendations and that most of the problems identified by GAO had already been recognized by EPA. Actions to implement most of the recommendations are in process.

ENVIRONMENTAL PROTECTION AGENCY

Environmental, Economic, and Political Issues Impede Potomac River Cleanup Efforts
(GGD-82-7, 1-6-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Water Pollution Control Act. 33 U.S.C. 1251 et seq.

GAO reviewed the difficulties State and local governments and the Environmental Protection Agency (EPA) have experienced over the past decade in implementing water quality programs in the Washington, D.C., metropolitan area. GAO selected the D.C. area for a case study concerning federally mandated water quality programs because many of the problems identified in this report are similar to those occurring in many other areas. The study cites three areas which have been created as a result of the difficulties of the past 10 years: (1) the program has been much more costly than originally expected and current Federal, State, and local fiscal constraints raise significant concerns regarding the affordability of water quality standards; (2) meeting environmental standards creates a problem of sludge disposal which has not yet been satisfactorily resolved; (3) the need for the rigorous water quality standards of the existing programs and the public benefits to be derived by additional investment to meet the standards have not yet been shown.

Findings/Conclusions: GAO supports substantive changes in the planning and siting of wastewater treatment and residues management facilities. Given the enormous costs of water pollution control programs and the impact that siting of wastewater treatment plants and residues management facilities have on the program's economic and environmental effectiveness, a regional approach to water quality planning is desirable. Some local prerogatives must be sacrificed, and effective organizations for planning and implementing regional solutions must be created with responsibility and authority to make and implement decisions. Federal, State, and local environmental agencies must consider their decisions on a comprehensive basis by assessing the trade-offs among the various programs and the impacts on the air, water, and land. GAO believes that EPA and State and local governments must give greater consideration to regional approaches to these problems allowing for more comprehensive and more achievable programs benefiting the economic and environmental factors involved.

Recommendations to Congress: Congress should, in considering reauthorization of and amendments to the Federal Water Pollution Control Act, retain the essential design of the Act's regional planning provisions. Congress should also reemphasize that the Environmental Protection Agency requires, as necessary, regional planning and program implementation mechanisms for metropolitan areas as a prerequisite for them to obtain Federal water quality project grants.
Status: Recommendation no longer valid/action not intended. *The amendment to the Act retained areawide planning, but with a different approach than the two options GAO advocated.*

Congress should consider alternative approaches if it determines that the recommended optimal regional approach is not acceptable. These include: (1) requiring the Environmental Protection Agency to become a more active participant; and (2) eliminating regional planning as a Federal requirement, including Federal funding for such planning, and assessing projects on a case-by-case basis using as criteria available alternatives within the applicant jurisdiction's boundaries.
Status: Recommendation no longer valid/action not intended. *The amendment to the Act retained areawide planning but with a different approach than the two options GAO advocated.*

Congress should consider placing more emphasis on a cost/benefit approach in funding advanced wastewater treatment projects.
Status: No action initiated. Affected parties intend to act.

Recommendations to Agencies: The Administrator of EPA should ascertain how the agency can manage its programs in a more integrated manner and make recommendations to Congress on what, if any, legislative changes may be required.
Status: Action in process.

The Administrator of EPA should renew earlier priority efforts to establish and issue regulations for the distribution and marketing of sewage sludge products.
Status: Action in process.

The Administrator of EPA should undertake a more active role in assisting local jurisdictions in finding suitable methods for disposing of their sewage sludge and leading them through the regulatory maze to ensure they can be implemented.
Status: Action in process.

The Administrator of EPA should approve no treatment plant upgrading or expansion without first having an approved program for disposing of the resulting increased sludge volumes.
Status: Action in process.

The Administrator of EPA should fund no new planning efforts for wastewater treatment plants or related projects in metropolitan areas where regional approaches are needed until involved State and local governments have developed the institutional mechanisms needed to ensure thorough regional assessments of alternatives and implementation of resulting recommendations.
Status: Recommendation no longer valid/action not intended. *Recent amendments to the Clean Water Act eliminating facilities planning grants as a separate grant make this recommendation moot. However, EPA is revising its regulations to assist State and regional agencies in developing necessary institutional mechanisms.*

Agency Comments/Action

EPA believes that it has already undertaken sufficient initiatives to deal with its programs in a more integrated manner, and it foresees no need for legislative changes. EPA is revising its water quality standards regulations to redirect the program's emphasis toward surface waters on a site-specific basis, an approach which gives States the option to consider benefit and cost impacts. EPA is also in the process of preparing regulations for the distribution and marketing of sludge products and developing a disposal and reuse policy that will aid local jurisdictions in implementing sludge disposal and reuse systems.

ENVIRONMENTAL PROTECTION AGENCY

A New Approach Is Needed for the Federal Industrial Wastewater Pretreatment Program
(CED-82-37, 2-19-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Clean Water Act of 1977.

GAO reviewed the Environmental Protection Agency's (EPA) efforts to develop and implement the industrial pretreatment program.

Findings/Conclusions: GAO found that the: (1) overall scope and impact of the pretreatment program remains undefined; (2) program may result in costly, inequitable, and redundant treatment that may not address toxic pollution problems; and (3) program will be a further drain on scarce Federal, State, and local pollution control resources. GAO believes it is highly unlikely that the program can be fully implemented within the currently established timeframe. Although EPA is conducting a regulatory impact analysis of the pretreatment program, the schedule for completing the analysis and selecting an option is very ambitious. Given the many uncertainties about toxic pollution problems, GAO is concerned about the ability of EPA to resolve these issues in the relatively short time established. EPA needs to pay close attention to the problems and unresolved issues associated with the present pretreatment program. If EPA acts too quickly in selecting a pretreatment alternative, GAO believes it may commit itself to a course of action that contains many of the current program's problems and that is equally unacceptable to those involved.

Recommendations to Agencies: The Administrator of the Environmental Protection Agency should: (1) advise Congress that the deadlines established for implementing the pretreatment program cannot be met until significant problems and issues concerning toxic pollution are resolved; and (2) provide an estimated timeframe needed to resolve these matters.

Status: Action in process.

The Administrator of the Environmental Protection Agency should include in a legislative package to Congress information on the: (1) pretreatment options considered; (2) estimated effect of the various options on the environment, water quality, and public health; (3) resources needed to implement various options; and (4) the estimated timeframe for full program implementation under the various options.

Status: Action in process.

Agency Comments/Action

EPA agreed with the recommendations. In December 1981, EPA completed a regulatory impact analysis of the pretreatment program requirements. Based on this analysis, EPA, in May 1982, proposed legislative changes to the pretreatment program to provide for the discretionary issuance of categorical standards and, in select cases, exemptions for the general pretreatment program requirements. Until Congress acts on EPA-proposed legislative changes to the Clean Water Act and EPA establishes pretreatment standards, it will not be possible to determine the cost savings resulting from the recommendations. EPA agrees that its acceptance of the recommendations will result in substantial but as yet undetermined savings

ENVIRONMENTAL PROTECTION AGENCY

Better Planning Can Reduce Size of Wastewater Treatment Facilities, Saving Millions in Construction Costs *(CED-82-82, 7-8-82)*

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Water Pollution Control Act (33 U.S.C. 1251 et seq.). Water Pollution Control Act Amendments of 1956 (P.L. 84-660). Municipal Wastewater Treatment Construction Grant Amendments of 1981. 40 C.F.R. 35.900.

GAO conducted a review to evaluate the effectiveness of the facility planning process for constructing wastewater treatment plants and to determine whether changed conditions, such as increases or decreases in population projections or industrial flow for proposed service areas, were recognized and incorporated into the facility plans before the plant was designed or before construction started.

Findings/Conclusions: GAO estimated that about $30 million in grant funds could be saved if the Environmental Protection Agency's (EPA) 1978 facility planning regulations were applied to the 13 facility plans reviewed by GAO. These facilities were developed under pre-1978 regulations, but are not yet under construction. Current regulations limit the engineering judgment in calculating domestic and industrial flow allowances. However, under the 1978 regulations, EPA stipulated that State population projections would be the sole basis for estimating future population levels to be served by a proposed treatment system. If the 1978 regulations were applied, 11 of those 13 proposed plants would be smaller and 2 plants would be larger. The Municipal Wastewater Treatment Construction Grant Amendments of 1981 provide that no Federal grant will be made to construct treatment works which provide reserve capacity in excess of the needs which existed on the date of grant approval. In addition, the amendments reduce Federal participation from 75 to 55 percent of the construction costs. Many facets of facility planning are not covered by guidance or regulation. As a result, engineering judgment, which varies considerably from project to project, becomes the deciding factor in determining plant size and project cost. Additional criteria are needed to assist in the determination of proper plant size and to provide plan reviewers a basis on which to evaluate the adequacy of a plan.

Recommendations to Congress: Congress should direct the Administrator of EPA to modify the agency's current policy prohibiting the retroactive application of program regulations. This can be accomplished by including in the appropriation of funds for the program for fiscal years 1982 and 1983 language that provides that any grant funds appropriated in the act should fund excess capacity only to the extent that such capacity is consistent with the criteria set forth in EPA regulations at 40 C.F.R. 35.900.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator of EPA, with the cooperation of the engineering community, should develop standards for each critical factor used in establishing existing as well as future domestic, industrial, and infiltration and inflow amounts to be treated by a wastewater plant. Deviations should require additional justification by the consulting engineer to provide EPA with a basis for evaluating the proposed change. As a minimum, these standards should establish: (1) a discharge ratio to be applied to actual water use records when determining existing and future domestic flow to the plant for treatment; (2) a method to be used in measuring industrial flow; and (3) inflow estimates based on a worst storm event experienced in a specified time period.

Status: Action in process.

Agency Comments/Action

EPA agreed with the recommendations. It awarded a grant to the American Water Works Association (AWWA) to identify infiltration/inflow prediction and control techniques. AWWA expects to complete its work by February 1984; EPA plans to use the results to evaluate existing facility planning guidance. In addition, EPA plans to recommend that States examine the adequacy of any requirements or standards they have for determining design plans.

ENVIRONMENTAL PROTECTION AGENCY

Problems in Air Quality Monitoring System Affect Data Reliability
(CED-82-101, 9-22-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Clean Air Act. Clean Air Act Amendments of 1977 (P.L. 95-95; 42 U.S.C. 7619 et seq.). Executive Order 12291.

The Clean Air Act requires the Environmental Protection Agency (EPA) to establish a nationwide air quality monitoring network, and each year EPA makes decisions, based on the data received from this network, which have significant impacts on the health and economic well-being of the Nation's citizens. Accurate and reliable air quality data are essential in formulating many of these decisions, evaluating their impact, and determining future strategies. EPA has experienced serious difficulties in obtaining these data. GAO undertook this review to identify these problems and offer recommendations for corrective action.

Findings/Conclusions: GAO found that EPA progress in implementing the mandate of the Act has been slow and costly and has not resulted in a reliable air monitoring network. Accurate air quality data are also essential for EPA enforcement of the Act and as a basis for establishing and revising the ambient air quality standards, which set the maximum allowable air pollutant levels. The first phase of this air monitoring effort was the establishment of the National Air Monitoring Stations network to provide air quality data to EPA. As of June 1982, 70 percent of the monitors required for the network were acceptable. However, even with full implementation of the network, EPA will not have fulfilled its air quality monitoring responsibilities; a State and local air monitoring stations network also is required to provide annual air quality data for the States' use in developing pollution control strategies. The air monitoring networks have not been completely implemented primarily because of a lack of approved quality assurance controls. To ensure data reliability, EPA has established requirements for collecting, processing, and reporting air quality data. However, EPA and the States did not follow these requirements and did not establish procedures needed to correct data handling problems. EPA is trying to determine the causes of data handling problems; however its efforts are limited by a lack of procedures designed to identify those monitors which are not reporting air quality.

Recommendations to Congress: Congress should, in consultation with the EPA Administrator, establish a deadline by which the networks must be operational, after considering factors such as the technological state of the art and the availability of resources.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The EPA Administrator, in consultation with the States, should include as a condition in the EPA grant agreement with the States that all funds designated to meet EPA air monitoring standards be spent to achieve these standards.

Status: Recommendation no longer valid/action not intended. *EPA believes that other action taken precludes the need to implement this recommendation.*

The EPA Administrator should designate the Director, Monitoring and Data Analysis Division, as the air quality data base manager.

Status: Recommendation no longer valid/action not intended. *EPA believes that other action taken precludes the need to implement this recommendation.*

Agency Comments/Action

EPA provided updated statistics in its 60-day letter on the National, State, and local monitoring stations. It also indicated that the program was being implemented essentially on schedule. Also, all of the monitors have been approved. According to EPA, these results preclude the need to implement the recommendations.

ENVIRONMENTAL PROTECTION AGENCY

Savings Possible Through Use of Variable Effluent Limits for Advanced Waste Treatment Projects
(RCED-83-57, 12-1-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Water Pollution Control Act (33 U.S.C. 1251 et seq.).

The Water Pollution Control Act requires advanced waste treatment projects to have a pollution discharge permit to establish the variable effluent limits (VEL's) or restrictions on the amount, rate, or concentration of pollutants that may be discharged into the water.

Findings/Conclusions: GAO believes that potential exists for savings through the use of VEL's in the operation and construction of advanced waste treatment facilities. While reliable nationwide savings estimates are not available, a number of Federal and State officials estimate that millions of dollars in operating costs can be saved each year. The use of VEL's offers State and local governments an opportunity to reduce the cost of constructing and operating municipal and industrial advanced treatment facilities while maintaining water quality. Environmental Protection Agency (EPA) direction on the use of VEL's together with technical assistance to develop VEL's should help stimulate greater use at the State and local government levels.

Recommendations to Agencies: The Administrator of EPA should direct the Assistant Administrator for Water to issue a directive pointing out the possible cost savings of using VEL's and encouraging delegated States to use them to the extent possible when issuing initial or reissuing expired National Pollution Discharge Elimination System permits. The Administrator should also direct EPA Regional Administrators to use VEL's to the extent possible in the 21 States where EPA administers the permit program and to work with and provide any needed technical assistance on using VEL's to the 35 delegated States.

Status: Action in process.

Agency Comments/Action

Although EPA agrees with the report that VEL's provide the opportunity for significant savings in constructing and operating advanced waste treatment facilities, it disagreed with the recommendations that a separate directive be issued encouraging greater use of VEL's. EPA believes that the program guidance and policies it plans to issue over the next year will adequately address the use of VEL's. EPA also stated that it will continue to provide technical assistance to States in using VEL's whenever the States request technical assistance. EPA does not plan to increase technical assistance regarding VEL's if the States do not request it.

ENVIRONMENTAL PROTECTION AGENCY

Better Coordination Is Needed Between Pesticide Misuse Enforcement Programs and Programs for Certifying and Training Individuals To Apply Pesticides
(RCED-83-169, 7-1-83)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Insecticide, Fungicide, and Rodenticide Act. 40 C.F.R. 171. 40 C.F.R. 171.4(b). 40 C.F.R. 171.6.

GAO reviewed programs in Illinois and Minnesota under the Pesticide Applicator Certification and Training Program to determine whether they are addressing major pesticide misuse problems.

Findings/Conclusions: GAO found that the Environmental Protection Agency (EPA) and Illinois and Minnesota have not linked the certification and training and enforcement programs to deter and reduce pesticide misuse. The review of programs to certify individuals as competent to use pesticides indicates that information on pesticide misuse is not routinely and systematically developed or used, even though the data are collected and maintained by the States as part of their pesticide enforcement efforts. Further, EPA evaluations of State programs have not addressed qualitative program elements but have concentrated on quantitative program outputs. GAO noted that EPA has neither developed criteria for evaluating test criteria nor, within 7 years, conducted in-depth test reviews. Finally, GAO found that Illinois' and Minnesota's pesticide commercial examinations do not meet all Federal certification requirements.

Recommendations to Agencies: The EPA Administrator should direct that action be taken to include a requirement in State cooperative agreements that States develop basic program management information on major pesticide misuse problems for use by certification and training programs.

Status: Action in process.

The EPA Administrator should direct that action be taken to develop guidance for EPA regions to evaluate State efforts in using pesticide misuse data to ensure that its certification and training programs are addressing the major pesticide misuse problems that the State is experiencing.

Status: Action in process.

The EPA Administrator should direct that action be taken to develop criteria and guidance for EPA regions to evaluate State commercial applicator examinations.

Status: Action in process.

Agency Comments/Action

The agency concurs with the findings and recommendations in the GAO report. In fact, the Office of Pesticides and Toxic Substances' Compliance Monitoring Staff has already taken steps to implement the recommendations. The Compliance Monitoring Staff has instructed the agency's regional offices to utilize the upcoming mid-year evaluations to determine the extent to which enforcement misuse information is addressed in the certification and training programs. The regions will review each State's current certification requirements against the standards set forth in 40 C.F.R. 171. Headquarters' officials have been instructed to address the recommendations contained in the GAO report in fiscal year 1985 grant guidance.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Continuing Financial Management Problems at the Equal Employment Opportunity Commission
(AFMD-82-72, 5-17-82)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Accounting and Auditing Act (31 U.S.C. 66a). Antideficiency Act (31 U.S.C. 665). Civil Rights Act of 1964 (42 U.S.C. 2000e-4). Claims Collection Act. 4 C.F.R. 101. 4 C.F.R. 102. 4 C.F.R. 103. 4 C.F.R. 104. 2 GAO 8.8. 7 GAO 11.2. 7 GAO 13.2. 7 GAO 24.2. OMB Circular A-123. S. 864 (97th Cong.). 31 U.S.C. 200. 31 U.S.C. 703(a). 18 U.S.C. 1018. 42 U.S.C. 2000e-5(f). 42 U.S.C. 2000e-5(k).

GAO was asked to review the financial operations of the Equal Employment Opportunity Commission (EEOC) with emphasis on determining the extent of deficiencies in the EEOC controls over appropriated funds. GAO was requested to issue an interim report in October 1981 on the results of the review at that time.

Findings/Conclusions: GAO found that: (1) accounting records and reports were unreliable, due to problems such as the failure to keep general ledgers and subsidiary ledgers in agreement, to promptly input accounting transactions, and to reconcile obligation balance differences between the centralized accounting system and obligations records maintained by program and field offices; (2) receivables, payables, and advances were inaccurately reported, due to the agency's failure to validate obligations, collect receivables, accurately record outstanding loans, settle travel advances, and perform contract audits; and (4) internal controls were weak due to improper segregation of duties, insufficient training and supervision of key accounting and budget personnel, and inadequate internal audit coverage of financial operations. EEOC in recent years has committed a number of questionable acts, some of which violate Federal statutes. Specifically EEOC has: (1) obligated funds in one fiscal year (FY) to cover goods and services that were clearly to satisfy needs in future years; (2) failed to review the validity of the unliquidated obligations as recorded; (3) certified yearend reports for FY's 1980 and 1981 as accurate under conditions clearly indicating that the reports contained erroneous data; and (4) entered, with questionable authority, into agreements whereby money was either loaned or granted to private persons.

Recommendations to Agencies: The Chairman, EEOC, should direct EEOC employees to follow established procedures such as recording transactions promptly and complying with reconciling procedures to identify inaccuracies in recorded data.
Status: Action completed.

The Chairman, EEOC, should direct the EEOC Office of Audit to periodically review financial activities with emphasis on determining whether promised corrective actions are completed and whether procedures for recording data and reconciling records are being followed.
Status: Action completed.

The Chairman, EEOC, should submit revised fiscal 1981 yearend reports to the Department of the Treasury and the Office and Management and Budget after corrective actions promised by the Acting Chairman and recommended in this report are implemented.
Status: Recommendation no longer valid/action not intended. *The agency corrected the figures reported to Treasury on its fiscal year 1982 yearend report.*

The Chairman, EEOC, should designate an individual as claims collection officer and establish written collection procedures.
Status: Action completed.

The Chairman, EEOC, should collect all existing and future receivables in accordance with the Federal Claims Collection Act and adjust records to accurately report all valid receivables.
Status: Action in process.

The Chairman, EEOC, should establish clear responsibility and procedures to control travel advances and, when appropriate, use payroll deductions to collect outstanding advances.
Status: Action in process.

The Chairman, EEOC, should establish clearance procedures that prevent employees from leaving EEOC with unsettled advances and take appropriate action to recover funds owed by former EEOC employees or others.
Status: Action completed.

The Chairman, EEOC, should determine reasons for differences in travel advance balances as reported in the centralized accounting system and in individual travel records and bring the two records into agreement.
Status: Action completed.

The Chairman, EEOC, should determine the validity of questionable contract charges reported by the EEOC Office of Audit, and when appropriate, establish the amounts as receivables and initiate aggressive collection action.
Status: Action in process.

The Chairman, EEOC, should direct prompt completion of the corrective actions in process, which are assignments of duties so that no individual controls all phases of an activity or transaction.
Status: Action completed.

The Chairman, EEOC, should direct prompt completion of the corrective actions in process, which are the proper training of all personnel responsible for performing financial management functions, such as the input or obligations and reconciliation of obligation balances.
Status: Action in process.

The Chairman, EEOC, should direct prompt completion of the corrective actions in process, which are uses of the increased Office of Audit staff to perform periodic reviews of the agency's financial operations as necessary to provide assurance that accounting functions are properly conducted.

Status: Action completed.

The Chairman, EEOC, should direct prompt completion of the corrective actions in process, which are issuances of formal preaudit voucher and imprest fund operation procedures.

Status: Action completed.

The Chairman, EEOC, should direct prompt completion of the corrective actions in process, which are reductions of all imprest funds to authorized limits based on demonstrated need.

Status: Action completed.

The Chairman, EEOC, should recover funds owed EEOC from the loan fund venture and, in the future, prohibit any similar program unless the agency obtains specific congressional authority.

Status: Action in process.

The Chairman, EEOC, should review contracts awarded and costs incurred near the end of the past three FY's to establish the amount of costs improperly charged against FY appropriations and adjust records as necessary.

Status: Action in process.

The Chairman, EEOC, should require a comprehensive review of the validity of all unliquidated obligations now being carried on the agency's records.

Status: Action completed.

The Chairman, EEOC, should complete the investigation surrounding the yearend certifications for FY's 1980 and 1981 and, if conditions warrant, refer the case to the Justice Department.

Status: Action completed.

The Chairman, EEOC, should better monitor contracts with State and local enforcement agencies to prevent problems similar to those occurring in FY 1980.

Status: Action in process.

Agency Comments/Action

EEOC is in agreement with each of the recommendations and has placed priority on establishing control over its financial operations. A number of recommendations have been implemented and others are in process. EEOC expects to have actions completed in all areas by September 1984, except recovery of funds from the loan fund venture which is contingent upon the favorable settlement of cases in the judicial system. EEOC expects to have its staff which performs financial functions fully trained by June 1984. Efforts are underway to collect remaining outstanding travel advances. EEOC is currently reviewing the validity of questionable contract charges, developing a contractor monitoring directive, and reviewing contracts awarded in September 1980 and September 1981. When these actions are completed, EEOC should have control over its financial resources.

FARM CREDIT ADMINISTRATION

Interim Report on the Implementation of the Farm Credit Act Amendments of 1980
(GGD-83-26, 3-7-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Farm Loan Act (P.L. 64-158; 39 Stat. 360). Agricultural Credit Act (P.L. 67-503; 42 Stat. 1454). Farm Credit Act of 1933 (P.L. 73-75; 48 Stat. 257). Farm Credit Act of 1953 (P.L. 83-202; 67 Stat. 390). Farm Credit Act of 1971 (P.L. 92-181; 12 U.S.C. 2260; 85 Stat. 583). Farm Credit Act Amendments of 1980 (P.L. 96-592; 94 Stat. 3437). P.L. 94-184. P.L. 95-443. 89 Stat. 1060. 92 Stat. 1066.

GAO undertook a review of 13 programs pursuant to the provisions of the Farm Credit Act Amendments of 1980 which require GAO to conduct evaluations of the programs and activities authorized by the amendments and to make an interim report to Congress.

Findings/Conclusions: The 1980 amendments authorized the Farm Credit System's district Banks for Cooperatives to offer financial services related to exporting and importing agricultural commodities. GAO found that the Farm Credit Administration (FCA) and the Banks for Cooperatives encountered a number of problems in implementing the international banking services program. GAO found that FCA does not have the capability to independently evaluate country risk associated with the extensions of credit by the Central Bank for Cooperatives under the international banking services program. FCA needs this capability to adequately examine the Central Bank and to ensure its financial soundness and integrity. The 1980 amendments also sought to enhance the opportunity for commercial banks and other agricultural lenders to obtain funds by discounting agricultural loans with the Federal Intermediate Credit Banks. GAO found that certain aspects of these regulations lack specificity in defining eligibility for access to the discounting services. The 1980 amendments require that each association in the Farm Credit System prepare a program for furnishing credit and services to young, beginning, and small farmers and ranchers. GAO found that FCA has not given district banks specific guidance on various types of qualifying programs. Because a reporting system has not been developed for this program, program results may be difficult to measure.

Recommendations to Agencies: The Governor, FCA, should establish minimum requirements which district Banks for Cooperatives must meet before they are allowed to undertake an international banking services program.

Status: No action initiated. Affected parties intend to act.

The Governor, FCA, should determine the feasibility of using the results of the Federal bank regulatory agencies' country risk studies or have FCA develop such studies on its own.

Status: Action in process.

The Governor, FCA, as part of his responsibilities to supervise and examine the Farm Credit System, should closely monitor the implementation of the Other Financing Institution Program in each Farm Credit district to ensure that Other Financing Institutions, which are significantly involved in agricultural lending and are otherwise eligible, are given the opportunity to enhance their utilization of the financial services of the Federal Intermediate Credit Banks and better serve the needs of agriculture. The monitoring should specifically include application of the regulations and policies dealing with agricultural loan volume, debt-to-capital ratio, access to national and regional money markets, investment in the Federal Intermediate Credit Bank, and gross loan-to-deposit requirements.

Status: Action completed.

The Governor, FCA, should evaluate past young farmer programs and identify what programs were successful.

Status: No action initiated. Date action planned not known.

The Governor, FCA, should study the current needs of young, beginning, and small farmers and ranchers and identify what programs would meet these needs.

Status: No action initiated. Date action planned not known.

The Governor, FCA, should disseminate information to district banks and associations on the types of programs they should consider in developing individual young, beginning, and small farmer programs.

Status: No action initiated. Date action planned not known.

The Governor, FCA, should establish specific program goals so that progress toward meeting these goals can be measured and reported.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

FCA has taken some action on the recommendation dealing with international banking services. It believes that it is doing enough to monitor the implementation of programs dealing with other financing institutions and young, beginning, and small farmers and ranchers. The subject report was an interim report on the implementation of the Farm Credit Act Amendments of 1980. GAO has begun work leading to the final report on the implementation processes during which it will consider the appropriateness of the agency's actions.

FEDERAL COMMUNICATIONS COMMISSION

FCC Needs To Monitor a Changing International Telecommunications Market
(RCED-83-92, 3-14-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Communications Act of 1934 (47 U.S.C. 151 et seq.). Communications Satellite Act of 1962 (47 U.S.C. 701 et seq.). International Record Carrier Competition Act (P.L. 97-130).

In response to a congressional request, GAO examined whether the Federal Communications Commission (FCC) can effectively monitor and gauge the impact of recent FCC and congressional actions designed to increase competition in the international telecommunications market by reducing the entry barriers for the U.S. portion of the market.

Findings/Conclusions: GAO found no general consensus that these actions would increase competition in the international market. Further, FCC does not monitor market development and cannot measure or gauge the competitive impact of its decisions on the market. The Common Carrier Bureau, responsible for implementing these decisions, recognizes the importance of monitoring the industry, but stated that its strained resources have made it difficult to track industry development. Therefore, GAO believes that, unless FCC develops an industry analysis capability, it cannot adequately measure market competitiveness to ensure that the its actions are having the desired market behavior effects.

Recommendations to Agencies: The Chairman, FCC, should establish within the Common Carrier Bureau an industry analysis section to monitor industry structure. The Chairman should consider reassigning available positions within FCC to provide the necessary staff. The section should evaluate the cumulative effect that FCC decisions are having on market competitiveness so that appropriate regulatory programs and policies can be implemented if the market does not respond as intended.

Status: Action in process.

The Chairman, FCC, should direct the Common Carrier Bureau to use this same capability to ensure that intermodal competition is developing and to allow FCC to intervene in facilities authorization if necessary to correct any imbalance.

Status: Action in process.

Agency Comments/Action

FCC established a staff task force to develop a methodology for monitoring industry operations. The task force recommended that FCC establish an industry monitoring capability in its International Planning Division. Organizational changes are being processed to add three economists to the division and to rename it the International Policy Division within the Common Carrier Bureau. FCC told GAO that the House Committee on Appropriations used this report as support for specifically recommending that five additional staff positions be allocated for the international group within FCC.

FEDERAL COMMUNICATIONS COMMISSION

Federal Communications Commission Can Further Improve Its Licensing Activities
(RCED-83-90, 4-26-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Communications Act of 1934. Radio Act. P.L. 97-259.

In response to a congressional request, GAO reviewed the Federal Communication Commission's (FCC) processing of applications for new common carrier, broadcast, and private radio licenses to identify changes to make these operations more efficient and productive.

Findings/Conclusions: As a result of continued technological improvements and an increasing demand for communications services, the FCC application processing workload has increased and is likely to continue to increase. Congress has noted that, while FCC has tried to improve license processing speeds, it still takes too long to get a license.

Recommendations to Congress: If Congress determines that competition in the telecommunications markets has developed to the extent that market forces eliminate the need for regulatory intervention, Congress should amend section 309(d) of the Communications Act of 1934 as it pertains to applications for new station licenses to require that FCC not accept petitions to deny based on allegations of economic injury to existing licensees as well as other allegations unrelated to technical interference issues.
Status: No action initiated. Date action planned not known.

If Congress determines that competition in telecommunications markets has developed to the extent that market forces eliminate the need for regulatory intervention, Congress should repeal the provisions of section 307(b) which require FCC to distribute licenses among States and communities so as to provide a fair, efficient, and equitable distribution of radio service but which may no longer be necessary in a competitive market.
Status: No action initiated. Date action planned not known.

Congress, to overcome the delay caused by mutually exclusive applications, may want to consider authorizing FCC to use a licensing procedure in which a license would be granted to the first qualified applicant who applied.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Chairman, FCC, should improve procedures for monitoring license processing activities by developing reliable speed of service data for broadcast and common carrier services.
Status: Action in process.

The Chairman, FCC, should determine, as part of the FCC evaluation of resource savings that may result from changes planned in other FCC program areas, whether these resources can be used to alleviate or avoid undesirable license processing backlogs.
Status: Action in process.

The Chairman, FCC, to effectively plan and manage FCC information resources and increase license processing efficiency, should develop specific information requirements, including feasibility and cost-benefit analyses, for all prospective computer system applications included in the 5-year automatic data processing (ADP) plan.
Status: Action in process.

The Chairman, FCC, to effectively plan and manage FCC information resources and increase license processing efficiency, should develop and implement a computer capacity and workload management policy to address FCC short- and long-range data processing needs.
Status: Action in process.

The Chairman, FCC, to improve the Commission's license processing procedures, should evaluate, as part of the Commission's planned proceeding to determine whether construction permits for common carrier stations are still necessary, the benefits of retaining construction permits and substituting a simpler notification form for the license application.
Status: Action completed.

The Chairman, FCC, to improve the Commission's license processing procedures, should evaluate, in the Commission's proposed proceeding to revise the rules for fixed common carrier services, methods for consolidating information on microwave systems that must be now filed separately on each of the applications for individual stations included in the systems.
Status: No action initiated. Date action planned not known.

The Chairman, FCC, to improve the Commission's license processing procedures, should evaluate the merits of changing the FCC rules for processing amendments to applications or existing licenses to allow certain minor amendments to be approved via notification and to reclassify additional amendments as minor.
Status: Action in process.

The Chairman, FCC, to shift some of the Commission's licensing tasks to applicants, should initiate a notice of inquiry to develop a system for providing the public with direct remote access to FCC data bases.
Status: Action completed.

The Chairman, FCC, to shift some of the Commission's licensing tasks to applicants, should evaluate the use of an independent engineering certification system to eliminate the need for FCC verification of technical data included in license applications and the potential for expanding the use of frequency coordinators in existing and forthcoming licensing services.
Status: Action in process.

The Chairman, FCC, to shift some of the Commission's licensing tasks to applicants, should establish criteria for determining when an application is defective and experiment with the use of a strict return policy in selected licensed services to determine effectiveness.
Status: No action initiated. Date action planned not known.

The Chairman, FCC, as part of the Commission's ADP planning, should evaluate the feasibility of providing licensing divisions that currently lack online access to FCC antenna data bases with such access, thereby providing them with up-to-date antenna clearance data.
Status: No action initiated. Date action planned not known.

FCC, in addition to using lotteries to decide among mutually exclusive applications in private radio, common carrier, and low-power broadcast services, should use lotteries for full-power broadcast services where such action is consistent with the promotion of media ownership diversity.
Status: No action initiated. Date action planned not known.

The Chairman, FCC, should evaluate the costs and benefits of consolidating land mobile and microwave licensing functions as the Commission reevaluates its regulatory policies and procedures for these services.
Status: Action in process.

Agency Comments/Action

In general, FCC responded favorably to the report's recommendations. It has already taken action to carry out some of the recommendations and is planning action to implement some others.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Requests for Federal Disaster Assistance Need Better Evaluation
(CED-82-4, 12-7-81)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Disaster Relief Act (P.L. 93-288). 44 C.F.R. 205.44. 42 U.S.C. 5121(b).

The Federal Disaster Relief Program is intended to supplement the assistance which States, their political subdivision, private relief organizations, and citizens provide for disaster relief. The Federal Emergency Management Agency (FEMA) evaluates requests from States for assistance and recommends declarations or denials to the President. GAO reviewed the agency's activities to determine the type and amount of information FEMA obtains, the criteria it uses to evaluate the requests, and the bases for its recommendations.

Findings/Conclusions: GAO found problems which existed in determining the reasonableness of disaster assistance provided by State and local governments. FEMA uses a wide range of information in arriving at its decisions. The lack of consistency in the quality and method of assessments and the lack of knowledge by others as to the FEMA methods of evaluation can create doubt as to whether the Federal Government is only providing supplementary assistance and whether each request is judged in a fair and equitable manner. FEMA policies, procedures, and guidelines for evaluating requests are not widely known. Disclosing internal assessment processes would help State and local governments decide whether they had a valid request to make, enable them to provide more complete and uniform information, and minimize doubts as to whether their requests are treated in a fair and equitable manner. GAO also found that FEMA has adopted a controversial cost-sharing policy and has funded other than natural disasters. Although the FEMA cost sharing policy is consistent with the Disaster Relief Act, it has created controversy among the States. State officials contend that the policy forces them to pay for disaster relief costs which the States believe are beyond their capability to assume or which constitute more than a reasonable amount of State and local funds. The President has provided disaster assistance for such events as the Love Canal chemical contamination and the Cuban refugee crisis which raised questions as to whether other than natural catastrophes are within the purview of the existing law.

Recommendations to Congress: Congress should direct FEMA to prepare a comprehensive analysis of the impact of potential State inequities on Federal disaster assistance and submit to Congress a detailed plan and legislative changes to correct such weaknesses.
Status: Recommendation no longer valid/action not intended. *For political reasons Congress has not given this direction and FEMA believes that it should not address these inequities at this time.*

Congress should reevaluate the present law and clarify the extent to which supplemental Federal assistance should be given in major disasters and emergencies.
Status: Action in process.

Congress should clarify the Disaster Relief Act by spelling out as clearly as possible the type of incidents which may receive disaster assistance. It could define more precisely the intended coverage of the Act and specify that disaster assistance should be provided if there are no other Federal programs available and the State is unable to cope with the situation. FEMA and the Administration would then be better able to administer the Act as Congress intends.
Status: Action in process.

Recommendations to Agencies: The Director of FEMA should develop comprehensive, uniform forms to be used by Governors when submitting their requests and by regional offices when performing damage assessments.
Status: Action completed.

The Director of FEMA should use computer models, such as those developed by GAO, as a tool for program decision-making and evaluation.
Status: Recommendation no longer valid/action not intended. *FEMA has determined that it will not use computer analysis for making decisions on disasters.*

The Director of FEMA should reevaluate and improve the FEMA assessment criteria for evaluating major disaster and emergency requests.
Status: Action completed.

The Director of FEMA should establish written policies, procedures, and guidelines to use when evaluating major disaster and emergency requests and publish them in the Federal Register. This should include: (1) an explanation of the FEMA basic philosophy for evaluating capability and commitment; (2) an explanation of the use of evaluation factors, such as debt and borrowing capacity, surplus funds, and prior disaster history; and (3) the FEMA positions on budgetary relief, forced commitments, and similar matters. The Director should also require that Governors' requests include comprehensive information on the financial capability of the State, the availability of such resources under State law, per capita income, disaster trends, and similar factors to expedite the FEMA assessment of the level of capability each State could attain and to aid FEMA in evaluating the reasonableness of State commitments.
Status: Action completed.

The Director of FEMA should make it clear that future requests which fully comply with Federal laws and regulations will help avoid delays in processing the requests.
Status: Action completed.

The Director of FEMA should require the documentation of all substantive discussions and evaluation meetings held by FEMA.
Status: Action completed.

year. However, FEMA is developing a capability to improve control of yearend spending for future fiscal years. Evidence of that capability is based on unverified testimony. Verification requires a more detailed review.

The Director, FEMA, should develop a procurement reporting process that integrates with the accounting and budgeting systems and compares the actual and planned status of procurement actions.

Status: Action in process.

The Director, FEMA, should assign organizational responsibility within FEMA for improving or developing management information systems.

Status: Action completed.

The Director, FEMA, should establish one or more management information systems to systematically provide top management with information for planning, implementing, and evaluating FEMA activities.

Status: Action completed.

FEDERAL EMERGENCY MANAGEMENT AGENCY

National Defense-Related Silver Needs Should Be Reevaluated and Alternative Disposal Methods Explored *(EMD-82-24, 1-11-82)*

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Department of Defense Appropriations Act, 1982. Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). Bank Holding Company Act (84 Stat. 1768). National Materials and Minerals Policy, Research and Development Act of 1980 (30 U.S.C. 1604). Coinage Act of 1965 (P.L. 89-81). P.L. 90-29. P.L. 96-41. S. 1230 (94th Cong.). H.R. 3484 (94th Cong.).

GAO was requested to evaluate the consequences of a sale of silver from the National Defense Stockpile, a supply of materials retained to prevent costly dependence upon foreign supply sources during national emergencies. Specifically, GAO was asked to address all aspects of the sale, including changes which have occurred since the sale was last justified and alternatives to disposing of any excess silver.

Findings/Conclusions: The Federal Emergency Management Agency determined that the supply of silver from domestic production and reliable imports exceeded the estimated quantity required to sustain the United States for periods of not less than 3 years in the event of a national emergency. Subsequent legislation has suspended a proposed disposal pending a redetermination that the silver to be disposed of is in excess of stockpile requirements. Several factors used to establish stockpile goals for all strategic materials, including a zero silver goal, have changed. These changes have (1) increased projected defense-related demand for silver during national emergencies, and (2) reduced the availability of silver from existing domestic mines and processors. Additionally, three major foreign suppliers have protested the disposal, alleging that a sale will depress the market price, resulting in decreased employment and foreign exchange earnings. To dispose of the silver, the General Services Administration held weekly auctions, but the sale did not assure that the disposal would be for domestic consumption nor did it assure that the short-term market price of silver would not be depressed relative to what it had been. GAO explored disposal alternatives, including coinage programs, small silver bars, transferring or selling the silver to the U.S. Treasury, and leaving the silver in the National Defense Stockpile. The bullion coinage program appears to be the most attractive alternative that should be considered.

Recommendations to Agencies: The Director of the Federal Emergency Management Agency, in evaluating various factors and information, should specifically consider: (1) the most recent war scenario hypothesized in terms of participants, war fronts, type of military action, and warning time; (2) defense-related uses of silver during past national emergencies; (3) reduced expansion from existing mines during wartime; (4) decreasing domestic smelting capacity; (5) the cost of silver from recycling, domestic stocks, and foreign suppliers; (6) the impact that selling the silver at auction may have on relations between the United States and its major foreign suppliers; and (7) long-term uncertainties relating to projected increased U.S. dependency on foreign silver sources and the possibility that a silver stockpile goal could be reestablished at some future date.

Status: Action in process.

Agency Comments/Action

The administration has established a Federal task force, the Interagency Silver Commodity Committee, to reevaluate the need for the stockpile silver sales and to explore alternative disposal methods. On June 29, 1982, the Secretary of the Interior informed Congress that the stockpile silver sales have been postponed indefinitely and that the recommended disposal method, silver bullion coins, is being given serious consideration. On November 15, 1982, Interior informed GAO that the administration was preparing the report to Congress, tentatively scheduled to be released during spring 1983. However, as of January 11, 1984, the report had not yet been released.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Improved Administration of Federal Public Disaster Assistance Can Reduce Costs and Increase Effectiveness *(CED-82-98, 7-23-82)*

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Disaster Relief Act (P.L. 93-288). Flood Insurance Act of 1968. Flood Disaster Protection Act of 1973. Housing and Community Development Act of 1977. OMB Circular A-87. S. 2250 (97th Cong.). 88 Stat. 143.

GAO reviewed the Federal Emergency Management Agency's (FEMA) administration of funds for public disaster assistance. The review was made to determine whether FEMA, which provided over $700 million in disaster assistance from 1979 through 1981, was consistently and effectively providing such assistance to State and local governments.

Findings/Conclusions: Under the Disaster Relief Act of 1974, public disaster assistance is intended to supplement resources available to State and local governments following major disasters. GAO found that FEMA provided public disaster assistance to State and local governments for certain expenditures which they had the capability of providing for themselves. Specifically, State and local governments were reimbursed for: (1) salaries of employees who were temporarily reassigned to assist in disaster relief efforts, (2) equipment temporarily diverted to disaster relief work, and (3) repair and reconstruction of uninsured public buildings. GAO does not believe that reimbursing these types of costs is consistent with the intent of supplemental assistance. GAO also found that State and local governments were not treated consistently in determining what expenses were eligible for reimbursement. This was largely due to the fact that FEMA relies on temporary staff to augment regional staff under the stressful conditions following a disaster. As a result, many immediate and subjective judgments regarding complicated cost eligibility situations are made. Many of these decisions have been subsequently reversed, creating dissatisfaction at the State and local levels with the way public disaster assistance is handled.

Recommendations to Congress: Congress should amend the Disaster Relief Act of 1974 to require that, as a condition of receiving Federal public disaster assistance, State and local governments obtain and maintain appropriate hazard and flood insurance as is reasonably available, adequate, and necessary to protect against the loss of public buildings, facilities, and equipment.

Status: Action in process.

Recommendations to Agencies: The Director, FEMA, should not reimburse State and local governments for regular employees and owned-equipment costs that are properly State and local obligations. These costs should instead be considered as part of the State and local cost-sharing commitment.

Status: Recommendation no longer valid/action not intended. *Other action taken by the agency precludes the need to adopt this recommendation.*

The Director, FEMA, should establish a task force with representatives from the FEMA national and regional offices to minimize the problems associated with estimating eligible project costs. The task force should consult with State and local governments and interested outside organizations.

Status: Action in process.

The Director, FEMA, should revise the FEMA rules and regulations to implement the task force's suggestions for simplifying the estimating of eligible project costs.

Status: Action in process.

The Director, FEMA, should develop an education and training program that will better prepare all participants associated with disaster response and recovery activities.

Status: Action in process.

The Director, FEMA, should seek passage of the legislative proposal that FEMA submitted to Congress which would simplify its funding of projects up to $25,000. If successful, FEMA should consider seeking authorization to increase the project funding ceiling.

Status: Action in process.

The Director, FEMA, should make the results of the FEMA cost-effectiveness analyses available to Congress and to State and local government legislative bodies for their deliberation. These analyses should contain the FEMA recommendations for funding hazard mitigation projects.

Status: Action in process.

Agency Comments/Action

New legislation, S. 1525, has been introduced that will implement many of the outstanding recommendations in CED-82-98 and CED-82-4. The agency had made some progress but, due to heavy workload, has been unable to field test the new system. It plans improvements when the legislation is enacted.

FEDERAL EMERGENCY MANAGEMENT AGENCY

National Flood Insurance: Marginal Impact on Flood Plain Development, Administrative Improvements Needed (CED-82-105, 8-16-82)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Flood Insurance Act of 1968 (P.L. 90-448). Flood Disaster Protection Act of 1973 (P.L. 93-234). Housing and Community Development Act of 1977. Omnibus Budget Reconciliation Act of 1981. Executive Order 12291. S. Rept. 93-583. S. 1018 (97th Cong.). H.R. 3252 (97th Cong.).

Pursuant to a congressional request, GAO examined whether: (1) the National Flood Insurance Program administered by the Federal Emergency Management Agency (FEMA) stimulated flood plain development, and (2) flood plain management regulations were being adequately enforced.
Findings/Conclusions: Coastal and barrier island communities are developing rapidly, because they offer many attractive features and opportunities for recreation and retirement. After studying six coastal communities and interviewing various Federal, State, and local officials, GAO concluded that the availability of Federal flood insurance is not the principal reason for flood plain development in these communities, but it does offer a marginal added incentive to development. GAO also found that the FEMA monitoring of local communities' enforcement of flood plain management regulations has been inadequate. Additionally, GAO noted errors in designations of flood zones on which insurance rates were based. GAO observed that providing flood insurance and other Federal assistance in extremely hazardous coastal areas subject to wave damage may be an undesirable public policy because of the high potential for loss of life and destruction of property.
Recommendations to Agencies: The Director of FEMA should adjust current premiums on all policies found to be misrated.
Status: Action completed.

The Director of FEMA should require the specific geographical location of insured property on all renewals.
Status: Action in process.

The Director of FEMA should require insurance agents to rate policies, when renewed, in accordance with current flood insurance rate maps.
Status: Action in process.

The Director of FEMA should establish a centralized control system to direct and guide the monitoring and enforcement program. This system should include the systematic selection and periodic updating of information on those communities in each region whose compliance with flood plain requirements is considered critical. These communities should receive priority for monitoring visits. The system should also include continuing evaluations of community visits to measure individual and overall community compliance and to evaluate the effectiveness of the monitoring program in each region.
Status: Action in process.

The Director of FEMA should, to improve the National Flood Insurance Program's credibility and financial soundness, establish appropriate management controls to detect and correct flood zone misratings.
Status: Action in process.

The Director of FEMA should reallocate staff resources to increase monitoring activities in regions 4 (Atlanta) and 6 (Dallas).
Status: Action in process.

The Director of FEMA should issue a policy statement to regional offices and program participants setting out the agency's position on suspending communities for failure to enforce required flood plain management regulations.
Status: Action in process.

The Director of FEMA should appeal the Office of Management and Budget's denial of permission to issue the proposed regulation on breakaway walls to the Presidential Task Force on Regulatory Relief.
Status: Action in process.

Agency Comments/Action

The agency was in support of the GAO recommendations. The actions promised in the 60-day letter have not been accomplished but are in progress.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The Emergency Management Assistance Program Should Contribute More Directly to National Civil Defense Objectives
(GGD-83-5, 11-5-82)

Budget Function: National Defense: Defense-Related Activities (054.0)
Legislative Authority: FEMA Civil Preparedness Guide 1-3. FEMA Civil Preparedness Guide 1-5.

Pursuant to a congressional request, GAO reviewed the Federal Emergency Management Agency's (FEMA) Emergency Management Assistance (EMA) Program and the policies which govern distributions of EMA grant funds by States to local jurisdictions.

Findings/Conclusions: GAO found that EMA funds often bypass local areas critical to the national civil defense effort and may not be used to support national civil defense objectives by local jurisdictions receiving the funds. FEMA has issued criteria for the substate distribution of funds, but these regulations are vague and in some cases conflicting. FEMA has not held local EMA grantees accountable for achieving FEMA goals or levels of preparedness because existing Federal criteria have not been applied by FEMA and the States.

Recommendations to Agencies: The Director of FEMA should require each State as a part of its EMA Annual Submission to: (1) identify those local jurisdictions in critical civil defense areas that do not participate in the EMA Program; and (2) address specifically how the State plans to attain participation of these local governments through such means as varying the EMA matching requirement within the State, adopting State distribution formulas as tools to encourage desired participation patterns, and/or giving priority funding consideration to jurisdictions in critical civil defense areas. The Director of FEMA should review each State's Annual Submission to ensure that efforts are being made to fund local jurisdictions critical to the national civil defense effort.

Status: Action in process.

The Director of FEMA should specify national objectives or standards for States to require local applicants to address in their annual funding proposals, depending on the unique needs and capacities of each local jurisdiction. The Director of FEMA should also require States to use these national objectives or standards in their oversight and evaluation of local performance and consider local performance as a factor in their annual funding decisions.

Status: Action completed.

Agency Comments/Action

FEMA generally agreed with the conclusions and recommendations and is taking steps to: (1) better target the EMA Program funds; and (2) define program objectives and hold State and local governments accountable for results.

FEDERAL EMERGENCY MANAGEMENT AGENCY

National Flood Insurance Program: Major Changes Needed if It Is To Operate Without a Federal Subsidy
(RCED-83-53, 1-3-83)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Flood Insurance Act of 1968 (P.L. 90-448). Southeast Hurricanes Disaster Relief Act of 1965. Flood Disaster Protection Act of 1973 (P.L. 93-234). Housing and Community Development Act of 1977 (P.L. 95-128). Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

Pursuant to a congressional request, GAO examined: (1) how the Federal Emergency Management Agency (FEMA) establishes rates for the National Flood Insurance Program; (2) whether it is possible to eliminate the Federal subsidy and make the program self-sustaining; and (3) whether the flood insurance revolving fund is an appropriate mechanism for financing the program.

Findings/Conclusions: GAO found that the National Flood Insurance Program has not collected sufficient premiums to cover the cost of providing the insurance to about 1.9 million policyholders living in flood-prone areas. To compensate for the inadequate premium income, the agency's Federal Insurance Administration borrowed a total of $854 million from the Treasury between 1970 and 1980. Except where FEMA provides an intentional subsidy, flood insurance policyholders are required to pay insurance rates which are set in accordance with accepted actuarial principles. FEMA has relied on a combination of models and judgment to set the insurance rates, and methodological and data weaknesses in this approach have produced an overly complex rate structure that has not generated sufficient income to cover the costs of providing insurance or build up a reserve. FEMA is currently attempting to eliminate the Federal subsidy by fiscal year 1988. When Congress established the flood insurance revolving fund, it expected the program to be run as a joint Government-insurance industry operation; however, after a series of disagreements, in 1978 the Government terminated the insurance industry's involvement and took over the program.

Recommendations to Congress: Congress should, if it finances the program through a direct appropriation, amend the Act to eliminate the National Flood Insurance Fund to: (1) establish instead an emergency fund to pay unanticipated losses; (2) require periodic appropriations to repay expenditures from this fund; and (3) require a business-type budget which determines the surplus or deficiency associated with the risk premium and chargeable rates.

Status: No action initiated. Date action planned not known.

Congress should, if it retains the National Flood Insurance Fund to increase its oversight and direct control of how FEMA finances its losses, amend the National Flood Insurance Act of 1968 to: (1) limit FEMA borrowings to extraordinary losses; (2) require regular appropriations to pay the Federal subsidy and repay the prior year's earnings; (3) require FEMA to notify Congress when it borrows; and (4) require periodic congressional review of the fund's borrowing authority.

Status: No action initiated. Date action planned not known.

Congress needs to consider telling FEMA: (1) whether it agrees with the shift in direction toward as yet undetermined rate increases or coverage reductions; and (2) giving FEMA specific guidance on how the subsidy should be eliminated.

Status: Action in process.

Recommendations to Agencies: The Director of FEMA, to develop a risk premium rate structure which produces adequate premium income and is in line with accepted actuarial principles, should estimate and establish a catastrophic reserve.

Status: Action in process.

The Director of FEMA, to develop a risk premium rate structure which produces adequate premium income and is in line with accepted actuarial principles, should increase reliance on recent loss experience in setting rates.

Status: Action in process.

The Director of FEMA, to develop a risk premium rate structure which produces adequate premium income and is in line with accepted actuarial principles, should develop a rate structure which appropriately reflects variations in risk without unnecessary complexity.

Status: Action in process.

The Director of FEMA, to develop a risk premium rate structure which produces adequate premium income and is in line with accepted actuarial principles, should develop and implement a plan to correct the identified data and methodological weaknesses in the current FEMA rate-setting approach.

Status: Action in process.

The Director of FEMA should state chargeable rates for the regular program so that the amount of intended Federal subsidy can be accurately and readily determined.

Status: Action in process.

The Director of FEMA should establish a monitoring program to detect any adverse impacts which increases in chargeable rates or decreases in coverage provided at chargeable rates could have on the flood insurance program's objectives.

Status: Action completed.

Agency Comments/Action

The agency has taken some steps aimed at implementing the recommendations. Followup should be aimed at whether these actions are fulfilling the thrust of the recommendations.

During 1983, discussions between FEMA and the responsible legislative and authorizing committees of the House resulted in agreements on implementation of the recommendation. Also, Congress addressed the GAO report in adopting the Housing and Urban-Rural Recovery Act of 1983, P.L. 98-181. The act states that flood insurance premium rates may not be increased through September 30, 1984, and requires a report from FEMA to Congress no later than June 30, 1984, that addresses the premium rate structure and future rate increases.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Management of the Federal Emergency Management Agency
(GGD-83-9, 1-6-83)

Budget Function: National Defense: Defense-Related Activities (054.0)
Legislative Authority: Reorganization Act of 1977. Civil Service Reform Act of 1978 (P.L. 95-454). Paperwork Reduction Act of 1980 (P.L. 96-511). Executive Order 12148. OMB Circular A-123. OMB Circular A-64. OMB Bull. 81-21. Reorg. Plan No. 3 of 1978. OMB Circular A-11. OMB Cicrular A-34.

Pursuant to a congressional recommendation, GAO reviewed activities at the Federal Emergency Management Agency (FEMA) to assess its management systems and administrative support functions. The resulting report summarizes FEMA development since its creation In 1979 and notes the agency's efforts to identify and respond to organizational and management problems.

Findings/Conclusions: GAO found that FEMA management problems have resulted from startup activities associated with the reorganization and integration of five predecessor agencies into the newly created agency, which now serves as a single contact for Federal emergency management activities. GAO determined that the most obvious problem is a lack of FEMA identity. Specifically, GAO stated that FEMA needs: (1) an agencywide management system; (2) a clear statement of its mission; (3) clearly defined goals and objectives; (4) long- and short-range planning; (5) information systems to compare planned and actual performance; and (6) internal assessments of program performance related to goals and objectives. GAO stated that these problems resulted in little accountability within FEMA. With respect to administrative support functions, GAO found that deficiencies compounded FEMA organization and management problems. GAO stated that, while improvements have been made in management and administrative support functions during the last 3 years, more needs to be done.

Recommendations to Agencies: The Director, FEMA, should establish formal periodic reviews of the agencywide mission and goals statement, which should be an element of the FEMA-wide planning process and could take the form of top management team building sessions similar to those that initially defined FEMA's mission and goals.
Status: Action completed.

The Director, FEMA, should evaluate the initial agencywide program and support activities' goals and objectives definitions to determine whether they are realistic, achievable, and to the extent possible, measurable.
Status: Action completed.

The Director, FEMA, should evaluate the agency outputs that correspond to program and support activity goals and objectives to determine whether they provide adequate and appropriate performance indicators.
Status: Action completed.

The Director, FEMA, should require a consistent planning process for internal directorate activities that would enhance the coordination and oversight of program activities that cross organizational lines.
Status: Action completed.

The Director, FEMA, should develop performance reporting systems to communicate progress toward program goals at the top, directorate, and regional management levels.
Status: Action completed.

The Director, FEMA, should establish a capability for conducting program evaluations throughout the agency.
Status: Action completed.

The Director, FEMA, should use program evaluation results, once available, in establishing future goals, objectives, and outputs.
Status: Action completed.

The Director, FEMA, should establish a plan that adequately reflects the activities and resources needed to achieve the 1983 goal of a fully approved and functioning accounting system.
Status: Action completed.

The Director, FEMA, should establish sufficient linkage between the planning, budgeting, and evaluation process to make each one an integral part of the overall management system.
Status: Action completed.

The Director, FEMA, should strengthen the central budget office's ability to adequately support top management during budget preparation and execution.
Status: Action completed.

The Director, FEMA, should improve the executive development program by implementing the recommendations made by the Office of Program Analysis and Evaluation.
Status: Action completed.

The Director, FEMA, should develop and implement affirmative action plan goals as soon as the necessary information is available.
Status: Action completed.

The Director, FEMA, should complete the review and update of all inaccurate position descriptions.
Status: Action completed.

The Director, FEMA, should establish a capability in the Office of Personnel to assess whether performance plans are reasonable; relate to organizational goals, objectives, and tasks; and are measurable to the extent practicable.
Status: Action completed.

The Director, FEMA, should direct the Requisition Review Board to analyze yearend procurements for fiscal year 1982 and determine whether there is improvement over prior years.
Status: Recommendation no longer valid/action not intended. *It had been the intention of this recommendation to control fiscal year 1982 yearend spending. Relevance of this recommendation lapsed with the end of that fiscal*

year. However, FEMA is developing a capability to improve control of yearend spending for future fiscal years. Evidence of that capability is based on unverified testimony. Verification requires a more detailed review.

The Director, FEMA, should develop a procurement reporting process that integrates with the accounting and budgeting systems and compares the actual and planned status of procurement actions.

Status: Action in process.

The Director, FEMA, should assign organizational responsibility within FEMA for improving or developing management information systems.

Status: Action completed.

The Director, FEMA, should establish one or more management information systems to systematically provide top management with information for planning, implementing, and evaluating FEMA activities.

Status: Action completed.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The Federal Emergency Management Agency Can Reduce Mapping Cost
(RCED-83-163, 6-23-83)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Flood Insurance Act of 1968 (P.L. 90-448). P.L. 98-35.

GAO reviewed how the Federal Emergency Management Agency (FEMA) selects the method to map communities for entry into the National Flood Insurance Program and whether it is possible to expedite the conversion of the remaining communities without costly and time-consuming detailed mapping.

Findings/Conclusions: GAO found that FEMA uses three techniques that vary in duration and cost. Where a community has a large flood-prone area and has a potential for development, the standard method is to produce a rate map by doing a detailed study. This approach is costly and takes about 4 years. FEMA will occasionally take the existing data and produce a rate map similar to the one generated under the detailed study approach. Existing data study rate maps cost considerably less and take about 2 years to complete. Where no development has taken place in a community, FEMA can avoid detailed mapping by using a special process to convert the less detailed hazard map, that the community received to enter the emergency phase, into a rate map. The cost is relatively inexpensive and takes about 1 year. GAO found that FEMA has relied heavily on the detailed study approach to produce rate maps. GAO also found that the other mapping techniques, in particular the special conversion process, were implemented on an ad hoc basis and were not part of FEMA annual decisionmaking concerning which communities need rate maps.

Recommendations to Agencies: The Director, Federal Emergency Management Agency, should develop a systematic approach which: (1) emphasizes developmental potential in determining which mapping approach to use; (2) incorporates other mapping approaches into the decisionmaking process; (3) weighs the added flood plain management data in a detailed map against the map's cost and the community's developmental potential; and (4) makes appropriate mapping decisions on the basis of this information.

Status: Action in process.

Agency Comments/Action

FEMA fully agrees with the recommendations to develop a more systematic approach for selecting mapping alternatives and is in the process of contracting for a review to rank communities.

Congress acted on the GAO report and testimony was given on this subject in the Housing and Urban-Rural Development Recovery Act of 1983, P.L. 98-181. This legislation requires FEMA to submit a plan to Congress by September 30, 1984, to expedite the conversion of all communities containing flood-risk zones to full program status by September 30, 1987.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Review of FEMA Role in Assisting State and Local Governments To Develop Hurricane Preparedness Planning *(RCED-83-182, 7-7-83)*

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Disaster Relief Act.

In response to a congressional request, GAO reviewed the principal Federal programs relating to hurricane preparedness planning and the preparedness activities of a number of State and local governments.

Findings/Conclusions: GAO found that, although the Federal Emergency Management Agency (FEMA) is responsible for administering Federal emergency management programs, FEMA involvement in hurricane preparedness assistance has been minimal. FEMA awarded study grants to States with only limited coordination with other Federal agencies involved in providing funds and technical assistance. Further, FEMA was funding preparedness studies with little or no assurance that these studies were feasible or could lead to workable preparedness plans. GAO noted that only recently has FEMA become aware of these problems, and it has met with State and local officials to better coordinate ongoing studies. GAO concluded that, although FEMA has taken positive steps to improve program direction, the agency needs to take additional steps to better assure that such results are achieved.

Recommendations to Agencies: The Director, FEMA, should have the proposals reviewed by the Corps of Engineers and relevant NOAA agencies.

Status: Action in process.

The Director, FEMA, should carefully review State proposals to see that: (1) the proposals are technically feasible; (2) the proposed studies will be conducted by technically competent planners; (3) funding is generally available to complete the proposals; and (4) officials having ultimate responsibility for implementing emergency operating procedures during a hurricane are involved in the plannng process.

Status: Action in process.

The Director, FEMA, to better assure that the FEMA Hurricane Preparedness Program provides more effective assistance to States and local governments, should formally review current hurricane planning efforts to determine the best methods for developing and implementing a workable preparedness plan.

Status: Action in process.

Agency Comments/Action

The agency has agreed with the thrust of the recommendations and has initiated appropriate program changes.

The House Committee on Government Operations, Subcommittee on Legislation and National Security, held hearings on the Federal role in hurricane preparedness planning on May 5, 1983. The Director of the GAO Resources, Community, and Economic Development Division testified at this hearing.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Stronger Direction Needed for the National Earthquake Program
(RCED-83-103, 7-26-83)

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453.0)
Legislative Authority: Earthquake Hazards Reduction Act of 1977 (42 U.S.C. 7701 et seq.). Acid Precipitation Act of 1980. Ocean Pollution Planning Act. Executive Order 12148. Executive Order 12381. S. Rept. 97-336.

Pursuant to a congressional request, GAO evaluated efforts by the Federal Emergency Management Agency (FEMA) to carry out the role assigned to it by statutory law, described Federal activities to assist State and local governments with earthquake response planning, and discussed why a prediction system has not been developed.

Findings/Conclusions: GAO found that FEMA, the lead agency for the National Earthquake Hazards Reduction Program, needs to do more to fulfill the requirements of the Earthquake Hazards Reduction Act of 1977. GAO believes that the newly formed FEMA Earthquake Policy Review Group can provide needed direction to Federal agencies in the program by improving interagency planning, budgeting, and evaluation. Progress has been slow in developing earthquake response plans at the State and local levels and in the private sector, and future progress will depend upon adequate FEMA direction and upon the resources available to those preparing the actual plans. GAO also found that an operational earthquake prediction system, an objective of the act, has not been developed, because necessary technological advances have not occurred. Although current monitoring systems can produce warnings, but not predictions, of an impending earthquake, further basic research is needed before reliable short-term predictions are feasible.

Recommendations to Agencies: The Director of FEMA should formalize and strengthen the role of the Earthquake Policy Review Group as the program's oversight and management body by: scheduling regular meetings; instituting a process that will bring important issues before it for decision, including establishing program goals, priorities, budgets, and target dates; and requesting, if necessary, specific congressional funding for its activities.

Status: Action in process.

The Director of FEMA, through the interagency body, should determine the level of priority that should be assigned to achieving advances in technology and knowledge necessary to make a prediction system feasible. This determination should weigh the costs and uncertainties of a prediction system against the potential benefits of reducing loss of life and injuries as well as reducing property damage and disruption. If it is decided that the development of an operational system is vital to the Nation's disaster preparedness and scientific and other problems can be overcome, then FEMA and the Geological Survey, through the National Earthquake Hazards Reduction Program, should seek to arrange adequate funding for its development.

Status: Action in process.

Agency Comments/Action

The agency agreed with the recommendations and has initiated corresponding program changes.

The Senate Committee on Commerce, Science and Transportation, Subcommittee on Science, Technology, and Space, held hearings on the Federal role in earthquake preparedness on March 3, 1983. The GAO Resources, Community, and Economic Development Division testified at this hearing.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Consolidation of Federal Assistance Resources Will Enhance the Federal/State Emergency Management Effort *(GGD-83-92, 8-30-83)*

Budget Function: National Defense: Defense-Related Activities (054.0)
Legislative Authority: Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (P.L. 96-510). Executive Order 12148. Reorg. Plan No. 3 of 1978. OMB Circular A-87. 31 U.S.C. 1301.

GAO discussed the Federal Emergency Management Agency's (FEMA) need for consolidation of Federal assistance resources for emergency management and reviewed the agency's Comprehensive Cooperative Agreement (CCA) initiative.

Findings/Conclusions: A total of 15 separate FEMA categorical planning and preparedness programs were funded at $83 million in fiscal year 1982 and $90 million in 1983. GAO believes that the fragmentation spawned by most of these 15 programs frustrates States' full achievement of national emergency management or civil defense goals. The programs are too often narrowly defined and States cannot transfer funds between them. GAO stated that the categorical assistance structure promotes costly and inefficient program administration. Specifically, GAO found that categorical programs encourage States to perform overlapping planning and to duplicate emergency management activities. States sometimes overcame the categorical restrictions by undertaking a comprehensive and coordinated management effort. However, these practices could be curtailed if FEMA requirements were strictly enforced. In recognition of the constraints of the categorical structure, FEMA initiated the CCA, which gives States discretion in achieving program objectives. While the CCA limits the ability of FEMA to hold States accountable for categorical programs, FEMA is still held accountable by Congress for spending appropriated funds in the categorical manner. GAO believes that a consolidated assistance program that retains State accountability for achieving Federal objectives would enhance the effectiveness and efficiency of the Federal/State emergency management effort.

Recommendations to Agencies: The Director, FEMA, should prepare a legislative proposal to remove statutory restrictions which currently prevent or complicate the consolidation of related planning and preparedness programs.

Status: Action in process.

Pending preparation and approval of a legislative consolidation proposal, the Director, FEMA, should reinforce the administrative consolidation initiative by seeking congressional approval for limited exemption from reprograming restrictions; and by identifying and, to the extent practicable, consolidating related programs presently unconstrained by statutory requirements into one budget program element.

Status: Action in process.

To further reinforce the administrative consolidation and in preparation for the more fundamental legislative consolidation, the Director, FEMA, should also enhance the agency's capacity to implement a more results-oriented approach to holding States accountable for achieving Federal objectives by: (1) specifying in measurable terms all program objectives and evaluation criteria; (2) improving monitoring and evaluation of State performance in achieving program objectives; (3) developing and communicating to the States a realistic sanction system.

Status: Action completed.

The Director, FEMA, should also require each State, in its application for consolidated assistance, to specify how Federal emergency management programs funded by other Federal agencies relate to the CCA and, when implemented, the consolidated FEMA program.

Status: Action in process.

Agency Comments/Action

FEMA generally agreed with the conclusions and recommendations and indicated that it hopes to realize the objectives of the recommendations. It is currently considering the first two GAO recommendations to prepare legislative proposals. It has already combined two appropriations into one, as GAO suggested. With regard to the third GAO recommendation, it indicates that it has specified objectives in measurable terms, developed evaluation criteria, improved monitoring procedures to verify State results, and developed a sanction system to withhold 50 percent of a State's funds if performance in the prior year is not acceptable.

FEDERAL ENERGY REGULATORY COMMISSION

Federal Energy Regulatory Commission Makes Progress Toward Expanding User Fee Program
(RCED-83-2, 2-9-83)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Independent Offices Appropriation Act, 1952. OMB Circular A-25.

GAO examined the Federal Energy Regulatory Commission's (FERC) efforts to develop a user fee system, which would include licensing and filing fees and annual charges collected from the oil, pipeline, electric, and natural gas companies which use FERC services.

Findings/Conclusions: FERC has taken actions to develop a strong user fee program. However, GAO believes that FERC could further strengthen the program by: (1) implementing procedures to periodically test the accuracy of its staff time reporting system; (2) developing written criteria as to which costs should be included or excluded in calculating the average cost for one employee, a key ingredient in the fee determination process; (3) preparing a user requirements analysis of its new accounting system; and (4) proceeding with the creation of one specific office to centralize management over all user fee program activities. In seeking to address these needs, FERC is installing an automated Time Distribution Reporting System to provide more accurate staff day information. Further, FERC is working to adopt an existing Department of Energy accounting system. Although these are significant steps, GAO believes that more can be done to strengthen the FERC user fee program.

Recommendations to Agencies: The Chairman, FERC, should direct that procedures be established for periodically testing the accuracy of the data generated by the Commission's Time Distribution Reporting System.

Status: Action in process.

The Chairman, FERC, should direct that criteria be developed to specify and explain which costs are to be included and excluded in determining the average cost for an employee.

Status: Action completed.

The Chairman, FERC, should direct that overall responsibility for managing and directing the operations of the user fee program be assigned to one office.

Status: Action completed.

The Chairman, FERC, should direct that a user requirements analysis be prepared for the proposed accounting system, giving special consideration to the requirements for the user fee system and a possible future tie-in with the Time Distribution Reporting System.

Status: Action completed.

Agency Comments/Action

FERC agreed with all four of the recommendations and has taken appropriate action on three of them.

FEDERAL ENERGY REGULATORY COMMISSION

Federal Energy Regulatory Commission Has Expedited Case Processing; Additional Improvements Needed *(RCED-83-51, 6-10-83)*

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Administrative Procedure Act. Natural Gas Policy Act of 1978 (15 U.S.C. 3301). Public Utility Regulatory Policies Act. Energy Tax Act of 1978. National Energy Conservation Policy Act. Powerplant and Industrial Fuel Use Act of 1978. 18 C.F.R. 1.28(a). 18 C.F.R. 1.28(c). S. 262 (96th Cong.). S. 755 (96th Cong.). H.R. 5363 (97th Cong.).

In response to a congressional request, GAO reported on the status of the Federal Energy Regulatory Commission's (FERC) current caseload and the improvements it has made in its caseload management in response to a prior GAO report.

Findings/Conclusions: GAO found that FERC has implemented most of the recommendations which GAO made in regard to problems in FERC technical and environmental reviews, hearings procedures, post-hearing legal reviews, and managerial problems. A major time-consuming factor was found to be the large number of incomplete applications received, which necessitated an inordinate amount of staff followup time. The report also noted that many of the lengthiest cases could be expedited if FERC administrative law judges (ALJ) were stricter about granting extensions. The prior report also concluded that FERC could expedite case processing by: (1) delegating the more routine cases to staff for decision; (2) ensuring that its management information system contains sufficient data; and (3) establishing rules on issues common to many cases. The improvements already made by FERC have resulted in faster processing of several major types of cases, which has helped reduce the backlog from about 3,600 cases in fiscal year (FY) 1978 to about 2,000 cases in FY 1982 despite an increase in FERC responsibilities and caseload under the National Energy Act. However, GAO noted that further FERC actions are possible and would yield benefits.

Recommendations to Congress: Congress should require regulatory agencies, such as FERC, to develop ALJ performance standards.

Status: No action initiated. Date action planned not known.

Congress should assign the responsibility for periodically evaluating ALJ performance to another organization, such as the Office of Personnel Management of the Administrative Conference of the United States.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Chairman, FERC, should reject incomplete natural gas applications to discourage unnecessary applicant delays in resolving deficiencies, when such action is in the public interest.

Status: Action in process.

The Chairman, FERC, should obtain the timely involvement of the Director, Office of Electric Power Regulation, to expedite those cases where interagency comments are required on the environmental impact of new hydroelectric projects.

Status: Action in process.

The Chairman, FERC, should improve the efficiency and effectiveness of the review of cases pending final FERC action or reconsiderations by: limiting and expediting the Office of Opinions and Reviews (OOR) review process and revising OOR review policy to reflect those opinions that best accomplish this objective; summarily affirming all ALJ initial decisions not meeting the criteria it establishes under this review policy; placing a higher priority on FERC action in cases pending rehearing by initially limiting extensions of time for decisions on rehearing requests to a firm, but reasonable, time period (90 days) and, thereafter, allowing further extensions only upon finding certain exceptional case characteristics that it should define in its rules of practice and procedure.

Status: No action initiated. Date action planned not known.

The Chairman, FERC, should complete ongoing actions to ensure that complete processing milestone dates are entered into the Management Information System.

Status: Action in process.

The Chairman, FERC, should finalize its generic rulemaking to prevent unnecessary relitigation of common, or generic, issues.

Status: Action in process.

The Chairman, FERC, should use currently available monetary penalties to discourage unnecessary delay by applicants when prescribed deadlines have not been met and such action is in the public interest.

Status: Action in process.

Agency Comments/Action

FERC generally concurred and stated that action is being started on many of the recommendations.

FEDERAL ENERGY REGULATORY COMMISSION

Need To Revise Eligibility Criterion for One Natural Gas Price Category and Eliminate Backlog in Refund Control Work
(RCED-83-3, 8-18-83)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Natural Gas Policy Act of 1978. 18 C.F.R. 271.805. 44 Fed. Reg. 44660. 44 Fed. Reg. 49660. Phillips Petroleum Co. v. Wisconsin, 347 U.S. 672 (1954).

GAO conducted a follow-on review to assess the accuracy of natural gas well determinations for Natural Gas Policy Act incentive-priced categories to determine whether: (1) prices received by producers and ultimately paid by consumers are in agreement with the prices prescribed by the act; and (2) procedures are sufficient for making accurate pricing determinations.

Findings/Conclusions: Most of the wells which GAO reviewed were correctly categorized under the act's and Federal Energy Regulatory Commission's (FERC) implementing criteria. However, the FERC criterion for certain natural gas stripper wells does not meet act requirements. FERC interpretations allow wells which subsequently begin earning a higher return to retain their qualification for this higher price category. The act allows only natural gas which is not produced in conjunction with crude oil to receive stripper prices because revenues from crude oil production would obviate the need for incentive prices for the low volume of natural gas produced. Consequently, consumers are charged higher prices for this natural gas. FERC has developed a huge backlog in its program to detect and require refunds of overcharges in various categories by natural gas producers because: (1) the staff is unable to keep current with cases received; and (2) a surge of cases was created by closing a loophole in regulations. Although FERC has taken some measures to expedite case processing, it has not been able to process fund reports and cases in a timely manner. This backlog and the associated processing timelag may allow overcharges to increase, and the eventual refunds may not reach the consumers who paid the charges. The backlog may also present difficulties in effecting an orderly completion of the compliance program when price controls end.

Recommendations to Agencies: FERC should revise the Natural Gas Policy Act regulations to prohibit continued stripper status for wells with subsequent oil production exceeding its sliding-scale criterion.

Status: Recommendation no longer valid/action not intended. *The agency continues to disagree with the recommendation. GAO believes that it is still valid, but the benefits to be obtained and the dim prospects of obtaining a change do not warrant further GAO work.*

FERC should take timely and aggressive action to identify the actual size and type of backlog work and the procedural or staffing problems causing the backlog in the refund control program and use this information to eliminate the backlog of refund reports and cases and keep caseload processing current through the end of Natural Gas Policy Act price controls.

Status: Action in process.

Agency Comments/Action

FERC states that it has taken action to identify the actual workload and has added staff to eliminate the backlog in fiscal year 1984 and keep work current thereafter. This would meet the recommendation. FERC continues to disagree with the recommendation regarding stripper well criteria and plans to make no changes.

FEDERAL RESERVE SYSTEM

BOARD OF GOVERNORS

Federal Reserve Could Improve the Efficiency of Bank Holding Company Inspections
(GGD-81-79, 8-18-81)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Banking Act of 1933 (48 Stat. 168). Bank Holding Company Act (70 Stat. 133). Financial Institutions Regulatory and Interest Rate Control Act of 1978 (92 Stat. 3683). 80 Stat. 236. 80 Stat. 1760.

GAO reviewed the Federal Reserve's bank holding company supervision program. The report was done because the number of bank holding companies has grown rapidly, and the Federal Reserve has made a number of changes to improve its supervision and accommodate the increasing workload. GAO wanted to determine whether further revisions in holding company inspection procedures were needed.

Findings/Conclusions: GAO found indications that certain operating characteristics of bank holding companies were related to the degree of risk to which the company might be exposed. The risk seemed particularly high if the holding company had credit-extending nonbank activities. GAO found that the Federal Reserve may not be adequately addressing this risk in determining: (1) what information holding companies should be required to report to permit effective monitoring and inspection of these activities; (2) when to make inspections because of potential problems; and (3) how much examination coverage should be given to these activities. Moreover, GAO found that in some districts more information and expertise may be needed to properly evaluate nonbank activities. GAO also found that more flexibility was needed in the Federal Reserve's holding company supervision policy. In addition, the Federal Reserve Bank needs to exercise more control over surveillance actions taken by district banks. Finally, GAO believes that the Federal Reserve could further increase the efficiency of onsite inspections by relying on bank examiners to obtain needed bank holding company data during subsidiary bank examinations.

Recommendations to Agencies: The Chairman, Board of Governors of the Federal Reserve System, should clarify inspection frequency guidelines to encourage district banks to inspect holding companies whenever there is a perceived need, regardless of inspection schedules. In assessing perceived need, the district banks should place greater reliance on surveillance and give more emphasis to companies which have nonbank subsidiaries that extend credit.
Status: Action completed.

The Chairman, Board of Governors of the Federal Reserve System, should increase expertise in nonbank industries and improve training and control mechanisms to ensure that the risk of holding companies' nonbanking operations is uniformly and adequately considered in the surveillance and onsite inspection processes.
Status: Action completed.

The Chairman, Board of Governors of the Federal Reserve System, should reassess reporting requirements to improve the information available on the activities of holding companies' nonbank subsidiaries, including peer group data for comparative peer group analysis. This reassessment should attempt to minimize any increased reporting burden by concentrating on collecting only those data required for effective holding company supervision.
Status: Action in process.

The Chairman, Board of Governors of the Federal Reserve System, should establish procedures for evaluating district bank surveillance activities. Such evaluations should prompt establishment of more definitive guidelines and criteria for district bank activities and should ensure that the most appropriate practices, from a programmatic and economic standpoint, are adopted.
Status: Action completed.

The Chairman, Board of Governors of the Federal Reserve System, should revise the inspection manual to limit onsite inspection tasks to those which are needed in each circumstance.
Status: No action initiated. Date action planned not known.

The Chairman, Board of Governors of the Federal Reserve System, should develop the concept under which the Federal Reserve would request the Federal bank examiners from each agency to perform needed holding company tasks in the course of their bank examinations. GAO recognized that this concept will not be appropriate in all cases and that its use will depend upon timing, examiner capability and availability, and the economics of each situation. GAO anticipates that this concept will be most appropriate for holding companies that do not conduct nonbanking activities and where the holding company and the subsidiary bank management are essentially the same.
Status: Action in process.

Agency Comments/Action

The Federal Reserve has taken a number of steps to enhance the flexibility of the inspection process and improve the allocation of inspection resources. It revised its inspection frequency guidelines to extend the time between inspections of sound companies and to place greater emphasis on inspecting companies whose nonbank activities, degree of leverage, or financial condition suggest greater levels of risk. The Federal Reserve operations review is placing greater emphasis on evaluating the surveillance activities of district banks, and it has established a mechanism for district banks to share the results and experiences of their surveillance activities. The Federal Reserve has increased training of its inspection staff to assess the potential

risk of nonbanking subsidiaries to the holding company. The Federal Reserve revised its supervision manual to place greater emphasis upon off-site analysis of financial factors. The Federal Reserve has also entered into an agreement with the Comptroller of the Currency and the Federal Deposit Insurance Corporation whereby joint examination of certain bank holding companies would be conducted.

GENERAL SERVICES ADMINISTRATION

GSA's Management of Reimbursable Building Services Needs Improvement
(PLRD-81-46, 7-8-81)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: P.L. 92-313.

The General Services Administration (GSA), through its Public Buildings Service, charges tenant agencies for space and related services in Federal buildings and federally leased space. GSA also charges tenant agencies for special services which they request beyond the standard level of repairs and initial space alterations, building operations and maintenance, and physical protection and building security. These special services are commonly referred to as reimbursables.

Findings/Conclusions: Although reimbursable work is the second largest source for financing the Federal Buildings Fund of GSA, it has not received the status of a major agency program. GSA has not assigned anyone overall responsibility for managing these services. Management is fragmented and responsibility for monitoring quality, promptness, and cost varies among and within GSA regions because of inadequate control by both regional and headquarters management. Compounding the effect of fragmented management is the lack of clear guidance by the Public Buildings Service. Controls are weak and reports developed to monitor such services are inadequate or not used. Delivery of reimbursable services has been inconsistent and reimbursements are inconsistent among tenants because criteria for determining which services are reimbursable are unclear. GSA maintains that reimbursement is required only for services beyond the standard level provided in commercial practice. However, GSA has not adequately defined the standard level, and GSA reimbursables continue to rise. The agency has no criteria for determining whether agencies' requests for protective services above those it normally provides are really necessary. Although GSA management has been aware of the problems it is experiencing in providing reimbursable services, it has taken little corrective action.

Recommendations to Agencies: The Administrator of General Services should require the Commissioner, Public Buildings Service, to continually monitor and evaluate the program to improve management and ensure the quality of services, the reasonableness and consistency of charges, the soundness of controls, and the adequacy and uniformity of procedures.

Status: Action in process.

The Administrator of General Services should require the Commissioner, Public Buildings Service, to manage resources in support of the program to ensure that reimbursable requests are justified and that services are promptly delivered.

Status: Action completed.

The Administrator of General Services should require the Commissioner, Public Buildings Service, to publish clear criteria for determining what services are reimbursable and procedures for providing them.

Status: Action completed.

Agency Comments/Action

GSA shared the GAO concern that action should be taken to improve the reimbursable services program and cited actions underway or proposed. The Public Buildings Service issued a task force report on improving management of the reimbursable program in March 1982, which contains many recommendations, none of which have yet been implemented by GSA. GSA also issued in April 1983 some revised criteria regarding what services are reimbursable.

GENERAL SERVICES ADMINISTRATION

GSA's Cleaning Costs Are Needlessly Higher Than in the Private Sector
(AFMD-81-78, 8-24-81)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Property and Administrative Services Act. Service Contract Act of 1965. Reorg. Plan No. 18 of 1950. OMB Circular A-76. S. 1340 (96th Cong.). H.R. 4477 (96th Cong.). 5 U.S.C. 5343(a).

GAO conducted a review of the office building cleaning services of the General Services Administration (GSA). By examining the productivity of GSA custodians and comparing their performance to that of private sector custodial firms, GAO was able to identify areas where improvement could yield important cost savings.

Findings/Conclusions: GSA is spending considerably more than necessary to clean Federal office space. GSA uses its own in-house cleaners, contracts for cleaning, and has cleaning provided by landlords. At the four regions studied, it costs GSA over 50 percent more to clean with its in-house staff than with contractors and nearly twice as much as its landlords pay to clean leased Federal offices. Low productivity and high wages are the primary causes for the cost differentials. GSA has taken little action to reduce in-house cleaning costs. It has not implemented the provisions of an Office of Management and Budget (OMB) circular which requires GSA to contract for cleaning when it is more economical to do so. GSA has not completed any comparative cost studies nor improved the productivity of its in-house staff in preparation for the required comparative studies. GSA is only slowly converting to contract cleaning as attrition reduces its in-house custodial work force. GSA contractors are required to clean mainly during the day despite industry surveys which showed that night cleaning is 20 to 30 percent more productive. A GSA requirement that cleaning contractors provide a minimum number of staff hours on each contract to help ensure quality is not accomplishing its objective. It eliminates the incentive for contractors to improve productivity and save hours. Multiyear contracts would provide incentives for contractors to maximize efficiency and quality that the present 1-year contracts do not provide.

Recommendations to Agencies: The Administrator of General Services should explore with OMB the use of a streamlined approach for making OMB Circular A-76 cost comparisons for cleaning activities.
Status: Action completed.

The Administrator of General Services should complete the cost comparisons required by OMB Circular A-76 as rapidly as possible to determine whether cleaning services should be provided by in-house staff or contract personnel and develop a plan to implement the study results.
Status: Action in process.

The Administrator of General Services should allow contractors the flexibility to clean when they deem it most productive. Daytime cleaning constraints should not be imposed unless the cost effectiveness can be documented.
Status: Action completed.

The Administrator of General Services should eliminate the minimum labor hour requirement from cleaning contracts. Thorough preaward surveys and on-site inspections that utilize random sampling techniques should be used to ensure quality.
Status: Action completed.

The Administrator of General Services should require that cleaning contracts with disadvantaged businesses be obtained at a cost reasonably close to that of competitively bid contracts.
Status: Action completed.

The Administrator of General Services should revise the set-aside determination for small businesses so that large contractors can bid on some cleaning contracts, especially those for larger buildings.
Status: No action initiated. Date action planned not known.

The Administrator of General Services should use renewal options, at least on a pilot basis, in cleaning contracts.
Status: Action completed.

Agency Comments/Action

GSA is making cost comparison studies and is preparing to convert to contract cleaning where it is less expensive.

GENERAL SERVICES ADMINISTRATION

GSA's Federal Buildings Fund Fails To Meet Primary Objectives
(PLRD-82-18, 12-11-81)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Public Buildings Amendments of 1972 (P.L. 92-313). S. 533 (97th Cong.). H.R. 1938 (97th Cong.).

The Federal Buildings Fund was established in 1972 to finance the General Services Administration's (GSA) acquisition and operations of Government owned and leased buildings. Federal agencies occupying space in GSA controlled buildings pay standard level user charges based on comparable commercial rates, which are deposited in the Fund and then made available in annual appropriation acts to GSA for construction, leasing, and real property operations. GAO reviewed the Fund to determine the success it has had in meeting its primary objectives of: (1) providing sufficient funding for construction; and (2) making executive agencies more space conscious.

Findings/Conclusions: GAO found that, to date, the Fund has not accomplished its two primary objectives. It has not generated sufficient revenues for construction, and there is no evidence indicating that anticipated improvements in space utilization have occurred. GAO stated that the Fund has not generated sufficient revenues for construction because it has experienced a cash flow problem since its inception. The Fund was created without receiving any up-front funds, and then it was expected to reverse the effect of prior budgetary decisions to lease rather than construct needed space. Given enough time, the Fund may overcome the cash flow problems. Also, the outlook for the Fund providing increased revenues for construction has improved somewhat because of the refinements in the method used to compute rental rates. In regard to space utilization, there is no evidence indicating that there has been any appreciable improvement in space usage by tenant agencies or that cost savings have occurred because agencies must budget and pay for the space they occupy. GAO concluded that the imposition of a user charge has not brought about the substantial space reductions and cost savings that were anticipated when the Fund was established.

Recommendations to Congress: Congress should either grant the General Services Administration authority to borrow from the Treasury or make direct appropriations available to the Fund to augment its resources.
Status: Action in process.

The House and Senate Committees on Appropriations should require agencies to disclose, in their budget requests to Congress, information on space usage and costs.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator of the General Services Administration should require, pursuant to Federal Management Regulations, that periodic space utilization inspections and surveys be conducted to ensure efficient and effective use of space.
Status: Action in process.

The Administrator of the General Services Administration should place increased emphasis on correcting the deficiencies in the two automated systems which are used to manage public building operations.
Status: Action in process.

Agency Comments/Action

The GSA agreed with the recommendations and stated that it intends to act on them. Concerning space usage, GSA issued an amendment to its Federal Property Management Regulations in February 1983. The objective of this regulation is for agencies to achieve an overall utilization rate of 135 square feet per person in a reasonable period of time. Executive Order 12411 of March 29, 1983, requires that space assigned to each employee be held to a minimum necessary to accomplish tasks.

GENERAL SERVICES ADMINISTRATION

Better Information Management Could Alleviate Oversight Problems With the GSA Construction Program
(PLRD-82-87, 7-9-82)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Public Buildings Act. Paperwork Reduction Act of 1980. H.R. 6410 (97th Cong.). H. Rept. 96-835. S. 1411 (97th Cong.).

GAO was asked to review the General Services Administration's (GSA) Public Buildings Service's ability to provide accurate and timely information on construction.

Findings/Conclusions: GAO found that information on project cost, scope, and schedule variances is not routinely provided to congressional committees or GSA top management, nor is it accurate or timely. This lack of information prevents Congress from effectively evaluating progress on approved projects or identifying cost overruns and delays. Extensive manual efforts are required to generate oversight information reports, in spite of the availability of an information system designed to collect the needed data. Further, the GSA information management organization is not structured or properly positioned to effectively resolve such problems or to respond to the needs of program managers. The automated tracking system cannot provide complete and meaningful project performance information, and it does not provide reliable oversight reports because its data base contains inaccurate and outdated information. GAO found that: (1) GSA never completed the required post-implementation system review/evaluation to determine whether the system was designed and is functioning properly; (2) the system's integrity and reliability are not maintained because users do not follow the National Bureau of Standards Federal Information Processing Standards; and (3) use of the system is not required, nor do GSA regions adequately support it. The problems in this review are indicative of deeper ones in the overall GSA information resources management.

Recommendations to Agencies: The Administrator of General Services should conduct a post-implementation system review of the Repair and Alteration and Construction Automated Tracking System (RACATS) to determine whether it should be redesigned to collect and analyze all the data necessary to provide complete project performance information or whether a more suitable existing system should be acquired.
Status: Action in process.

The Administrator of General Services should require that the Commissioner of the Public Buildings Service enforce adherence to Federal Information Processing Standards by user organizations.
Status: Action completed.

The Administrator of General Services should require that regions document all nonstandard RACATS programs fully and that the regions submit this documentation to the central office where it will be kept on file for control purposes.
Status: Action completed.

The Administrator of General Services should require that a full and complete inventory be made of all nonstandard programs and that a listing of all available programs be disseminated to be regions.
Status: Action completed.

The Administrator of General Services should acquire computer graphics capability which is cost effective to eliminate extensive, manual efforts expended in preparing management reports.
Status: Action in process.

The Administrator of General Services should correct the input error problem through training, and possibly by acquiring better input devices, such as optical readers or other new input technology.
Status: Action in process.

The Commissioner of the Public Buildings Service and the designated information resources manager of GSA should correct and improve RACATS so that it adequately fulfills the current needs of the agency or acquire another existing system which will fulfill its needs.
Status: Action in process.

The Commissioner of the Public Buildings Service and the designated information resources manager of GSA should require Service managers to use whichever system is ultimately selected for agency use.
Status: Action in process.

The Commissioner of the Public Buildings Service and the designated information resources manager of GSA should enforce the timely input of required data into the selected system.
Status: Action in process.

The Administrator of General Services should appoint a senior official experienced in information management as the permanent information resources manager, designated at assistant administrator or equivalent level, reporting directly to him, with the sole responsibilities of this official being to implement the Paperwork Reduction Act of 1980 and assume all the duties required by the Act.
Status: Action completed.

The Administrator of General Services should require top management's involvement and cooperation in information resources management (IRM) and emphasize the senior IRM official's authority over all IRM activities at GSA.
Status: Action completed.

The Administrator of General Services should establish a central IRM office, headed by the senior official, consolidating existing offices. This office should include such IRM-related subcomponents as deemed necessary for the senior official to carry out his/her responsibilities.
Status: Action completed.

Agency Comments/Action

GSA is in substantial agreement with the report's findings and recommendations. Corrective actions were promised on all recommendations.

GENERAL SERVICES ADMINISTRATION

GSA Could Do More To Improve Energy Conservation in New Federal Buildings
(PLRD-82-90, 7-12-82)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Executive Order 12003.

GAO reviewed the General Services Administration's (GSA) ability to reduce energy consumption in newly designed Federal buildings to meet the standards specified in Executive Order 12003.

Findings/Conclusions: Ineffective communications concerning energy conservation requirements between the GSA Central Office, its regional offices, and architect-engineer (A/E) firms is one reason the firms are submitting unsatisfactory designs. The condition exists even though GSA has issued guidelines and criteria for its energy conservation requirements and offers any assistance necessary to help A/E firms achieve the building energy usage goals. The Norris Cotton Federal Building is the GSA energy conservation demonstration project. The successes, failures, and problems experienced in this building are not made known by GSA to others for consideration in designing new Federal buildings. Other factors which contribute to unsatisfactory designs and which need to be improved are: (1) the regional offices' not having adequate knowledge of energy conservation technology to ensure that design submissions comply with GSA requirements; (2) the Central Office's having no assurance that problems identified will be solved because the regions are not required to implement the corrective actions; (3) the failure to conduct all planned post-occupancy evaluations; (4) a delay in completing the instructions implementing the revised management for processing designs; and (5) the lack of a standard for evaluating energy conservation expertise when selecting A/E firms.

Recommendations to Agencies: The Administrator of General Services should require the Commissioner, Public Buildings Service, to incorporate into the energy conservation guidance provided to architect and engineering firms, the experiences gained on projects constructed after the Norris Cotton Federal Building.
Status: Action completed.

The Administrator of General Services should direct the Commissioner, Public Buildings Service, to promptly implement the procedures for the revised policy to improve the quality of designs.
Status: Action in process.

The Administrator of General Services should require the Commissioner, Public Buildings Service, to implement the post-occupancy evaluation program with specific attention to energy conservation matters.
Status: Action in process.

The Administrator of General Services should require the Commissioner, Public Buildings Service, to establish a standard, with minimum and maximum values, for evaluating energy conservation expertise when selecting architect and engineering firms.
Status: Action completed.

The Administrator of General Services should require the Commissioner, Public Buildings Service, to summarize the successes, failures, and problems gained from the Norris Cotton Federal Building into a document, showing how this knowledge can be applied to other new Federal buildings, and provide this document to designers of other Federal buildings.
Status: Action completed.

The Administrator of General Services should require the Commissioner of the Public Buildings Service, to provide the training necessary in the GSA energy conservation requirements and state-of-the-art energy conservation technology for the regional energy design review staff to perform their duties.
Status: Action completed.

Agency Comments/Action

GSA is in substantial agreement with the report's findings and implementation of those with which it is in full agreement is underway. GSA has reservations about two recommendations: (1) summarizing results of the Cotton Building studies; and (2) the post-occupancy evaluation program. The recommendations on architect and engineering selection criteria will be implemented in the near future.

GENERAL SERVICES ADMINISTRATION

Consolidation of GSA Depot Function Can Save Millions and Improve the Use of Depot Resources
(PLRD-82-109, 8-16-82)

Budget Function: General Government: General Property and Records Management (804.0)

GAO reviewed the General Services Administration (GSA) depot system for storing and distributing commonly used supply items.

Findings/Conclusions: Over the past 10 years, the system has been reduced from 25 to 15 depots; however, GAO believes that the system can be further reduced to 8 depots which would save nearly $7 million annually in space costs. In addition, due to the high degree of commonality of supply items among the depots, inventory could be reduced by $25 million. GAO also believes that the consolidation could improve supply performance by using depot personnel more effectively. Since GSA uses an economic order quantity formula to manage common supply items, the number of receipts and the receipt processing workload would be reduced as well. Transportation costs could be increased by the proposed consolidation. However, the increases in transportation costs would be partially offset by savings resulting from fewer total shipments from suppliers. GAO estimates that the one-time personnel costs of consolidation would be about $3 million. Nonpersonnel costs would vary, depending on how the consolidation is accomplished. If consolidation is accomplished over an extended period, nonpersonnel costs could be minimized. As an alternative to consolidating the GSA depot system, GAO considered the potential benefits of transferring the depot function to the Defense Logistics Agency (DLA). However, due to higher staffing requirements at the DLA depots, GAO believes that greater savings could be achieved by retaining and consolidating the function within the GSA depot system.

Recommendations to Agencies: The Administrator of General Services should direct the Commissioner of the Federal Supply Service to immediately begin action to consolidate its depot system and assess the benefits of consolidating the inventory management and procurement functions along with the depot consolidation.

Status: Action in process.

Agency Comments/Action

GSA concurred with the recommendations. It has closed seven depots since the beginning of the GAO review and, as of September 30, 1983, had achieved the eight full service depot system referred to in its response to the report. An implementation plan has been prepared for consolidating the inventory but, due to budgeting constraints, implementation has been delayed until fiscal year 1985.

GENERAL SERVICES ADMINISTRATION

Benchmarking: Costly and Difficult, but Often Necessary When Buying Computer Equipment or Services
(AFMD-83-5, 10-22-82)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.R. 1-4.1209-3(b)3. F.P.R. 1-4.1109-21.

Pursuant to a congressional request, GAO assessed the costs of benchmarking in automatic data processing procurement to determine whether benchmarking is necessary and cost effective and what alternatives there are to the benchmark process.

Findings/Conclusions: GAO found that benchmarking is the most common evaluation technique used in the selection of computer equipment and services by the Federal Government, because it is the only technique that can reliably compare the performance of different computers, which is also generally acceptable to the vendor community. GAO believes that for compatible acquisitions the Federal Government can adopt the private-sector practice of limited use of benchmarking. GAO found that, if agencies can improve benchmarking practices, the cost and time burden on the vendor could be greatly reduced. However, for fully competitive procurements of computer equipment with a projected system life contract value of less than around $2 million, GAO believes that benchmarking should be discouraged because of its high costs.

Recommendations to Agencies: The Administrator of General Services should develop criteria that will help Federal agencies determine: (1) when it is appropriate to benchmark; (2) if benchmarking is needed, what approach is most appropriate; and (3) if benchmarking is not needed, what alternative should be used.

Status: Action in process.

The Administrator of General Services should revise the Federal Procurement Regulations (FPR 1-4.1109-22) so that benchmarking is discouraged for computer equipment procurements with a projected system life contract value of less than $2 million.

Status: Action in process.

Agency Comments/Action

GSA has contracted with the Federal Computer Performance Evaluation and Simulation Center (FEDSIM) to develop Government-wide guidelines to address the recommendations. The anticipated issue date is September 1984. Once the guidelines are completed, GSA will revise the Federal Procurement Regulations. There has been a complete turnover of FEDSIM personnel on the project which has caused a slippage in the response date.

GENERAL SERVICES ADMINISTRATION

Use of Escalation Clauses in GSA Leases
(PLRD-83-8, 11-1-82)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: F.P.R. 1-3.807-3.

GAO reviewed the use of escalation clauses in General Services Administration (GSA) leases and the use of the Consumer Price Index (CPI) as a basis for making annual adjustments to rent payments to cover increases in lessors' operating costs.

Findings/Conclusions: Since 1978, there has been a dramatic increase in the use of escalation clauses. Operating cost subject to escalation based on changes in the CPI is about $62 million. GSA has decided to eliminate the mandatory requirement for the CPI clause, because it believes that it would be more cost beneficial to the Government to use another approach. Since the GSA decision to eliminate the mandatory requirement for using a CPI escalation clause is relatively recent, GAO could not determine whether the new approach would be more cost effective and result in fewer CPI escalation clauses. However, a limited survey at two GSA regions indicated that most offers still include the CPI escalation clauses. GAO believes that a lessor has no incentive to eliminate the CPI escalation clause, which GSA previously institutionalized, and will be reluctant to do so when adequate competition does not exist. GAO also found that there is no assurance that the operating cost base established in leases for future rent adjustment is reasonable and is based on actual costs. In addition, GAO found that, except for the lessors' operating cost statements, the files did not contain detailed cost and price data indicating how the projected base was determined. The GSA leasing handbook does not contain the Federal Procurement Regulation provision relating to the submission of cost and pricing data.

Recommendations to Agencies: The Administrator of General Services should require contracting officers to ensure that the operating cost bases that are subject to CPI escalation are reasonable when leases are negotiated on a sole-source basis.

Status: Action in process.

Agency Comments/Action

The agency was in general agreement with the recommendation. In October 1983, it completed a study of various methods of escalation and pass-through clauses for operating costs in leases. About March 1984, GSA plans to issue instructions to its regions to follow in negotiating and evaluating operating costs for sole-source lease acquisitions.

GENERAL SERVICES ADMINISTRATION

Improvements Needed in Financial Management of GSA's Teleprocessing Services Program
(AFMD-83-8, 12-9-82)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Federal Managers' Financial Integrity Act of 1982. Paperwork Reduction Act of 1980 (P.L. 96-511). Automatic Data Processing Equipment Act (P.L. 89-306). Antideficiency Act (31 U.S.C. 665). F.P.R. 1-4.12. OMB Circular A-123. GSA Order DTS 2100.1. 7 GAO 24.2.

GAO reported on the financial management of the General Services Administration's (GSA) Teleprocessing Services Program and considered: (1) how well GSA administers the single billing method used under the schedule contracts; (2) what impact the single billing method has on the Automated Data Processing (ADP) Revolving Fund; and (3) how well user agencies conduct financial accounting, verification, and certification of invoices for teleprocessing services.

Findings/Conclusions: GAO found that GSA has not achieved all of its single billing method objectives because it lacks enough staff to review the voluminous monthly invoices it receives for teleprocessing services. As a result, many invoice discrepancies are missed in prepayment reviews and contractors often have interest-free use of Federal funds until the discrepancies are detected in postaudit and the credits for the erroneous payments are received. GAO found that the lag time between GSA payment of contractor invoices and rebilling the user agencies puts the ADP Fund in a reduced cash position for an extended period of time, adversely affecting other programs supported by the fund. In addition, user agencies frequently are late in reimbursing the fund, further straining its cash balances. GAO has helped GSA collect over $4.5 million in delinquent accounts. Unlike most Government procurements which require agency verification of receipt of goods and services before contractor payment, under these multiple award schedule contracts payment is made before verification. However, the required postpayment verification has been less than adequate. GAO found that many teleprocessing services users have not established internal control procedures for verifying invoices as required by regulations. GSA is aware of this problem, but has done little to address it.

Recommendations to Agencies: The Administrator of General Services should develop an alternative, cost effective method, such as an automated system, that would support the single billing workload.
Status: Action in process.

The Administrator of General Services should initiate action to lessen the lag time in rebilling agencies for teleprocessing services and impose penalties for noncompliance with the Teleprocessing Services Program multiple award schedule contract terms.
Status: Action in process.

The Administrator of General Services should issue detailed instructions on the most effective means of verifying Teleprocessing Services Program invoices.
Status: Action completed.

Agency Comments/Action

All of the automated support for the ADP Fund has been transferred to the new financial system, NEAR. However, the billing portion will continue to be supported by the Daily Accounting Cycle System until a new system termed Contracts, Leases, and Task Orders is developed. The automated system to support the Teleprocessing Services Program is expected to be operational in the near future. GSA has published new invoice-verifying procedures in a new Teleprocessing Services Program Handbook. It has also agreed to work more closely with user agencies. GSA recently notified GAO that major changes are taking place in the organization and management of the ADP Fund Branch. The Executive Director of the GSA Office of Information Resources Management requested that, when the actions are completed, GAO attend briefings on the changes and inspect the physical site.

GENERAL SERVICES ADMINISTRATION

OFFICE OF THE INSPECTOR GENERAL

Selected GSA Real Property Operations Contain Internal Control Weaknesses
(AFMD-83-35, 1-14-83)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Public Building Amendments of 1972 (P.L. 92-313). Budget and Accounting Act. Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255). F.P.R. 1-3.809. F.P.R. 1-3.603.1. OMB Circular A-123. Fed. Property Management Reg. 101-26.401. 31 U.S.C. 1301.

Pursuant to a congressional request, GAO reviewed selected real property operations of the General Services Administration (GSA).

Findings/Conclusions: GAO found that GSA lacked adequate control over its leasing program for Federal office space, a nonrecurring reimbursable work program, and investment in operating equipment used to support real property operations. As a result of these and numerous other control weaknesses identified by GAO, the Government could not be ensured that its assets were safeguarded or that its funds were being expended efficiently and effectively. About $4 million in actual and $12 million in potential overpayments, overcharges, waste, and improper accounting for funds were identified. Since completion of the review, GSA has advised GAO that it has taken or initiated a number of actions to strengthen its internal controls, including: issuing a new lease acquisition handbook; establishing a contract clearance function in each region; issuing a task force report on reimbursable work; revising its billing policy for reimbursable work so that tenant agency bills will be based on actual rather than estimated costs; and other measures.

Recommendations to Agencies: The Administrator of General Services should emphasize to managers at all levels the importance of complying with existing lease acquisitions procedures and provide oversight to ensure adherence.
Status: Action completed.

The Administrator of General Services should require the Office of Acquisition Policy's contract clearance directorate to refer to the Deputy Administrator of General Services the names of those who do not comply with clearance officials' mandatory preaward requirements for appropriate administrative action and those proposed lease actions on which the contracting office and the Office of Acquisition Policy disagree for final review and decision.
Status: Action completed.

The Administrator of General Services should enforce the provisions of the Penalty Guide when contracting officers and realty specialists willfully or negligently disregard lease acquisition procedures and contract clearance requirements.
Status: Action completed.

The Administrator of General Services should direct contracting officers to correct problems identified during contract clearance and clearance officials to follow up and make sure that the regions take the recommended corrective actions.
Status: Action completed.

The Administrator of General Services should require and enforce existing requirements for field officials to properly allocate charges for labor and materials for reimbursable jobs so that the data entered into the financial management system are accurate.
Status: Action in process.

The Administrator of General Services should require or enforce existing requirements for field offices to keep all source documents related to reimbursable work, such as cost estimates, reimbursable work authorizations, job order control sheets, daily timesheets, inspection reports, vendor invoices, contractual documents, and National Electronic Accounting and Reporting System transmittal forms, to provide an adequate audit trail for completed and terminated jobs.
Status: Action in process.

The Administrator of General Services should require or enforce existing requirements for shop personnel to promptly forward copies of the job order control sheets for completed jobs to the building manager's office so the jobs can be closed.
Status: Action in process.

The Administrator of General Services should require or enforce existing requirements for the automated reporting system to identify any completed job that has had no actual charges against it for 3 months so that excess funds do not remain available for charging.
Status: Action in process.

The Administrator of General Services should require or enforce existing requirements for field offices to keep an inventory of materials and supplies, such as copper wire, sheetrock, paint, and other items that have personal or commercial use, so that building managers and others can readily determine whether such items are being properly used.
Status: Action in process.

The Administrator of General Services should require or enforce existing requirements for cost estimates prepared by GSA field offices to be fully justified and backed by supporting documentation.
Status: Action in process.

The Administrator of General Services should require or enforce existing requirements for duties to be segregated so that: (1) the person preparing the cost estimate is not the one who is responsible for doing the work and for inspect-

ing the completed job; and (2) the person obtaining bids is not the one placing orders or picking up materials.
Status: Action in process.

The Administrator of General Services should require or enforce existing requirements for: (1) customer approval on all work within a specified time after completion and before final payment is made; and (2) strict adherence to the existing $500 limit on purchasing via certified invoice, so that purchases are not split to circumvent this requirement.
Status: Action in process.

The Inspector General of GSA should, using multidisciplined staffs of auditors and technical personnel, make comprehensive reviews of field offices' reimbursable work, both the paperwork and the actual work done, to determine whether records are reliable and the reimbursable program is auditable.
Status: Action in process.

With respect to operating equipment managed by the Public Buildings Service, the Administrator of General Services should require or enforce existing requirements for a wall-to-wall inventory of equipment at all field and regional offices.
Status: Action in process.

With respect to operating equipment managed by Public Buildings Service, the Administrator of General Services should require or enforce existing requirements for reconciliation of property records, Equipment Depreciation and Inventory Control System, and the general ledger.
Status: Action completed.

With respect to operating equipment managed by Public Buildings Service, the Administrator of General Services should require or enforce existing requirements for proper segregation of the duties of inventory, property control, purchasing, and receiving.
Status: Action in process.

With respect to operating equipment managed by Public Buildings Service, the Administrator of General Services should require or enforce existing requirements for defining and listing sensitive items that fall under the capitalization threshold to ensure accountability for equipment with a high personal use value.
Status: Action in process.

With respect to operating equipment managed by Public Buildings Service, the Administrator of General Services should require or enforce existing requirements for attendance at GSA property management training programs of those responsible for Government property.
Status: Action completed.

With respect to operating equipment managed by the Public Buildings Service, the Administrator of General Services should require or enforce existing requirements for consolidation and updating of the various manuals by those responsible for property management so that one comprehensive publication is available for use GSA-wide.
Status: Action in process.

With respect to operating equipment managed by Public Buildings Service, the Administrator of General Services should require or enforce existing requirements for guaranteeing that information put into the property management system for operating equipment (Equipment Depreciation and Inventory Control System) is accurate and properly describes the individual items of equipment.
Status: Action in process.

With respect to operating equipment managed by the Public Buildings Service, the Administrator of General Services should require or enforce existing requirements for participation by staff of the Director of Finance in inventory taking, on a sample basis, to ensure the integrity of the physical counts.
Status: Action completed.

The GSA Inspector General staff should review operating equipment to ensure that sound controls over this equipment are implemented.
Status: Action in process.

Agency Comments/Action

GSA has implemented the recommendations for leasing with one exception and has numerous corrective actions in process on the reimbursable program and operating equipment. Inquiry in January 1984 indicates that the Public Buildings Service is moving very slowly in implementing both the reimbursable program and operating equipment recommendations. The earliest time action will be completed on these recommendations may be August or September 1984.

GENERAL SERVICES ADMINISTRATION

GAO's Second Biennial Report on the Transfers of Federal Personal Property to Grantees and Other Eligible Organizations
(PLRD-83-66, 7-13-83)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Property and Administrative Services Act. Public Works and Economic Development Act of 1965. Foreign Assistance Act of 1961. Science Foundation Act. Department of Agriculture Organic Act of 1944. Indian Financing Act of 1974. Agriculture and Food Act of 1981 (P.L. 97-98). P.L. 94-519.

GAO conducted its second biennial review on the transfers of Federal personal property to grantees and other eligible organizations.

Findings/Conclusions: GAO found that the public law which governs excess and surplus Federal property is being appropriately administered and that the General Services Administration (GSA) has improved the Federal agencies' oversight of transfers to non-Federal organizations. GAO also found that the various Federal agencies are pursuing actions to implement the recommendations contained in its 1980 report.

Recommendations to Agencies: The Administrator of General Services should defer action regarding termination of the reporting requirement of section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended, until such time as the new computer system has been proven to produce complete and accurate data on transfers of excess property to non-Federal organizations.
Status: Action completed.

The Administrator of General Services should continue to emphasize to the State agencies that participation in the Donation Program is dependent on their compliance with the act's requirement for submitting permanent State plans of operation, having external audits performed, and establishing adequate accountability systems. If all of the State agencies do not submit permanent State plans of operation by the GSA established deadline, the Administrator should report to the appropriate congressional committees on the actions that will be taken in cases of noncompliance.
Status: Action in process.

The Administrator of General Services should resolve the inconsistency between the California State Agency's financial records and the financial matters contained in the audit report of the California Department of Finance and determine if the increase in service charges granted was appropriate and should be allowed to remain in effect.
Status: Action in process.

Agency Comments/Action

GSA concurred with the recommendations. Specifically, GSA has: (1) deferred submitting a legislative package to Congress requesting termination of the section 202(e) annual reporting requirement until the accuracy of management information system is verified, but the redesign of the system has been deferred until fiscal year 1985; (2) emphasized the act's requirements for submitting permanent State plans of operation to the respective State Governors, by having external audits performed and by establishing adequate accountability systems; and (3) requested that its Region 9 personnel contact the California State Agency and obtain more specific information about service charge inconsistencies in order to determine if the service charge increase should stand or be withdrawn.

INTERNATIONAL COMMUNICATION AGENCY

The Voice of America Should Address Existing Problems To Ensure High Performance
(ID-82-37, 7-29-82)

Budget Function: International Affairs: Foreign Information and Exchange Activities (154.0)

GAO undertook a review of Voice of America (VOA) to evaluate the management of technical, program, and administrative activities.

Findings/Conclusions: GAO found the VOA management of technical, program, and administrative activities plagued by numerous problems, many of which have existed for a long time. The current management has established an independent personnel office and acquired additional physical space. However, vacancies in key management and staff positions continue to limit the effectiveness of VOA and its ability to maximize efficiency and economy in programing and operating the technical facilities. VOA has given little consideration to long-range planning for technical requirements, but has embarked on a number of piecemeal modernization projects which could cost more than $325 million. Changes to virtually all of these projects have redefined their scope, delayed estimated completion dates, and increased costs. GAO believes that these projects should be halted until VOA establishes a long-range plan for the expansion and improvement of its technical facilities. VOA has failed to maximize the economy and efficiency of its vast technical operation by not fully utilizing new technology; and it has not updated its construction practices to include new concepts, nor has it attempted to coordinate its technical needs with those of other Government agencies. GAO has identified several programing practices which it believes are questionable including: limited guidance, duplication of effort, and the poor management of audience research.

Recommendations to Agencies: The Director of the International Communication Agency should require the Associate Director for Broadcasting to establish a timetable to provide: (1) a definitive level of program guidance including rules of usage and method for writing non-news material to ensure a consistent style; (2) a system which will minimize duplication of effort in developing centrally produced and service-originated non-news material; (3) a centralized process for analyzing and utilizing listener mail in establishing program guidance; and (4) short- and long-range plans for Voice of America programing which will be directed toward achieving maximum efficiency and effectiveness in program mixes and scheduling.

Status: Action completed.

The Director of the International Communication Agency should require the Associate Director for Broadcasting to eliminate backup shortwave transmissions.

Status: Action completed.

The Director of the International Communication Agency should require the Associate Director for Broadcasting to collocate receiver and transmitter plants at the Liberia Relay Station and plan for future relay station collocation.

Status: Action in process.

The Director of the International Communication Agency should require the Associate Director for Broadcasting to establish a plan on the efficient use or disposal of the Dixon and Bethany Relay Stations.

Status: Action in process.

The Director of the International Communication Agency should require the Associate Director for Broadcasting to develop plans to use the concepts of rapid deployment stations and standard-designed buildings in relay station construction and to employ those plans where appropriate.

Status: Action in process.

The Director of the International Communication Agency should initiate discussions with other U.S. Government agencies involved in international broadcasting to identify existing and future technical facilities which may be appropriate for joint use.

Status: Action completed.

The Director of the International Communication Agency should require the Associate Director for Broadcasting to develop a comprehensive long-range plan for the effective modernization and expansion of Voice of America (VOA) technical facilities and, if necessary, delay current construction projects until the plan is developed. The plan should include, as a minimum, projected program needs, a replacement schedule for obsolete equipment, an assessment of VOA technical capabilities and technical standards, an evaluation of the political vulnerability of the VOA broadcast system, and an assessment of the availability of other U.S. Government-owned radio facilities.

Status: Action in process.

Agency Comments/Action

The agency basically agreed with the purpose and conclusions of the report. It has initiated or has underway changes to meet the thrust of each of the recommendations.

INTERSTATE COMMERCE COMMISSION

Interstate Commerce Commission Should Revise Its User Fee Program
(RCED-83-55, 1-13-83)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Independent Offices Appropriation Act, 1952 (31 U.S.C. 483(a)). P.L. 97-258. OMB Circular A-25. 31 U.S.C. 9701.

GAO conducted a review to determine whether opportunities exist for the Interstate Commerce Commission (ICC) to recover more of the costs of special services such as licensing and regulatory functions, approving operating authority applications, motor vehicle rental contracts, and tariff and rate schedules for regulated carriers.

Findings/Conclusions: ICC is not recovering the full costs of providing these services to identifiable beneficiaries because it: does not charge fees for all services, has not revised its user fees since 1972, and sets fees at 50 percent of the cost of providing services. In addition, the current ICC fee schedule consists of 40 services; however, GAO found that ICC performs at least 26 other services for which fees are not assessed. GAO believes that fees could be imposed for several of these services and that the current fees are generally too low. A GAO analysis of the fees collected for five services in 1981 showed that the estimated costs to provide services exceeded receipts by approximately $1.7 million. Efforts to update fees have been hampered because costs of providing special services cannot be readily identified and because ICC has been uncertain as to the extent of cost data needed to support a modification of the fee schedule. Although ICC has a system which can be used to determine hours expended on some services, many of its services are not included in this system. In addition, ICC is not specifically required to charge the full cost of special services, but user fees should be set to recover full cost where practicable.

Recommendations to Agencies: The Chairman of ICC should require the Managing Director to review and revise ICC user fees consistent with 31 U.S.C. 9701, court decisions, OMB Circular A-25, and the Comptroller General's decision.

Status: Action in process.

The Managing Director of ICC should identify all services ICC performs which provide a special benefit to an identifiable beneficiary.

Status: Action in process.

The Managing Director of ICC should determine for which services a fee should be established by: (1) ascertaining the costs to ICC of providing the service, using or modifying the existing system as needed; and (2) assuring that the cost of collecting the fee does not exceed projected revenues and that the collection is administratively feasible.

Status: Action in process.

The Managing Director of ICC should establish user fees which are justified by the above analyses, and periodically update the fees.

Status: Action in process.

The Managing Director of ICC should justify any charges for services at less than full cost, and periodically reevaluate the justification.

Status: Action in process.

Agency Comments/Action

ICC has established a task force to review and update its user fees. It anticipates publishing its new fee schedule on July 1, 1984. In taking this action, ICC is implementing the recommendations.

INTERSTATE COMMERCE COMMISSION

The Household Goods Moving Industry: Changes Since Passage of Regulatory Reform Legislation (RCED-83-86, 6-10-83)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Motor Carrier Act of 1980 (P.L. 96-296). Household Goods Transportation Act of 1980 (P.L. 96-454). 49 C.F.R. 1056.18.

GAO reviewed changes in the interstate household goods moving industry since passage of regulatory reform legislation, the Motor Carrier and Household Goods Transportation Acts of 1980.

Findings/Conclusions: GAO found that, under the Motor Carrier Act, van lines have begun to offer a variety of new price discounts to specific types of shippers, such as corporations, based on a volume of business. However, some household goods carriers have questioned the legality of these discount programs because they do not permit individual shippers to qualify and may result in unfair or destructive competitive practices. The Household Goods Act allows shippers to be given a definite price or binding estimate before household goods are transported, rather than requiring that final charges be based on the shipment's actual weight. By using binding estimates, carriers now have the ability to vary their charges based on existing competition; previously charges had to be based on actual weight. Indications are that large household goods carriers benefited more financially than medium-sized carriers, which have experienced declining earnings. GAO analysis of the financial and operating results of the 96 largest motor carriers of property showed that the 7 van lines in this group were doing significantly better financially than the other 89 non-household goods carriers. Of the 34 agents GAO visited, 10 had received interstate authority to transport household goods for the first time or expanded their existing authority into additional States under the reform legislation which reduced entry requirements for carriers. Although van lines are responsible for self-regulating their agents, the Interstate Commerce Commission (ICC) has new authority to issue complaints directly against them.

Recommendations to Agencies: The Chairman, ICC, should periodically evaluate the various van lines' systems or activities in monitoring the quality of the service their agents are providing to ensure that van lines are adequately monitoring their agents.

Status: Action in process.

The Chairman, ICC, should establish and implement a system to monitor the effects of the new legislation and regulations on the interstate household goods moving industry and shippers.

Status: Action in process.

Agency Comments/Action

ICC stated in its 60-day letter that it is generally complying with the recommendations. Concerning the recommendations that ICC should periodically evaluate the moving van lines' systems in monitoring their agents' service, the chairman stated that ICC, as part of an overall program, has elicited information from 44 carriers about the monitoring of their agents. He stated that ICC is exploring other areas concerning carriers administration and supervision of their agents' programs. GAO recommended that ICC implement a system to monitor the effects of the new legislation and regulations on the moving industry and shippers. The ICC chairman stated that the ICC Office of Transportation Analysis would go forward with a study proposal which involves sending a questionnaire to van lines and shippers. The questionnaire, subject to approval by OMB, concerns the effect of the new legislation and new regulations on the moving and shipping industry.

JUDICIAL CONFERENCE OF THE UNITED STATES

Inconsistencies in Administration of the Criminal Justice Act
(GGD-83-18, 2-8-83)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: Criminal Justice Act (P.L. 88-455; 18 U.S.C. 3006A). Probation Act (18 U.S.C. 3651). Speedy Trial Act. Goldfarb v. Virginia State Bar, 421 U.S. 773 (1975). H.R. 5190 (96th Cong.). Treasury Circular 1075. 18 U.S.C. 1(3). 28 U.S.C. 1918(b).

GAO reviewed the implementation of the Criminal Justice Act to determine the adequacy of the guidelines and directives provided to the district courts for implementing the act, the consistency with which the act is being implemented, and the adequacy of financial controls over funds provided by the act.

Findings/Conclusions: The act enables the Government to provide legal representation for defendants in Federal criminal cases who are not financially able to obtain representation. The Government provides for this legal representation either through a federally employed public defender, a community defender organization, or a private court-appointed attorney. In the absence of clear guidance from the Judicial Conference, each judicial district and often individual judges have had to devise their own policies for administering the act. As a result, there is no assurance that defendants are receiving adequate representation, and determinations of defendants' financial ability to reimburse for attorney's fees are inconsistent. Further, GAO found a wide range of criteria used for selecting attorneys to represent criminal defendants. Many convicted defendants who were not required to reimburse the Government for legal expenses were in a similar or better financial condition than those convicted defendants ordered to reimburse. To date, the Judicial Conference has not: provided the district courts with specific guidance concerning the reimbursement of panel attorneys fees by defendants; ensured that panel attorneys adhere to guidelines requiring them to submit well documented claims for compensation; or ensured that the most efficient system for disbursing grant funds to community defender organizations is used. The Judicial Conference has legislation pending in Congress that would increase the maximum attorney fee levels and provide it with the authority to establish maximum hourly attorney fee rates.

Recommendations to Congress: To eliminate the inconsistent interpretation regarding the legality of making reimbursements a condition of probation and to enhance the collection of reimbursements from convicted defendants, Congress should amend the Probation Act to specifically allow reimbursements, when the court has determined that a defendant has the ability to repay court-appointed counsel, to be made a condition of probation.

Status: No action initiated. Date action planned not known.

If Congress decides to enact legislation giving the Judicial Conference the authority to establish the hourly rates that attorneys could receive for representing Criminal Justice Act defendants, it should add the following provision to the legislation because of the potential budgetary impact that will be caused by raising the hourly rates: "Any hourly rate increase shall not take effect until it has been reported to Congress by the Chief Justice at or after the beginning of a regular session thereof but not later than the first day of May, and shall not take effect until 90 days after the rate increase has been reported."

Status: Recommendation no longer valid/action not intended. *During testimony before the House Committee on the Judiciary in June 1983, GAO revised its position on the recommendation regarding congressional oversight of panel attorney hourly rate increases. GAO believes requests for hourly rate increases will receive sufficient oversight during the congressional appropriation process.*

Recommendations to Agencies: The Judicial Conference, through the Administrative Office of the United States Courts and judicial councils, should improve the implementation of the Criminal Justice Act by establishing overall criteria for use by the district courts in developing specific screening procedures for selecting attorneys to serve on panels and, where practical, institute multitier panel systems to match attorney qualifications with case complexity.

Status: Action completed.

The Judicial Conference, through the Administrative Office of the United States Courts and judicial councils, should improve the implementation of the Criminal Justice Act by encouraging district courts to establish specific criteria when reimbursement of act expenses should be ordered.

Status: Action in process.

The Judicial Conference, through the Administrative Office of the United States Courts, should improve the implementation of the act by requiring district courts to assure that financial information is obtained on defendants and resolve inconsistencies where the financial data provided by the defendant differs from that otherwise obtained by the court.

Status: Action in process.

The Judicial Conference, through the Administrative Office of the United States Courts, should improve the implementation of the act by instructing district courts to require probation officers and pretrial services agencies to include in their reports recommendations on a defendant's financial ability to reimburse the court's Criminal Justice Act expenses.

Status: Action in process.

The Judicial Conference should establish procedures requiring each Clerk's Office in each court to record all reimbursement orders, whether through formal court order or as a condition of probation, by establishing an account receivable indicating the amount owed and the frequency with which payments must be made.

Status: Action in process.

The Judicial Conference should establish procedures requiring each Clerk's Office in each court to bring delinquent payments to the attention of the judges, magistrates, probation officers, and U.S. attorneys in order that followup action can be initiated.
Status: Action in process.

Agency Comments/Action

The Judicial Conference has approved a model plan which provided guidance to the district courts regarding the selection, establishment, and administration of a panel of private court-appointed attorneys, and the Administrative Office has improved its grant disbursement practices. The recommendations to the Judicial Conference which are categorized as "action in process" have not yet been implemented because of the nature of the recommendations. The recommendations entail either the development of needed procedures or the revision of existing procedures, which takes time to develop and test to ensure that the inconsistencies GAO identified are either eliminated or reduced. Also, the recommendations require the close coordination of various divisions within the Administrative Office, which is a time-consuming process.

JUDICIAL CONFERENCE OF THE UNITED STATES

Potential Benefits of Federal Magistrates System Can Be Better Realized
(GGD-83-46, 7-8-83)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: Magistrates Act (Federal) (P.L. 90-578; 28 U.S.C. 631 et seq.; 28 U.S.C. 604; 82 Stat. 1107). Wingo v. Wedding, 418 U.S. 461 (1974). 18 U.S.C. 3060. 18 U.S.C. 3401 et seq.

GAO discussed action necessary to enhance the effectiveness of the Federal magistrate system.

Findings/Conclusions: GAO found that the magistrate system has evolved differently in individual districts causing the duties and roles of individual magistrates to vary among and within districts. The magistrate system could help alleviate the burden of an increased workload in district courts if more information were disseminated among district courts on the uses being made of magistrates, if districts planned better for the use of magistrates, and if district courts understood the criteria for approving magistrate positions. GAO also found that: (1) magistrates can effectively and efficiently perform all duties authorized by law; (2) plans for use of magistrates do not exist in all districts, as envisioned by Congress; and (3) the current system for approving new magistrates' positions is based upon sound criteria. Existing law provides that, upon the consent of the litigants, magistrates who have been designated by the district court can conduct and enter judgments in civil matters. This was intended to lighten the judges' burdens while improving the public's access to the court. However, GAO believes that the Federal Magistrates Act needs to be clarified so that the designation of a magistrate does not preclude a judge's jurisdiction over a case.

Recommendations to Congress: Congress should amend 28 U.S.C. 636(c)(2) by adding the following: "The designation of a magistrate to conduct proceedings in a jury or nonjury civil matter under this section shall not preclude the district court from exercising jurisdiction over any case on its own motion. The district judge shall, however, advise consenting litigants of the reason their matter is not being referred to a magistrate."
Status: Action completed.

Recommendations to Agencies: The Judicial Conference should encourage district courts and judges who are restricting the use of magistrates to explore methods to increase the use of their magistrates. In this regard, the Conference should improve the system for disseminating information regarding the experience of judges and courts who have been using magistrates extensively to substantially relieve the courts' workloads. This system should more formally and routinely transmit information to the district courts.
Status: Action completed.

The Judicial Conference should explain the roles for district judges in advising litigants of the opportunity to consent and should identify ways for district clerks to more effectively execute their notification responsibilities, including the use of followup procedures.
Status: Recommendation no longer valid/action not intended. *The Administrative Office told GAO in January 1984 that neither it nor the Conference plans to act.*

The Judicial Conference should more formally disseminate to all district courts the criteria used in evaluating and approving applications for new full-time magistrate positions. Further, the Conference and the Administrative Office of the U.S. Courts should rely less exclusively on court-initiated requests and should identify those courts that should be encouraged to request additional positions.
Status: Action in process.

The Judicial Conference should encourage, through the issuance of a policy statement, all district courts to analyze their current use of magistrates and develop within their respective districts a comprehensive plan for using magistrates in the most effective and efficient manner.
Status: Recommendation no longer valid/action not intended. *The Administrative Office in January 1984 told GAO that the Magistrates Committee refrained from endorsing a proposal to encourage courts to develop district-wide plans for use of magistrates.*

Agency Comments/Action

In January 1984, the Administrative Office advised GAO of the actions it and the Judicial Conference Magistrate Committee have taken or planned which would basically implement the GAO recommendations. It said the actions taken are designed to encourage district courts to utilize their magistrates to the extent envisioned by the Federal Magistrates Act. In addition, the Administrative Office said, and GAO agrees, that the actions being taken or planned will accelerate the trend toward even greater utilization of magistrate resources.

LEGAL SERVICES CORPORATION

The Legal Services Corporation Board of Directors' Compensation and Expenses and the New President's Employment Contract
(HRD-83-69, 8-31-83)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: 42 U.S.C. 2996(d).

In response to a congressional request, GAO reviewed the compensation and expenses paid to members of the 1982 Legal Services Corporation (LSC) Board of Directors and interviewed individuals about the LSC-related activities they performed. Further, GAO considered laws, regulations, and policies pertaining to LSC and two other corporations and interviewed officials of all organizations to determine whether payments to LSC Board members complied with the law and LSC regulations and policies and whether LSC practices for compensating Board members were comparable to those followed by other Government corporations. GAO examined the employment contract of the current LSC president to ascertain its consistency with those of past LSC presidents and presidents of other Government corporations. GAO also determined whether LSC Board members, appointed by the President while the Senate was in recess, were entitled to compensation.

Findings/Conclusions: LSC laws and regulations entitled Board members to a specified per diem for compensation expenses incurred in connection with their duties. LSC-related services for which members could be compensated or reimbursed for expenses were found to be specified in Board-member compensation policies. Although LSC Board-member compensation and expense payments in 1982 complied with LSC laws, regulations, and compensation policies, LSC procedures for reviewing and authorizing Board-member compensation were determined to lack internal controls. LSC was found to compensate its Board members differently than other Government corporations and most private-sector corporations. In the opinion of GAO, the current LSC president's contract, with the exception of severance pay provisions, was consistent with past LSC presidents' contracts and complied with statutory restrictions on salary, but it was found to be different than the contracts of other Government and private corporation presidents. In addition, GAO determined that LSC Board members were entitled to compensation if appointed by the President while the Senate was in recess.

Recommendations to Agencies: The President of LSC should: (1) require Board members, when requesting compensation, to specify the LSC activities they performed; (2) direct the LSC Comptroller to review and certify Board members' compensation requests for compliance with established compensation policies; and (3) prepare periodic reports to the Board on payments to its members.

Status: Action in process.

Agency Comments/Action

LSC has postponed implementation of the GAO recommendations because of the fiscal year 1983 continuing resolution's restrictions on Board member compensation which limit compensation to attendance at Board or committee meetings. If Congress lifts this restriction, then LSC will make the recommended revisions in its internal controls.

NATIONAL SCIENCE FOUNDATION

NSF Experiment in Research Grant Administration Promising

(PAD-82-7, 9-10-82)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251.0)
Legislative Authority: Science Foundation Act (42 U.S.C. 1861 et seq.). Antideficiency Act (31 U.S.C. 665). 56 Comp. Gen. 31. OMB Circular A-21. OMB Circular A-110.

GAO reported on the Association of American Universities and the National Science Foundation (NSF) experiment in research grant administration which focuses on the needs of universities for flexibility in allocating funds while assuring appropriate financial accountability.

Findings/Conclusions: The experiment redirects the focus of research grant administration from NSF to individual universities and researchers, reduces NSF involvement in grant administration, and recognizes the scientific relatedness of researchers' grants. In its initial phase, the experiment reduces NSF involvement by shifting its authority to review and approve administrative and budget changes to the individual university's organizational prior approval system (OPAS). The second phase of the experiment provides universities and researchers more flexibility in the use of grant funds. GAO found that the NSF monitoring of its experiment raised a number of concerns, and it did not always adequately inform universities of changes and modifications to the experiment. However, GAO concluded that, despite some operational problems which could adversely affect the experiment's success, with the changes recommended in this report, the new approach to research grant administration will have a beneficial effect on the future administration of Federal research grant funds.

Recommendations to Agencies: The Director of NSF should require that NSF review each university's OPAS to ensure that the university has established a system that can act responsibly before any delegations of prior approval authorities are made.

Status: Action in process.

The Director of NSF should ensure that applicable NSF regulations or grant agreements explicitly provide that the authority to approve preaward costs cannot impose an obligation on the U.S. prior to the availability of appropriations.

Status: Action completed.

The Director of NSF should closely monitor the universities' use of the experiment's authorities and provide those responsible for managing the experiment at the universities with information on changes or modifications to the experiment in a timely manner.

Status: Action in process.

The Director of NSF should require that each university's OPAS have an official independent of the participating departments who can assure that each department is exercising the delegated authorities properly, and who has or has available the scientific expertise necessary to review and approve actions.

Status: Action in process.

The Director of NSF should require that all OPAS actions document: (1) the description of the request; (2) the scientific reason for the request; and (3) the source of the funds being rebudgeted and for rebudgeting actions on grants with special grant conditions.

Status: Action completed.

The Director of NSF should require that: (1) each university report to the cognizant NSF official all OPAS actions on any grant whenever the cumulative OPAS actions, excluding preaward costs, exceed 25 percent of the grant's direct costs; and (2) NSF assure that each participating university is aware that its OPAS is responsible for monitoring all actions on grants with special grant conditions.

Status: Action in process.

The Director of NSF should require that retroactive approvals of actions needing prior approval: (1) document the reasons why prior approval was not obtained in a timely manner; and (2) certify that approval would have been given had the request been submitted on time.

Status: Action completed.

The Director of NSF should develop a Phase II evaluation plan and assure that the necessary resources are available to carry it out. The evaluation should include a thorough review of each university's OPAS policies, procedures, and actions, and be conducted by official(s) independent of those managing the experiment.

Status: Action completed.

Agency Comments/Action

NSF has established a panel of senior NSF officials to review Phase II of the experiment. This panel will consider the GAO recommendations and will conduct whatever evaluation it deems desirable. The NSF Director said that, inasmuch as the NSF evaluation panel will deal with the five recommendations having to do with implementation and monitoring, he does not believe that it would be appropriate to comment on them at this time except to say that NSF will take whatever steps are necessary to perform its grant administration responsibilities. NSF agrees with and will implement the remaining recommendations on the criteria to be used for retroactive approvals and for ensuring that the authority to approve preaward costs will not impose an obligation on the United States prior to the availability of appropriations.

OFFICE OF FEDERAL PROCUREMENT POLICY

Congress Should Consider Repeal of the Service Contract Act

(HRD-83-4, 1-31-83)

Budget Function: Education, Training, Employment, and Social Services: Other Labor Services (505.0)
Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Davis-Bacon Act (Wage Rates) Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.). Walsh-Healey Act (Government Contracts). 29 C.F.R. 4. 29 C.F.R. 4.163. Executive Order 12291. P.L. 92-473. H.R. 10238 (89th Cong.). Descomp Inc. v. Sampson, 377 F. Supp. 254 (D. Del. 1974).

GAO reported on the problems and impacts of the Service Contract Act of 1965, as amended, and its implementing regulations and procedures as administered and enforced by the Department of Labor.

Findings/Conclusions: GAO found that Labor has been unable to administer the Service Contract Act efficiently and effectively because: (1) inherent problems exist in its administration; (2) wage rates and fringe benefits set under the act are generally inflationary; (3) accurate determinations of prevailing wage rates and fringe benefits cannot be made using existing data sources and the data needed to accurately determine prevailing wage rates and fringe benefits would be very costly to develop; and (4) the Fair Labor Standards Act and administrative procedures implemented through the Federal procurement process could provide a measure of wage and benefit protection the act now covers. Pending proposed regulations would limit Labor's application of the act while leaving unresolved the major underlying problems in accurately developing prevailing wage rates and fringe benefits. In addition, ambiguities in the language of the act have hampered Labor's ability to develop accurate wage rates and fringe benefits for employees. Amendments to the act further complicated Labor's task by requiring Labor to issue collectively bargained wages and benefits in specific successor contractor situations and give due consideration to Federal employee wages and benefits in making determinations of the prevailing wages and benefits in a locality.

Recommendations to Congress: Congress should consider repealing the Service Contract Act of 1965.

Status: Action in process.

Congress should consider amending section 6(e) of the Fair Labor Standards Act to ensure continued Federal minimum wage coverage for all employees of employers providing contract services to the United States or the District of Columbia.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator for Federal Procurement Policy should, if the Service Contract Act is repealed, encourage Federal agencies to include provisions in their procurement regulations and service contracts, similar to those already required for professional employees, to discourage wage busting of all service employees on Federal service contracts. The Administrator should monitor the impact of the repeal on service contract employees. If he determines that repeal of the Service Contract Act has an adverse impact on the employees, the Administrator should develop administrative policies or legislative recommendations to deal with the problem.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

No action has been taken as of February 17, 1984, on the recommendations to the Administrator of Federal Procurement Policy because implementation is dependent upon the repeal of the Service Contract Act. According to its Office of the Inspector General, the Department of Labor chose not to respond to the report because none of the recommendations were directed to the Secretary of Labor. Nevertheless, in October 1983, Labor issued revised Service Contract Act regulations which were to take effect December 27, 1983. But, on December 2, the AFL-CIO filed suit to prohibit Labor from implementing the regulations, and Labor postponed the effective date of the regulations to January 27, 1984. On January 27, a district court upheld Labor's proposed changes, but the AFL-CIO immediately appealed the decision. As of February 15, 1984, the U.S. Court of Appeals had not ruled on the appeal, and Labor has not issued the revised regulations. Although Labor's proposed changes are short of the repeal action that GAO said Congress should consider, they will correct or alleviate some of the contract coverage problems and certain program administration problems GAO identified and, if properly implemented, will result in sigificant savings.

In the 98th Congress a bill was introduced which would repeal all authority of the Federal Government--including that under the Service Contract Act--to regulate wages in private employment. As of February 17, 1984, Congress had not enacted the proposed legislation.

OFFICE OF MANAGEMENT AND BUDGET

Improved Quality, Adequate Resources, and Consistent Oversight Needed If Regulatory Analysis Is To Help Control Costs of Regulations
(PAD-83-6, 11-2-82)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Paperwork Reduction Act of 1980. Executive Order 11821. Executive Order 12044. Executive Order 12291. S. 1080 (97th Cong.). S. Rule 26.11(b).

In response to a congressional request, GAO examined the role and performance of regulatory analysis in controlling the costs of Federal regulation and the fundamental outstanding issues confronting Congress in determining whether and how to legislate a regulatory analysis requirement. Specifically, GAO was asked to analyze the effects of regulatory oversight by the Office of Management and Budget (OMB) under Executive Order 12291 and the potential effects of proposed Senate bill S. 1080.

Findings/Conclusions: Executive Order 12291 currently requires that major regulations be analyzed to assess their costs and benefits. This requirement may be augmented by proposed regulatory reform legislation S. 1080, which would require a description and comparison of the costs and benefits of all major proposed and existing regulations and reasonable alternatives to them. GAO found that many regulatory analyses do not provide adequate support for their conclusions. The costs of regulatory analysis under Executive Order 12291 are high, and S. 1080 can be expected to increase them. The regulatory impact analysis requirement of Executive Order 12291 has not significantly slowed deregulation. S. 1080 would require more analysis of deregulatory initiatives and provides no discretionary authority to waive the regulatory analysis requirement for the initiatives or to provide selective relief not supported by analysis. S. 1080 incorporates some provisions that would provide the public with more information on the role of OMB and would also increase the potential for displacing agency rulemaking discretion by formally authorizing Presidential oversight. GAO believes that ambiguity in existing legislation about the applicability of cost-benefit standards may conflict with congressional intent and that the oversight provided for in S. 1080 is likely to reduce the independence of regulatory agencies.

Recommendations to Congress: Congress should consider requiring OMB and the agencies to provide information on what resources the agencies have for preparing regulatory analyses and on whether there is a disparity between the resources available and required for meeting the substantive requirements of statutes.

Status: Action in process.

Congress should consider reviewing the provisions of existing regulatory legislation to help remove statutory barriers to cost-effective regulation and reduce the likelihood of a regulatory analysis requirement conflicting with congressional intent.

Status: Action in process.

Congress should direct congressional committees with responsibility for substantive regulatory legislation to consider amending existing legislation to take into account the fact that, absent any statutory directions to the contrary, a cost-benefit standard may now be applied.

Status: Recommendation no longer valid/action not intended. *Legislation introduced for this purpose was not enacted.*

Congress should consider removing language that prevents agencies from considering costs or clarifying goals in terms of performance so that agencies are permitted to seek out the most cost-effective means of achieving those goals.

Status: No action initiated. Date action planned not known.

Congress should consider providing agencies with additional guidance on how intangible costs and benefits should be evaluated for purposes of including them in a regulatory analysis.

Status: No action initiated. Date action planned not known.

Congress should consider reviewing the implementation of Senate Rule 26.11(b) that requires these economic impacts of regulatory legislation to be assessed.

Status: Action in process.

Congress should consider clarifying presidential oversight authority in S. 1080, especially as it relates to rulemaking by independent regulatory agencies.

Status: Recommendation no longer valid/action not intended. *Legislation introduced for this purpose was not enacted.*

Congress should consider the relevant provisions of the Paperwork Reduction Act of 1980 as an approach to defining a procedure by which independent regulatory agencies can overrule rulemaking directions of the President.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Director of OMB should ensure that OMB plays a broader role in overseeing the regulatory analysis process.

Status: No action initiated. Date action planned not known.

The Director of OMB should ensure that OMB monitors the procedures used by the agencies in integrating regulatory analysis into the regulatory decisionmaking process and should monitor the resources available to the agencies to fulfill their analytical responsibilities.

Status: No action initiated. Date action planned not known.

The Director of OMB should ensure that OMB broadens its effort in promoting the adoption of innovative techniques as an approach to reducing costs, rather than simply establishing less restrictive standards.

Status: No action initiated. Date action planned not known.

The Director of OMB should ensure that OMB promotes the development of consistent methodologies for measuring regulatory impacts.

Status: No action initiated. Date action planned not known.

The Director of OMB should ensure that OMB develops written guidelines for waiving the analysis requirement to replace the implicit guidelines that are now in effect. OMB should apply the regulatory analysis requirement more consistently, and a full public explanation should be provided when waivers are granted.

Status: No action initiated. Date action planned not known.

The Director of OMB should ensure that OMB oversight be conducted in the open, with public filings of OMB comments on agency analyses.

Status: No action initiated. Date action planned not known.

The Director of OMB should require that all those who contribute factual information from outside OMB provide sufficient documentation to enable it to assess the validity of the information. OMB should use ex parte facts or analyses as a basis for commenting on an agency's proposed rule or regulatory impact analysis only when the source of those ex parte materials is identified publicly and accompanied by sufficient documentation to assess their validity. Procedures should be established to ensure that those materials, including the documentation, are forwarded to the agency for inclusion in the rulemaking record.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Several authorizing committees have raised with agencies under their jurisdiction the issue of providing information on resources available for preparing regulatory analyses. OMB did not respond formally to the GAO report.

OFFICE OF MANAGEMENT AND BUDGET

Federal Credit Policy on Guaranteed Loans Should Be Clarified and Enforced
(RCED-83-22, 11-4-82)

Budget Function: General Government: Legislative Functions (801.0)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (31 U.S.C. 1302). OMB Circular A-70.

GAO reviewed the effectiveness of Office of Management and Budget (OMB) Circular A-70 by measuring Federal program compliance with the circular's basic principles that: (1) recipients of credit assistance should pay a fee for such assistance; (2) private lenders should share part of the risk on loans receiving guarantees; (3) agencies should prohibit excessive interest rates on guaranteed loans; and (4) guarantees should not be extended to tax-exempt obligations.

Findings/Conclusions: GAO reviewed 11 programs and found that 8 did not charge fees high enough to recover all of the program costs; programs increased the Government's financial risk by millions by not requiring lenders to bear any risk on guaranteed loans; and 2 programs increased Federal tax losses by guaranteeing tax-exempt obligations. The inconsistencies created by noncompliance with the circular's principles also created inequities because some lenders or borrowers receive the same Federal assistance as applicants in other programs, but on more favorable terms. GAO found that inconsistencies between agencies, and even within different programs administered by the same agency, lowered the participation rate of the banking community and created a generally negative atmosphere around Federal loan guarantees. As a result of OMB lack of emphasis on the circular and its principles, agency officials were generally not aware of it, and nearly all who were did not use it. Officials stated that centralized guidance would be helpful to them and that they could follow the circular's principles, but OMB would have to provide more leadership. OMB officials acknowledged the noncompliance but said that corrective action must be postponed further.

Recommendations to Agencies: The Director, OMB, should reissue the circular to: (1) state directly the executive branch policies on charging guarantee fees, requiring lender coinsurance, controlling interest rates, and guaranteeing tax-exempt obligations, and amend it to include additional policy guidance as soon as practicable; (2) state assertively that agencies developing credit assistance legislation and agencies administering existing programs, where existing statutes permit, are required to follow the principles contained in the circular; and (3) provide sufficient emphasis on the circular to allow for effective oversight and enforcement. Should such reissuance be determined to be impractical at this time, as an interim step, OMB should send a memorandum to the heads of executive agencies and establishments providing policy guidance on the four principles discussed in this report.

Status: Action in process.

Agency Comments/Action

The OMB Fiscal Analysis Section has begun revising Circular A-70 as recommended by GAO. It anticipates completing a draft of the revised circular by April 1984.

OFFICE OF MANAGEMENT AND BUDGET

Small Computers in the Federal Government: Management Is Needed To Realize Potential and Prevent Problems
(AFMD-83-36, 3-8-83)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). Privacy Act of 1974.

GAO identified a rapidly evolving problem relating to the acquisition and use of small computers by Federal agencies. GAO based its report on earlier findings and on current monitoring efforts of the automatic data processing performance at several agencies.

Findings/Conclusions: GAO found that the use of small computers in the Government has advanced much faster than agency efforts to manage these resources. Existing guidance, directed toward large computers and centralized data processing, does not cover some of the unique aspects of the small computer environment. Present conditions allow waste and inefficiency in the short run and adversely affect broad policies and goals in the long run. GAO stated that lack of planning and guidance at all levels has allowed uncoordinated and uncontrolled proliferation of small computers. GAO concluded that, collectively, small computers constitute a large block of resources that need increased attention from data processing management.

Recommendations to Agencies: The Office of Management and Budget (OMB), working with the General Services Administration and the National Bureau of Standards in their respective areas of responsibility, should formulate policy and issue guidance to Federal agencies to provide the framework for a more informed, controlled, and systematic approach to the justification, acquisition, installation, and operation of small computers.

Status: Action completed.

The Director of OMB should ask the Reform 88 staff to: (1) specifically address the impact and implications of small low-cost computers; (2) report to him on how much and what kind of guidance is needed; and (3) make recommendations to him on the guidance to be issued on small computers.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

OMB said that it was too soon to issue management controls because of limited Federal experience with small computers.

OFFICE OF MANAGEMENT AND BUDGET

Implementing the Paperwork Reduction Act: Some Progress, but Many Problems Remain
(GGD-83-35, 4-20-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Public Health Service Act. Paperwork Reduction Act of 1980 (P.L. 96-511). Federal Reports Act, 1942. Automatic Data Processing Equipment Act (P.L. 89-306). Marine Mammal Protection Act of 1972. Executive Order 12291. Executive Order 12044. Executive Order 12046. OMB Circular A-71. OMB Circular A-11.

Pursuant to a congressional request, GAO reported on the Office of Management and Budget's (OMB) progress in implementing the Paperwork Reduction Act of 1980.

Findings/Conclusions: The Paperwork Reduction Act established broad objectives for improving the management of all Federal information resources. The act established the Office of Information and Regulatory Affairs (OIRA) within OMB and charged the Director of OMB with Government-wide responsibility for achieving these objectives. OMB projected that a 29-percent reduction in paperwork burdens will be achieved by October 1983, exceeding the act's 25-percent reduction goal. However, GAO stated that OMB has made limited progress toward achieving other objectives of the act. The act contains 13 tasks with statutory milestones; 5 of the 6 tasks with 1982 milestones have not been completed. GAO believes that the most crucial decision contributing to the shortfalls in completing many of the act's task was the assignment to OIRA of primary responsibility for the administration's regulatory reform program. As a consequence of its extensive regulatory reform responsibilities, OIRA has not devoted full time to implementing the Paperwork Reduction Act.

Recommendations to Congress: Congress should consider implementing one of the following three options to get OMB to effectively carry out its Paperwork Reduction Act reponsibilities: (1) identify the resources needed to fully implement the act, and report annually on the resources expended for that purpose; (2) provide separate funding for implementing the act; and (3) provide a separate appropriation for implementing the act and amending it to prohibit OIRA from performing any duties other than those required by the act. The first option could be taken either in connection with the next OMB budget request or required as part of the next OMB annual report under the Paperwork Reduction Act. The second option would allow for Congress to decide the level of resources it wishes to apply toward the act's objectives and would provide reasonable assurance that the funds appropriated were actually applied.
Status: Action in process.

Recommendations to Agencies: The Director, OMB, should identify specifically and include in the budget program and financing schedule the resources needed for timely and effective implementation of the Paperwork Reduction Act.
Status: Action in process.

The Director, OMB, should assess the feasibility of applying a greater portion of the resources currently available to implementing the requirements of the act, particularly those requirements having statutory milestones. The results of this assessment should be included in the OMB budget submission.
Status: No action initiated. Date action planned not known.

The Director, OMB, should direct OIRA to provide clear-cut guidance to the agencies for implementing their responsibilities under the act.
Status: No action initiated. Date action planned not known.

The Director, OMB, should direct OIRA to develop a plan, including specific milestones, for accomplishing tasks specifically requiring the involvement of General Services Administration and the Department of Commerce.
Status: Action in process.

The Director, OMB, should direct OIRA to make appropriate use of other agencies' expertise in accomplishing tasks required by the act.
Status: Action in process.

The Director, OMB, should direct OIRA to develop criteria for delegation of clearance authority to qualified agencies and work with the agencies so that delegations can be granted.
Status: No action initiated. Date action planned not known.

Agency Comments/Action

An OMB official stated that OMB has not prepared a written statement but does plan to do so.

The House Committee on Government Operations has included a provision in H.R. 2718 to require OMB to establish the funding required to carry out the Paperwork Reduction Act. H.R. 2718 passed the House of Representatives on November 7, 1983, and is pending in the Senate.

OFFICE OF MANAGEMENT AND BUDGET

More Guidance and Controls Needed Over Federal Recordkeeping Requirements Imposed on the Public *(GGD-83-42, 4-28-83)*

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Records Disposal Act. Records Act. Paperwork Reduction Act of 1980 (P.L. 96-511). Food, Drug and Cosmetic Act (21 U.S.C. 355(e)). H.R. 316 (97th Cong.). S. 961 (97th Cong.). S. 1792 (97th Cong.).

GAO reviewed compliance with a provision of the Paperwork Reduction Act of 1980, which requires the Office of Management and Budget (OMB) to develop standards relating to federally imposed record retention requirements, to determine whether the Government has acted to reduce the impact of those requirements.

Findings/Conclusions: GAO found that some businesses are confused about the length of time they must keep records for the Federal Government. GAO also found that some businesses have a difficult time identifying and interpreting Federal recordkeeping requirements. These businesses believe this burden could be minimized if the Government would provide them with a dependable guide to identify applicable Federal recordkeeping requirements. GAO believes that OMB should develop such a guide as part of its responsibility under the act. Effective control of Federal recordkeeping requirements requires that OMB establish reasonable retention standards for agencies to follow and that it ensure that agencies follow them. OMB has taken preliminary steps toward establishing standards; however, these steps have been done piecemeal and have been given a low priority. Consequently, little progress has been made toward developing useful record retention standards.

Recommendations to Agencies: The Director, OMB, should direct the Office of Information and Regulatory Affairs (OIRA) to develop and place a higher priority on implementing a plan to establish and enforce record retention standards for recordkeeping requirements levied by agencies on businesses, individuals, and State and local governments.
Status Action completed.
The Director, OMB, should direct the OIRA Administrator to work with the General Services Administration (GSA) in developing this plan, including assigning tasks and providing resources needed to accomplish these task.
Status Action in process.
The Director, OMB, should direct the OIRA Administrator to require that agencies specify proposed retention periods and standard industrial classification data for all recordkeeping requirements submitted for review.
Status: Recommendation no longer valid/action not intended. *OMB maintains that agencies are already specifying retention periods when they submit requirements for review. It has stopped requiring that agencies submit standard classification data because it does not use these data and does not want to overload its data bank, the Reports Management System.*
The Director, OMB, should direct the OIRA Administrator to ensure that the retention periods and standard industrial classification data are entered into the Reports Management System for future analysis.
Status: Recommendation no longer valid/action not intended. *OMB stated that the Reports Management System was not designed to be used for such analysis. The system is primarily intended to monitor reporting burdenhours, and OMB does not want to impair its efficiency and effectiveness by adding other functions. The system does not contain the necessary type and quality of data.*
The Director, OMB, should direct the OIRA Administrator to work with GSA to reinstate publication of a guide to Federal recordkeeping requirements.
Status Action in process.

Agency Comments/Action

OMB is taking action to implement the recommendations. It is working with GSA to develop a plan for Federal record retention standards and a guide to retention requirements. It claims that agencies are currently specifying retention periods when they submit requirements for review, although not in a uniform manner. OMB has stopped requiring agencies to submit standard industrial classification data. Because of these data limitations and because it wants to avoid overloading the Reports Management System, OMB does not intend to use the system as a tool for retention requirement analysis.

OFFICE OF MANAGEMENT AND BUDGET

Progress of Federal Procurement Reform Under Executive Order 12352
(PLRD-83-88, 6-17-83)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Office of Federal Procurement Policy Act Amendments of 1979. Paperwork Reduction Act of 1980. Executive Order 12352. P.L. 93-400. H.R. 2293 (98th Cong.). S. 1001 (98th Cong.). DOD Directive 5000.30 DOD Directive 5129.2.

In response to a congressional request, GAO reported on the progress of Federal procurement reform under Executive Order 12352 which was designed to establish a system in each agency to manage procurement, simplify the procurement process, develop a professional work force, and increase the use of competition.

Findings/Conclusions: The Office of Management and Budget (OMB) has developed a plan and established interagency task groups for guidance design of the system reforms. Further, a procurement executive has been appointed in each agency to manage its procurement system. However, agencies have not given these officials the complete system responsibilities or authority necessary to carry out the procurement reforms.

Recommendations to Congress: Congress should provide in the Office of Federal Procurement Policy reauthorization bill: (1) decision authority for the Policy Office to prescribe, where necessary, Government-wide criteria for an acceptable procurement system, oversee the new Government-wide regulation, and conduct tests of innovative concepts and methods to streamline procurement and increase competition; (2) recognition of the role of assisting the agencies in developing their procurement systems; and (3) a statutory basis for the agency management responsibilities spelled out in the Executive Order.

Status: Action completed.

Recommendations to Agencies: The Director, OMB, should ensure that high-level agency managers are aware of their responsibilities to: (1) establish a management structure throughout their agencies with complete procurement system responsibilities; (2) dedicate enough time and talent to designing reform guidance; (3) adopt the substance of reform guidance being issued under the Executive Order; and (4) conduct an internal review of the effectiveness of agency implementation.

Status: Action completed.

The Director, OMB, should use progress reports to the President on the Executive Order as a vehicle to encourage implementation by reporting both progress and problems and furnish copies of these reports to the Senate Governmental Affairs and House Government Operations Committees. The reports should be based upon the actual agency responses to guidance stemming from the Executive Order. Such agency responses should describe the extent of implementation and reasons for any delay.

Status: Action in process.

The Director, OMB, should assign responsibility for developing Executive Order guidance on agency reviews of procurement needs and priorities.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

Although OMB agrees with the GAO recommendation, no substantive implementation has taken place.

OFFICE OF MANAGEMENT AND BUDGET

Improved Standards Needed for Managing and Reporting Income Generated Under Federal Assistance Programs
(GGD-83-55, 7-22-83)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: OMB Circular A-102. OMB Circular A-110.

GAO reviewed Federal agencies' and grantees' policies and practices for managing and reporting income generated under federally assisted programs.

Findings/Conclusions: GAO found that a number of Federal agencies have not established regulations conforming to the Office of Management and Budget's (OMB) grant-related income standards or are not adequately implementing their grant-related income regulations. GAO also found that the OMB standards do not address all grant-related income issues and that the income reporting requirements are not clear. As a result, the objectives which the income standards sought to attain, such as using the income to increase the size of federally assisted programs or to reduce the Federal Government's and grantees' share of program costs, are not always being attained.

Recommendations to Agencies: The Director, OMB, should revise Circulars A-102 and A-110 to expand the definition of program income and the financial reporting requirements to ensure that all income generated under federally assisted projects, including interest and sales proceeds, is accounted for and reported by assistance recipients.
Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to establish standards for the disposition of interest earned on (1) program income; (2) funds not pending disbursement because of completed projects, audit exceptions, or contract settlements; and (3) sales proceeds.
Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to establish standards addressing the timing and allowability of program income expenditures and the classification of income derived from products of the land such as oil, gas, minerals, gravel, and standing timber.
Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to expand the description of the deductive option to note that its objective of reduced costs to the Government will not be achieved unless total grantee expenditures are limited to the budgeted amount approved in the grant award.
Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to incorporate in the standards a statement that Federal agencies should specify in their regulations which program income option is to be used by grantees when grant agreements fail to specify an option.
Status: Action in process.

The Director, OMB, should revise Circulars A-102 and A-110 to clarify in the instructions for Standard Forms 270 and 272 that all income retained by grantees is to be subtracted on their requests for drawdowns.
Status: Action in process.

Agency Comments/Action

OMB stated that it is now reviewing all of the provisions of OMB Circulars A-102 and A-110. When the review is completed, appropriate changes will be made to the program income provisions of the circulars.

OFFICE OF PERSONNEL MANAGEMENT

Changes Needed in Calculation of Reduction in Civil Service Annuities for Survivor Benefits
(FPCD-81-35, 2-26-81)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: 5 U.S.C. 8339. 5 U.S.C. 8340.

GAO reviewed the method used by the Office of Personnel Management (OPM) to reduce the civil service annuities of retired Federal employees who have elected survivor benefits for their spouses. Specifically, its objectives were to evaluate the OPM method of calculating the survivor benefit reduction when applying cost-of-living adjustments and to determine what the effects would be if the method were changed.

Findings/Conclusions: When they retire, Federal employees may elect that upon their death an annuity will also be payable to a surviving spouse. The applicable law specifies that, for this coverage, the retiree's full annuity is reduced by specific percentages stated in the law. If a retiree's marriage ends by death or divorce, survivor coverage also ends and the annuity is increased to its full amount. Cost-of-living increases apply to all annuities payable from the fund, but the law authorizing them does not specifically state whether they are to applied to the reduced annuities or the unreduced annuities. OPM has elected to apply the increases to the reduced annuities, which results in a higher cost to the Government. OPM calculates the reduced annuity only once for an individual at the time he or she retires and elects survivor coverage. Thereafter, the reduced annuity is adjusted by semiannual cost-of-living increases. This creates a situation where, for identical survivor benefits, new retirees pay more than earlier retirees who subsequently received cost-of-living increases. GAO believes that a more equitable method would be to recalculate the annuity reduction each time there is a cost-of-living increase. If a marriage ends, OPM recomputes and restores the full annuity. In addition, it maintains a record from that time forward of the adjusted reduced annuity and survivor benefits payable in case the retiree remarries. This procedure preserves the potential for inequity among single retirees in the event of their subsequent remarriage and should be changed.

Recommendations to Agencies: The Acting Director, OPM, should determine reduced annuities for survivor coverage by first adjusting the full annuities for cost-of-living increases and then applying the reduction formula.

Status: No action initiated. Date action planned not known.

The Acting Director, OPM, should propose a change to section 5 U.S.C. 8339 so that upon remarriage a retiree's survivor reduction would be determined according to the reduction formula applicable to other retirees.

Status: No action initiated. Date action planned not known.

The Acting Director, OPM, should change the method of reestablishing full annuities in cases of marriage dissolution to the method described in this report.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

OPM opposed adopting the recommended changes. It believed that the changes would be: (1) perceived as inequitable by some retirees; (2) more complex than existing procedures; and (3) contrary to changes recently enacted in the military retirement system. OPM added that although it could implement the recommendations administratively, it would not do so unless the law was changed.

OFFICE OF PERSONNEL MANAGEMENT

OPM Needs To Provide Better Guidance to Agencies for Approving Government-Funded College Courses for Employees
(FPCD-82-61, 9-20-82)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Government Employees Training Act. 5 U.S.C. 5946.

In response to a congressional request, GAO reviewed Government expenditures for its employees to attend college courses as well as expenditures on organizational dues which are a part of training expenses.

Findings/Conclusions: Federal agencies pay for a wide range of college courses. Agencies vary in their judgments of the types of training-related costs they will pay, whether college courses can be taken during duty time, and restrictions on the number and types of courses which employees may take. In the four activities which GAO visited, most employees and supervisors interviewed believed that the college courses which the employees took were necessary for performing agency functions; however, GAO did not see how some of the courses taken by employees related to their official duties. Although the Government Employees Training Act requires Government-financed college courses to be related to employees' official duties, the Office of Personnel Management (OPM) definition of official duties is not specific. Additional guidance is needed, particularly as the Act relates to future duties. None of the activities visited had systematic procedures to determine whether the agencies are benefiting from paying for employees to attend courses. At the four activities, employees' leaving their agencies soon after completing courses did not appear to be a problem. Three of the four activities visited had also paid organizational dues during fiscal year (FY) 1980. Although most of the memberships were purchased in the names of the activities, one activity purchased two memberships for individuals. At the four activities, memberships in the Toastmasters clubs were not purchased during FY 1980.

Recommendations to Agencies: The Director of OPM should develop more specific guidance for Federal agencies to use in determining the kinds of college courses they may approve and pay for, particularly those courses that relate to future duties employees may assume. Agencies should be required to have an established target position for trainees which can be reached within a specific time. The Director should emphasize to agencies the importance of establishing and implementing a system to evaluate and assess the effect that college training has on participants' performance and to assure that skills acquired from college training are being used. OPM should assist agencies in developing their evaluation methodology.

Status: Action in process.

Agency Comments/Action

OPM agreed that agencies need more guidance to determine the kinds of college courses they may approve and pay for. OPM indicated that guidance in this area has been under development and is approaching completion. The guidance would be included as a supplement to chapter 410 of the Federal Personnel Manual. OPM advised that it has identified examples of agency evaluation activities involving assessment of the effect college training has on participants' performance. This information has been disseminated to the Federal training community. Also, at a December 1982 managers' workshop, in which training leaders from many Federal agencies participated, OPM attempted to encourage agencies to share evaluation methodology.

OFFICE OF PERSONNEL MANAGEMENT

Inadequate Internal Controls Affect Quality and Reliability of the Civil Service Retirement System's Annual Report
(AFMD-83-3, 10-22-82)

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reporting (998.6)
Legislative Authority: Employee Retirement Income Security Act of 1974. P.L. 95-595. 31 U.S.C. 68. 5 U.S.C. 8347.

GAO reported on the quality and reliability of the financial and actuarial information presented by the Office of Personnel Management (OPM) in its 1980 report on the Civil Service Retirement System. GAO also reviewed the plan's internal control procedures to determine their effectiveness in ensuring the reliability of the information used.

Findings/Conclusions: GAO found that OPM did not establish adequate internal control procedures to ensure reliable data. The inadequacies resulted because OPM did not properly control the design, development, and maintenance of the computer programs used in performing actuarial valuations. OPM also did not establish accounting and review procedures sufficient to prevent inaccurate financial data from being reported. OPM also failed to ensure that the annual report was prepared in complete accordance with reporting guidelines which encompass generally accepted accounting principles and the reporting requirements of statutory law.

Recommendations to Agencies: The Director of OPM should require the plan administrator to document the actuarial valuation programs using guidance provided by the National Bureau of Standards. Such documentation should include, as a minimum, source program listings, narrative descriptions of the computer programs, program and data base specifications, descriptions of table organization, a users' manual, a program maintenance manual, and the test plan and results.
Status: Action completed.

The Director of OPM should require the plan administrator to have an independent test conducted of the valuation programs to ensure their accuracy and completeness and to determine whether design specifications and user needs are being met.
Status: Action completed.

The Director of OPM should require the plan administrator to implement control procedures over program changes. These procedures should include the requirement that each program change be authorized, documented, independently tested and certified, and implemented through the production program coordinator. Further, the programs should be placed in the production library of the computer system.
Status: Action completed.

The Director of OPM should require the plan administrator to establish review procedures over the computation of accruals to ensure that the methods used meet management's criteria and that the results are reasonable.
Status: Action completed.

The Director of OPM should require the plan administrator to establish procedures to properly account for overpayments of annuities and refunds. The procedures should require subsidiary records that can be accurately maintained and summarized in a reasonable amount of time.
Status: Action in process.

The Director of OPM should require the plan administrator to establish procedures to ensure that complete information on expenditures is available to the plan on a timely basis and that expenses are properly associated with the fiscal year in which they are incurred.
Status: Action completed.

The Director of OPM should require the plan administrator to direct the preparer of the plan's annual report to completely follow OMB instructions which encompass generally accepted accounting principles and the applicable section of the Employee Retirement Income Security Act of 1974.
Status: Action completed.

The Director of OPM should require the plan administrator to ensure that the enrolled actuary who reviews the actuarial data in the plan's annual report also provide a statement that, to the best of his or her knowledge, the report is complete and accurate.
Status: Action completed.

Agency Comments/Action

OPM has completely restructured its annual pension report required by P.L. 95-595. The new reporting format provides for adequate financial disclosure. As a high priority, OPM has established improved automation of its financial positions, particularly in the actuary group. OPM expressed agreement with most of the recommendations although in several instances it believed that an approach different from the one recommended would attain the objective more efficiently. Disagreement was presented about the method of determining administrative expenditures.

OFFICE OF PERSONNEL MANAGEMENT

Agency Administrative Systems Need Attention
(FPCD-83-15, 12-22-82)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: 5 C.F.R. 771.

GAO reviewed administrative grievance systems at selected Federal agencies.

Findings/Conclusions: GAO found shortcomings which lessen the effectiveness of the grievance procedures, including: (1) untimely processing of grievances by agencies, and (2) lack of a formal systematic method to determine how well the systems operate. Although the departments and agencies have established time limits to provide orderly processing and timely resolution of grievances, they are not meeting the deadlines. Taking more than the allowed time to settle grievances decreases confidence in the system and detracts from its credibility. Two departments have implemented grievance mechanisms which may help reduce the time it takes to process a grievance. The departments and agencies generally do not have a basis for judging the effectiveness of their administrative systems. Some have begun to collect information to evaluate their systems, but none has an overview of the systems' effectiveness. GAO believes that, to evaluate their systems, departments and agencies should collect information, such as: (1) the types of grievances; (2) where grievances occur; (3) how and at what level in the process grievances are resolved; (4) the time it takes to process and resolve grievances; and (5) causes of delays in processing grievances.

Recommendations to Agencies: The Director, Office of Personnel Management (OPM), should emphasize to departments and agencies the importance of establishing and meeting credible time limits and correcting problems that cause these time limits to be exceeded.
Status: Action in process.

The Director, OPM, should direct departments and agencies to collect information essential to a monitoring and evaluation program and evaluate the effectiveness of their administrative grievance systems.
Status: Action in process.

The Director, OPM, should assess the advantages and disadvantages of the procedures being used by the Departments of Health and Human Services and the Navy to improve timeliness and give the results to other Federal departments and agencies for comparison with their procedures' advantages and disadvantages.
Status: Action in process.

Agency Comments/Action

OPM agreed with the recommendations and indicated that actions would be initiated to implement them.

OFFICE OF PERSONNEL MANAGEMENT

Most Civil Service Disability Retirement Claims Are Decided Fairly, but Improvements Can Be Made
(FPCD-83-1, 4-13-83)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: 5 U.S.C. 8337.

In response to a congressional request, GAO reviewed the Office of Personnel Management's (OPM) civil service disability retirement program to determine whether OPM has been consistent in applying its eligibility criteria and to assess the reasons for the increase in the number of OPM claims decisions that have been reversed by the Merit Systems Protection Board (MSPB).

Findings/Conclusions: Although GAO estimated that at least 90 percent of the OPM decisions reviewed were based on standard evaluation criteria, GAO identified problems within the review system that could cause inconsistencies in claims decisionmaking. GAO found that those OPM decisions which denied claims because of a belief that the involved agencies could have retained the disabled persons were improper and inconsistent with OPM criteria. In addition, GAO found that OPM needs to develop better criteria for determining psychiatric disability and to expand its psychiatric assessment capabilities. GAO felt that a recently started internal review of the claims process should help, if it is continued on a regular basis. In addition, OPM has proposed new forms and instructions which will address problems which GAO found. GAO stated that OPM had not been telling applicants why their initial claims were denied. Consequently, applicants did not know whether they could appeal their claims with additional evidence. Further, claims are often approved during reconsideration if they contain additional information. OPM has not yet implemented a process to alleviate this problem because of clerical-staff shortages. Case files showed that OPM made virtually no effort to defend its decisions which were reversed by an appeal to MSPB, although many of these cases had arguable deficiencies or inconsistencies. OPM is considering a strategy to reduce the number of cases which it loses through appeals but this strategy has been delayed due to the claims backlog.

Recommendations to Agencies: The Director of OPM should use revised claims forms and instructions
Status: Action completed.

The Director of OPM should notify applicants of the specific reasons for denial of their initial claims.
Status: Action in process.

The Director of OPM should carry out the OPM proposed strategy for evaluating and defending disability decisions appealed to MSPB.
Status: Action in process.

The Director of OPM should develop better criteria for deciding mental illness cases, using generally accepted psychiatric principles and practices, and provide psychiatric expertise as necessary.
Status: Action in process.

Agency Comments/Action

OPM agreed with the findings and recommendations and has taken action to implement each of them

OFFICE OF PERSONNEL MANAGEMENT

Classification and Qualification Standards for the GS-1410 Library-Information Service Series
(GGD-83-97, 8-12-83)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: 5 U.S.C. 5105.

In response to a congressional request, GAO reviewed the Office of Personnel Management's (OPM) development of proposed classification and qualification standards for the Library-Information Service occupational series.

Findings/Conclusions: GAO determined that OPM did not exceed its legal authority to develop classification and qualification standards and that its actions were generally consistent with those affecting other recently developed standards. However, OPM has not fully addressed the criticisms made by librarians regarding proposed changes that would: (1) reduce the entry grade for persons hired with a Master of Library Science degree earned in less than 2 full academic years; and (2) redefine the GS-5 entry level requirements. GAO also believes that librarians' concerns about documentation and sampling aspects of OPM methodology deserve further consideration. GAO suggests that, to further enhance the credibility of its surveys, OPM may wish to research the feasibility of conducting statistically reliable occupational surveys and providing for a documentation process that shows more clearly how conclusions are supported.

Recommendations to Agencies: OPM should consider determining whether: (1) Federal librarians hired at GS-9 with less than a 2-year Master of Library Science degree and no experience have typically performed all of the duties and responsibilities of the GS-9 position successfully; (2) Federal librarians hired without the Master of Library Science degree typically performed all duties and responsibilities successfully and were able to progress through the career ladder.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

The House Committee on Post Office and Civil Service, Subcommittee on Civil Service, has criticized the OPM proposed changes for the librarian standards based on the GAO report. While it appears that OPM believes that its proposed changes for the librarian series are appropriate, the proposed standards have not been approved for issuance.

OFFICE OF PERSONNEL MANAGEMENT

New Performance Appraisals Beneficial but Refinements Needed
(GGD-83-72, 9-15-83)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Civil Service Reform Act of 1978 (5 U.S.C. 4304). 5 U.S.C. 75. 5 U.S.C. 4303. 5 U S C. 7701

GAO reviewed, on a selected basis, performance appraisal systems for General Schedule employees established by Federal agencies under the Civil Service Reform Act of 1978. The act directed agencies to develop objective criteria for supervisors to use in rating employees' performance and determining appropriate personnel actions.

Findings/Conclusions: GAO found that, although there appears to be better communication between employees and supervisors since implementation of the performance appraisal systems, many important aspects require improvements before performance appraisal systems can be used as credible bases for personnel actions. A GAO examination of the standard-setting and appraisal evaluation processes at three agencies revealed that: (1) many employees did not actively participate in setting their performance standards; (2) not all employees were advised of the standards by which their performance would be evaluated at the beginning of their appraisal periods; (3) performance levels and measurable performance standards were not clearly defined; (4) some appraisals were not completed on a timely basis; (5) some agencies' procedures for determining summary ratings were ambiguous or unnecessarily complicated; (6) higher level officials' reviews of ratings were often perfunctory; and (7) procedures for linking performance appraisal results with personnel decisions were often vague. GAO concluded that the Office of Personnel Management (OPM) needs to ensure that agencies take appropriate actions to make the necessary refinements to their appraisal systems.

Recommendations to Agencies: The Director, OPM, should develop and propose an amendment to the Civil Service Reform Act clearly stating that denying a within-grade increase is a performance-related action covered under section 4303.

Status: Action in process.

The Director, OPM, should research the potential value of generic standards for large occupational groups that agencies could use as a basis for developing specific standards for employees in those occupations.

Status: Action in process.

The Director, OPM, should require a second level review of employees' performance standards at the beginning of appraisal periods to ensure that those standards contain the desired characteristics of objectivity and measurability.

Status: Action in process.

Agency Comments/Action

In October 1983, OPM published a comprehensive set of regulations in the Federal Register on performance appraisal, awards, and a Performance Based Incentive System. These regulations covered the report's recommendations on policies on performance appraisal and the use of appraisal results for personnel decisions. However, a U.S. district court ruled in December 1983 that Congress had blocked implementation of these proposed regulations through fiscal year 1984. OPM is appealing that decision, so the date for their implementation is not set. The proposed regulations would have clarified that a within-grade increase is a performance-related action. According to OPM, it has a major project underway developing generic elements and standards for larger occupational groups, which is consistent with the recommendation.

OFFICE OF SCIENCE AND TECHNOLOGY POLICY

The Office of Science and Technology Policy: Adaptation to a President's Operating Style May Conflict With Congressionally Mandated Assignments
(PAD-80-79, 9-3-80)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251.0)
Legislative Authority: Science and Technology Policy, Organization, and Priorities Act (P.L. 94-282). Executive Order 12039.

GAO studied the Office of Science and Technology Policy (OSTP) to examine the extent to which OSTP has studied the 13 issues on Federal organization and management of science and technology policy, and to determine the extent to which OSTP is involved in strategic planning for science and technology. Top officials of OSTP believe that the broad legislative mandate for OSTP cannot be fully met under present conditions and operating styles within the Executive Office of the President. OSTP management and staff also believe that all their work must be tied to the existing policymaking process in the Executive Office of the President, because they have no independent control over any portion of the U.S. policymaking system. OSTP interprets its environment as requiring it to be continually active in initiating its own work and then fostering implementation of its recommendations, many of which demonstrate a strategic perspective. OSTP is most active in its extensive collaboration with the Office of Management and Budget in the research and development budget process.

Findings/Conclusions: GAO found that OSTP does not intend to prepare the mandated comprehensive survey report. This assignment to OSTP placed a large burden on OSTP and significantly increased its responsibilities without increasing its resources. The small and active OSTP has produced no comprehensive report but a list of its many activities, categorized according to the 13 issue areas. The OSTP staff attempts to give a strategic perspective to considerations of topical or mission issues, such as energy and space. OSTP believes that it is not feasible to do more comprehensive strategic planning and remain effective in the Executive Office of the President. It seldom studies the relationships of issues in the whole context of science and technology in society; instead, it usually focuses on a particular mission issue in isolation from its interactions with other national concerns. The small size of OSTP and its perceptions of the operating style of the President and the President's senior advisors inhibit its further involvement in comprehensive strategic planning. GAO believes that, within existing constraints, OSTP can establish a systematic and formal mechanism for identifying long-range emerging issues and for providing a detached perspective in screening outside proposals for the OSTP agenda. Both OSTP and the National Science Foundation are taking steps to improve communication in planning and preparing the Annual Report and the Five-Year Outlook.

Recommendations to Congress: Congress should consider whether a comprehensive survey of the Federal role in science and technology, as mandated by title III, is still needed. If so, Congress should consider what mechanisms alternative to OSTP could undertake it.

Status: No action initiated. Date action planned not known.

Congress should consider if some other mechanism should be established to identify and rank emerging issues in science and technology. Perhaps alternative mechanisms could help Congress critically examine OSTP selection of items for its agenda and its analysis of issues in the Five-Year Outlook.

Status: No action initiated. Date action planned not known.

Congress should consider whether OSTP sufficiently balances its mission-related work by giving enough attention to: (1) interactions and tradeoffs among topical or mission-based strategies for science and technology; and (2) Federal policies designed for the governance and support of science and technology.

Status: No action initiated. Date action planned not known.

Congress should consider: (1) how it and the OSTP Director can best identify and resolve concerns about the Director's choice of operating style; (2) if the OSTP legislative mandate is too comprehensive; and (3) what other means might fulfill congressional needs for information and analysis not provided by OSTP.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Director of OSTP should prepare the comprehensive report originally mandated by title III of Public Law 94-282 to the President's Committee on Science and Technology.

Status: No action initiated. Date action planned not known.

The Director of OSTP should suggest to Congress legislation to relieve OSTP of the title III-mandated comprehensive report.

Status: No action initiated. Date action planned not known.

The Director of OSTP should take greater initiative in selecting issues for the Annual Report and the Five-Year Outlook and continue to develop means for guiding the National Science Foundation on the posture for treating these issues.

Status: Action completed.

The Director of OSTP should establish some formal mechanism for providing a detached view of issues for its agenda. The mechanism should help OSTP identify emerging issues, screen the many external suggestions for OSTP work, examine the interrelationships among issues, and suggest priorities for consideration by OSTP.

Status: Action completed.

Agency Comments/Action

The agency claimed, at the time the report was released, that it fulfilled its entire legislative mandate. GAO disagreed then and still does.

OFFICE OF SCIENCE AND TECHNOLOGY POLICY

Uncertainties Surround Future of U.S. Ocean Mining
(NSIAD-83-41, 9-6-83)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Deep Seabed Hard Mineral Resources Act (30 U.S.C. 1401 et seq.). Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). National Materials and Minerals Policy, Research and Development Act of 1980 (P.L. 96-479; 30 U.S.C. 1601 et seq.; 94 Stat. 2305). Science and Technology Policy, Organization, and Priorities Act (P.L. 94-282; 42 U.S.C. 6601 et seq.). Defense Production Act (Levering-Burton). Energy Security Act. Merchant Marine Act, 1936. H. Rept. 96-3350.

GAO reported on the Federal Government's involvement in ocean mining and examined efforts to further develop U.S. ocean mining to provide access to seabed resources as a desirable supply source.

Findings/Conclusions: The United States rejected the U.N.-backed Law of the Sea Treaty, hoping to provide a more adequate framework by which to ensure access to the strategic mineral resources of ocean seabeds. GAO found that, although the President designated a council to coordinate a national materials policy, no such policy has yet emerged. The current focus of Government activity is directed toward negotiation of a reciprocating agreement with other industrialized countries. GAO believes that negotiating an alternative arrangement to the Treaty will not, in itself, ensure the development of ocean mining as an alternative source for critical materials. Further, the current uncertainties regarding U.S. ocean mining require the Government to make more comprehensive vulnerability assessments to better gauge how extensively ocean mining should be promoted and how to effectively formulate financially oriented policies to aid private industry.

Recommendations to Agencies: The Director of the Office of Science and Technology Policy should conduct the necessary assessments to support the development of an ocean mining policy.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

In a letter to the Comptroller General dated October 17, 1983, the head of the agency stated that the GAO recommendation would not be an efficient use of Government resources and that two studies by other agencies are expected to provide "much of the information necessary for the assessments recommended by GAO." The agency acknowledged that the results of these studies are not expected to entirely satisfy GAO recommendations. GAO corollary work regarding vulnerability assessments of critical minerals and materials disclosed that the recommended assessments have not been made and that there are no ongoing studies that will satisfy the need.

PANAMA CANAL COMMISSION

Panama Canal Commission Procurement and Contracting
(NSIAD-83-1, 7-29-83)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Executive Order 12352.

GAO reviewed the adequacy of the Panama Canal Commission's procedures for buying goods and services and how well these procedures are being applied.

Findings/Conclusions: GAO found that the Commission generally followed acceptable procedures when procuring by formal advertising. However, in procuring by negotiation, the Commission's practices did not, in most cases, conform to acceptable procedures for Government agencies. As a result, assurances were lacking that prices negotiated and paid by the Commission were fair and reasonable. In response to an Executive Order, the Commission appointed a procurement executive in November 1982. However, the designated procurement executive is currently serving on a part-time basis, his authority and responsibility have not been established, and procurement reforms called for in the Executive Order have not been instituted.

Recommendations to Agencies: The Administrator of the Panama Canal Commission should ensure that the position of Procurement Executive is made and maintained independent of line authority within the Commission and that the Procurement Executive be made accountable only to the head of the agency.

Status: Action completed.

The Administrator of the Panama Canal Commission should ensure that the matters discussed in this report are included on the agenda of the Procurement Executive for consideration, study, and resolution.

Status: No action initiated. Date action planned not known.

The Administrator of the Panama Canal Commission should direct the General Auditor of the Panama Canal Commission, after passage of a reasonable length of time, to reexamine the Commission's performance in ensuring fairness and reasonableness of prices for negotiated procurements.

Status: Action completed.

PENSION BENEFIT GUARANTY CORPORATION

Disclaimer of Opinion on the Financial Statements of the Pension Benefit Guaranty Corporation for FY 1980 *(AFMD-82-42, 6-23-82)*

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reporting (998.6)
Legislative Authority: Government Corporation Control Act (31 U.S.C. 850).

GAO examined the combined statement of the financial condition of the Pension Benefit Guaranty Corporation as of September 30, 1980, the related combined statements of operations and changes in the deficiency in net assets, and the changes in financial condition for the year then ended.
Findings/Conclusions: The examination disclosed material accounting and estimating problems, internal control weaknesses, and major uncertainties that significantly reduce the reliability of important account balances. Because of the matters discussed in the report, GAO was not able to express an opinion on whether the Corporation's statements presented fairly its financial condition and the results of its operations and changes in financial condition for fiscal year 1980.
Recommendations to Agencies: The Executive Director of the Pension Benefit Guaranty Corporation should: (1) develop a system for financial statement reporting that values benefits on a current, individual participant basis; (2) substantiate the reasonableness of actuarial assumptions, estimation techniques, and models; (3) determine reasons for changes in the pension plan inventory and establish allowances in the financial statements for expected variances; (4) establish accounting controls and procedures to reconcile financial data maintained by separate computer systems; and (5) develop policies and procedures for substantiating information provided by external organizations.
Status: Action in process.

Agency Comments/Action

The Corporation recognizes the need to improve the reliability and fair presentation of the financial statements by initiating efforts to strengthen internal controls and to improve recordkeeping and financial statement preparation. In response to the recommendations, the Corporation has developed a plan to address all issues raised in the report and to implement accounting and control procedures necessary to produce auditable financial statements.

PRESIDENT'S COUNCIL ON INTEGRITY AND EFFICIENCY

Budget Implications of Savings Reported in the Third Summary Report Issued by the President's Council on Integrity and Efficiency
(AFMD-83-14, 10-18-82)

Budget Function: Financial Management and Information Systems: Developing and Disseminating Audit Standards (998.4)
Legislative Authority: OMB Circular A-50.

Pursuant to a congressional request, GAO reviewed the third "Summary Report of Inspector General Activities" by the President's Council on Integrity and Efficiency. The report is intended to highlight the significant impact that the inspectors general (IG), the Council and the administration have had in combating fraud, waste, and mismanagement in Government.

Findings/Conclusions: GAO found that the Council's third report was an improvement over its two previous reports. It provided clearer definitions and more explanatory information on the statistics contained in its data tables. However, GAO stated that better disclosure in the areas of budgetary savings, preaward contract audit results, and actual recoveries would improve future Council reports. Specifically, GAO reported that: (1) the approximately $6 billion savings reported by the Council represents management commitments that may result in savings, but not necessarily budgetary savings; (2) Defense Contract Audit Agency (DCAA) preaward audits differ from IG audits and should be reported separately; and (3) management commitments to act on recommendations only partially measure IG and agency effectiveness and do not ensure recovery or other action.

Recommendations to Agencies: The President's Council on Integrity and Efficiency should clearly state that the savings reported do not necessarily represent budgetary savings.
Status: Action completed.

The President's Council on Integrity and Efficiency should report separately the budgetary savings that have resulted from IG recommendations.
Status: Recommendation no longer valid/action not intended. *The Council has taken the position that, "there are no budgetary savings from auditor recommendations and subsequent actions until Congress adjusts the budget." Since it states that there are no budgetary savings, the recommendation no longer has merit.*

The President's Council on Integrity and Efficiency should report separately and fully explain contract audit results.
Status: Recommendation no longer valid/action not intended. *The Council does not intend to report contract audit results separately. According to a Council official, the majority of the members does not see any difference between the results of preaward contract audits and the results of preaward audits on grants and loans. It believes that the calculation of IG impact should include preaward contract audits performed by DCAA and by individual IG's.*

The President's Council on Integrity and Efficiency should report actual recoveries (collections and offsets against future awards) in the Designated Agency Followup Officials section of its reports.
Status: Action in process.

Agency Comments/Action

In December 1982, the President's Council on Integrity and Efficiency issued its fourth Summary Report of Inspector General Activities. Based on that report and a subsequent discussion with a Council official it implemented one recommendation and is considering action on two others. One of the recommendations is no longer valid since the Council has taken the position that none of its reported savings are budgetary savings. In June 1983, the Council issued its fifth report, but still had not implemented two of the GAO recommendations. Subsequent GAO followups in July and October 1983 revealed that the Council was attempting action on one recommendation, reporting actual recoveries. In January 1984, the Council issued its sixth report, but had still not implemented the recommendation on reporting actual recoveries. In February 1984, a Council official stated that the Council was still attempting to take action on this recommendation, but lack of accurate data on recoveries continued to hamper progress.

SMALL BUSINESS ADMINISTRATION

Small Business Administration Franchise Loans: Risk of Loss Can Be Reduced and Program Effectiveness Improved
(CED-80-47, 4-11-80)

Budget Function: Community and Regional Development: Area and Regional Development (452.0)
Legislative Authority: Economic Opportunity Act of 1964 (P.L. 88-452). Small Business Act (15 U.S.C. 636(a)). 13 C.F.R. 120.2. 13 C.F.R. 121. 13 C.F.R. 122.2. 13 C.F.R. 129.1.

A review was undertaken of the Small Business Administration's (SBA) franchise loan policies and practices As of April 1979, SBA had made or guaranteed about 16,400 loans totaling about $1 billion to franchise businesses However, as of September 1978, the risk of loss by SBA on franchise loans was about $548 million. Moreover, most of SBA franchise business loans have been made under its principal business loan program. The remainder have been made under the SBA Economic Opportunity Loan (EOL) program.

Findings/Conclusions: Under the SBA principal business loan program, the 7(a) program, to be eligible for a franchise business loan, a firm must be independently owned and operated and meet the small business size standard that SBA established for the firm's industry. The three types of loans made under the 7(a) program are guaranteed, immediate participation, and direct loans. Guaranteed loans account for about 64 percent of the loans made under the 7(a) program. Furthermore, according to SBA procedures, EOL's are restricted to low-income individuals or persons who, due to social or economic disadvantage, have been denied the opportunity to acquire adequate business financing through normal leading channels on reasonable terms. GAO believes that the SBA franchise guidelines are adequate to ensure loan payment. However, its practices and procedures were not always followed. Moreover, although SBA provides some information, counseling, and management assistance to franchise borrowers, improvement is needed to ensure loan payment. Further, SBA field visits, a necessity in identifying borrower financial difficulties and determining whether management assistance is needed, were not made in accordance with operating procedures for 50 percent of the loans GAO reviewed. SBA officials attributed this to staff shortages.

Recommendations to Agencies: The Administrator, SBA, should require district offices to limit, to the maximum extent possible, accepting the weaker types of collateral to secure loans, especially inventory and accounts receivable.

Status: Action completed.

The Administrator, SBA, should require that district offices have independent appraisals made of collateral pledged for those loans exceeding a certain amount, for example, $150,000.

Status: Recommendation no longer valid/action not intended. *SBA disagreed with the requirement of a specific dollar amount for appraisals. An SBA official stated that SBA requires appraisals on a case-by-case basis. The agency does not plan any further action.*

The Administrator, SBA, should require that district offices, using SBA loan history data, negotiate guarantee rates with banks to reduce the number of loans being guaranteed at the maximum 90 percent rate.

Status: Recommendation no longer valid/action not intended. *P.L. 97-35 requires that loans under $100,000 be guaranteed at 90 percent. SBA officials stated that they have negotiated guarantees of less than 90 percent on larger loans but this is on a case-by-case basis. The agency does not intend to change its policy*

The Administrator, SBA, should require that SBA not make or guarantee franchise loans unless it has evidence that the franchisor cannot guarantee all or part of SBA direct loans or share with SBA guarantees of bank loans made to franchisees. In carrying out this recommendation, SBA may wish to consider limiting franchisor participation to 3 years, the time within which most small businesses that receive SBA-guaranteed loans fail, according to SBA statistics. GAO believes that franchisors would be more receptive to this idea if their participation is limited to a short period rather than the life of the loan

Status: Recommendation no longer valid/action not intended. *SBA disagreed with this recommendation in 1980 and continues to do so. It contends that franchisors, particularly the large and successful, are not in the business of providing financial assistance to franchisees. Therefore, SBA does not intend to act on this recommendation.*

The Administrator, SBA, should emphasize that the district offices make or otherwise obtain credit analysis of all franchisees, as the Standard Operating Procedures require.

Status: Action completed.

The Administrator, SBA, should require district offices to obtain and review franchise agreements in all cases to ensure that provisions in the agreements do not make prospective franchisees ineligible for loans or unduly restrict their repayment abilities.

Status: Action completed.

The Administrator, SBA, should require district offices to obtain for all loans proof of bank refusal to make loans to franchisees, including the date, amount and terms requested, and the reason for refusal, as required by Federal regulations. Alternative methods of obtaining this information might be to: (1) revise the loan application to include it as part of the required information thereon; or (2) develop a new, short form to be submitted with the loan application.

Status: Recommendation no longer valid/action not intended. *SBA stated that the bank certified to SBA that it will not make the loan without the guarantee, and SBA agreed. An SBA official also stated that he doubted that the bank could provide SBA with the data the GAO recommended SBA does not plan any further*

action on this recommendation.

The Administrator, SBA, should revise SBA regulations to require that SBA not make or guarantee franchise loans if the franchisor can provide assistance to franchisees on reasonable terms.

Status: Recommendation no longer valid/action not intended. *SBA disagreed with this recommendation in 1980 and continues to do so. SBA contends that franchisors, particularly those that are large and successful, are not in the business of providing financial assistance to franchisees. Therefore, SBA does not plan to act on this recommendation.*

The Administrator, SBA, should require that the headquarters office make financial analyses of franchisors, particularly those whose franchisees have received over 100 loans, and advise the district offices of the results for their use in obtaining franchisor guarantees of SBA direct loans and sharing of bank-loan guarantees with SBA. Also, these analyses will help ensure that loans are not made to franchisees whose franchisors are not financially sound.

Status: Action in process

The Administrator, SBA, should revise SBA Standard Operating Procedures to define a franchise so that: (1) inconsistencies existing in the district offices in reporting franchise loans will be eliminated; (2) loan officers will not be deprived of information which could result in better loan decisions and reduced risk of loss; and (3) chances of improper review and analysis of loan applications will be reduced.

Status: Recommendation no longer valid/action not intended. *The agency does not intend to take action because it disagrees with the recommendation.*

The Administrator, SBA, should establish at the headquarters office an information file on franchise loans, including loan failure rates for each franchisor and the reasons for each failure, to: (1) be disseminated to district offices and prospective franchise loan applicants for their use in making loan decisions; and (2) help reduce the potential for loan losses.

Status: Action in process.

Agency Comments/Action

SBA disagreed with the recommendation to require that loan guarantees not be made in cases where the franchisor can provide financial assistance. SBA also disagreed with the recommendation to require independent appraisals in every case because, according to SBA, banks provide realistic appraisals. SBA officials stated that they have negotiated guarantee levels less than 90 percent but only on a case-by-case basis. SBA contends that its loan officers are reviewing franchise agreements and that it has emphasized quality lending to its loan officers. It is also collecting information on franchisors; this information will be available to the district offices but not to applicants. SBA contends that it seeks to obtain the best collateral possible, but it will not turn down an otherwise good loan because of soft collateral. SBA does not plan to define a franchise in its standard operating procedures.

SMALL BUSINESS ADMINISTRATION

SBA's 7(a) Loan Guarantee Program: An Assessment of Its Role in the Financial Market
(RCED-83-96, 4-25-83)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Small Business Act (15 U.S.C. 636(a)).

GAO reviewed the role of the Small Business Administration's (SBA) 7(a) Loan Guarantee Program in assisting small businesses.

Findings/Conclusions: GAO sent questionnaires to lenders participating in the program to determine what role the SBA guarantee plays in their small business lending practices. GAO found that the SBA guarantee is an important factor in a bank's decision to lend to new businesses and businesses with less equity than usually required. The guarantee increases a bank's ability and willingness to make larger loans because the guaranteed portion of the loan does not count against federally required lending limits. Although banks are using the program to make larger loans, only 28 percent of those interviewed believe that the guarantee limit should be raised. Losses on 7(a) guaranteed loans have been steadily increasing. SBA has not collected program demand data needed to estimate the impact of the administration's proposed budgetary reductions on small businesses' ability to obtain long-term loans. Lenders can sell the guaranteed portion of SBA loans to investors in the secondary market and thus rapidly recover 90 percent of the funds. Concerns over inconsistencies in the way interest payments are calculated on SBA guaranteed loans, lack of timely payments, and other administrative problems have caused some investors to discontinue purchases.

Recommendations to Congress: The committees should propose legislation requiring SBA to accumulate and integrate loan demand data into future budget proposals for the 7(a) loan program. These data, based on past and forecasted economic conditions, would give the committees a better basis for deciding future program authorization levels in the context of overall Federal credit policy.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator, SBA, should evaluate district office implementation of loan quality standards to see whether they are clear and applied consistently throughout SBA so that individual borrowers, who satisfy SBA quality standards, are not denied credit.
Status: Action completed.

The Administrator, SBA, should accumulate data on 7(a) loan applications, approvals, and rejections and use these data, together with data of forecasted economic activity, to project future demand for 7(a) assistance. Activity data on application, approvals, and rejections should also be used to monitor the consistent application of loan quality standards in SBA offices.
Status: Action completed.

The Administrator, SBA, should direct the Associate Administrator for Finance and Investment and the Director, Office of Secondary Market Operations, to develop procedures to clearly state SBA goals and objectives in promoting the secondary market.
Status: Action in process.

The Administrator, SBA, should develop better procedures for keeping records of secondary market transactions, including service fees and prices paid by investors for loans. The Administrator should determine whether improved recordkeeping controls should be accomplished more efficiently by internal changes in SBA procedures or by using the services of the fiscal transfer agent for all loans sold in the secondary market.
Status: Action in process.

The Administrator, SBA, should direct the Associate Administrator for Finance and Investment and the Director, Office of Secondary Market Operations, to develop a strategy for using the secondary market to offer small businesses the option of fixed-rate financing. This strategy should address the desirability of actions such as the Minnesota Plan, the use of loan pooling, and the advantages and disadvantages of setting interest rates on fixed-rate loans at the time of loan disbursement.
Status: Action in process.

The Administrator, SBA, should implement the recommendation of the Capital Access Committee that would require lenders that sell SBA-guaranteed loans to stipulate their methods of accruing interest and then continue to remit funds on this basis as long as the loan is active.
Status: Action completed.

The Administrator, SBA, should determine whether SBA has the authority to implement the recommendation of the Capital Access Committee which would require the fiscal transfer agent to remit interest to the investor as calculated on a 30/360 basis, regardless of the actual interest accrual method used by the lender. If SBA has this authority, GAO further recommends that the Capital Access Committee's recommendation be implemented.
Status: Recommendation no longer valid/action not intended.

The Administrator, SBA, should request from the fiscal transfer agent a formal proposal on how it could function as a central paying agent and determine whether this proposal or the recommendation of the Capital Access Committee that would require lenders to remit principal and interest on a timely basis is the more preferable and act accordingly.
Status: No action initiated. Date action planned not known.

If the Administrator, SBA, should decide to control servicing fees, as recommended by the Capital Access Committee, he should take certain steps to ensure that the Committee's intent of lowering borrower interest rates is achieved.
Status: Action in process.

The Administrator, SBA, should change the current regulatory policy either by continuing to regulate interest rates

through a national ceiling but with different benchmarks for fixed variable rate loans or by eliminating the national maximum allowable interest rate and relying on procedures and guidance to field offices for determining the reasonableness of interest rates in their local areas.

Status: Action in process.

The Administrator, SBA, should use a long-term instrument, such as Treasury notes and bonds, of comparable maturity for fixed-rate loans, if SBA continues to use a maximum allowable rate.

Status: Recommendation no longer valid/action not intended.

The Administrator, SBA, should consult with representatives from the banking industry to determine how a change in the benchmark would affect their lending practices and their required margin.

Status: Recommendation no longer valid/action not intended.

The Administrator, SBA, should emphasize to field offices the importance of adhering to existing standard operating procedures.

Status: Action in process.

The Administrator, SBA, should provide additional guidance in detailing what should be done when proposed rates on loan applications exceed local prevailing rates.

Status: Action in process.

The Administrator, SBA, should monitor interest rate trends on approved and declined loans to determine how the elimination of a national ceiling affects interest rates charged on SBA loans.

Status: Action in process.

Agency Comments/Action

SBA has issued a memorandum to its 10 Regional Administrators, advising them to evaluate implementation of the new loan quality standards by the field offices. This action is consistent with a recommendation in the report. SBA fully concurs with the need to develop goals and objectives for the secondary market in its guaranteed loans and the need for improving recordkeeping on secondary market sales. It said that it is initiating action on these recommendations and plans to complete them by the end of 1984. SBA is still considering the recommendations for improving the operations of the fiscal transfer agent that handles secondary market transactions. It stated that it has initiated a pilot test to determine the feasibility of eliminating the interest rate ceiling on its guaranteed loans, which should be completed by June 1984. The SBA plans no action on the Capital Access Committee recommendation because of its policy to limit regulation of the market wherever possible.

SMALL BUSINESS ADMINISTRATION

SBA's Certified Lenders Program Falls Short of Expectations
(RCED-83-99, 6-7-83)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: P.L. 96-302.

GAO evaluated the effectiveness of the Small Business Administration's (SBA) efforts to streamline its loan delivery system by involving private lenders in the credit check process through the Certified Lenders Program (CLP). GAO also commented on whether SBA experience under the CLP warranted further delegation of authority to lenders under the Preferred Lenders Program (PLP).

Findings/Conclusions: GAO stated that SBA is not achieving CLP goals to speed up the credit decision process. GAO found that: (1) lenders often submitted incomplete loan application packages that contributed to substantial processing delays; (2) lenders frequently prepared inaccurate or unreliable credit analyses, forcing SBA to perform its own analyses; (3) when SBA made faster decisions on CLP applications, it was primarily due to priority processing rather than a reduced involvement on its part or better use of lender expertise; and (4) SBA had not realized any material resource savings as a result of the CLP. GAO concluded that, unless CLP achievements are significantly increased and become more effective, further consideration of the PLP would be wasteful.

Recommendations to Agencies: The Administrator, SBA, should terminate the CLP as it presently exists because participating lenders have not merited the priority processing afforded them due to incomplete submissions and inadequate credit analysis.

Status: Recommendation no longer valid/action not intended. *The agency disagreed with the recommendations and does not intend to terminate the CLP.*

SBA should direct its loan specialists to retain responsibility for performing thorough credit analysis, verifying all elements of a lender's analysis to ensure that loan applications meet SBA loan quality standards.

Status: Recommendation no longer valid/action not intended. *SBA disagreed with the recommendation stating that this action is inconsistent with SBA efforts to delegate more loan processing activity to lenders.*

The Administrator, SBA, should develop a modified program to provide expedited loan processing to all SBA lenders who merit it through adherence to application packaging requirements. As part of this modified program, SBA should: (1) develop lender guidance in the form of a comprehensive checklist that will facilitate the assembly of complete and well analyzed loan packages by all lenders; and (2) apply preliminary screening procedures to all applications that would identify loan packages that are complete enough to qualify for expedited processing by SBA.

Status: Recommendation no longer valid/action not intended. *SBA does not intend to expand the CLP concept to all lenders who merit expedited loan processing.*

The Administrator, SBA, should terminate further consideration of the PLP. Recognizing, however, that SBA is conducting a limited pilot test of the program, SBA should monitor and evaluate the following aspects of the program before considering further expansion: (1) the quality of lender credit analyses when compared with SBA standards and requirements; and (2) the completeness of loan application packages.

Status: Action in process.

SBA in its assessment of benefits, should compare any personnel time savings it expects from an expanded PLP against any additional efforts required in training lenders and monitoring their performance.

Status: Action in process.

SBA should not give any further consideration to the Preferred Lenders Pilot Program unless compelling evidence surfaces that the program would be viable on an expanded basis and the problems identified in this report can be resolved.

Status: Action in process.

Agency Comments/Action

SBA disagreed with the overall conclusions and recommendations. It stated its overall policy to delegate loan responsibilities to lenders and believes that the CLP and PLP were successfully carrying out this policy. SBA also reiterated its intention to fully monitor and evaluate the PLP pilot program before expanding it nationwide.

TENNESSEE VALLEY AUTHORITY

TVA's Computer Needs Are Valid and ADP Management Is Improving
(AFMD-82-24, 6-9-82)

Budget Function: Automatic Data Processing (990.1)

In response to a congressional request, GAO reviewed the Tennessee Valley Authority's (TVA) efforts in the area of computer acquisition planning and requirements analysis and validation, specifically with regard to ongoing general purpose equipment procurement and proposed acquisition of scientific processing support and minicomputers.

Findings/Conclusions: Overall, GAO found that TVA had made substantial progress toward achieving improved management of its automatic data processing resources; however, some problems still remained. TVA still needs to complete its cost accounting and reporting system and application inventory system and to provide for a direct relationship between corporate business planning activities.

Recommendations to Agencies: TVA should incorporate the workload validation discipline in its information systems planning process and formally integrate its information systems planning into its business planning.

Status: Action completed.

TVA should develop and maintain an inventory of its application software. The effective performance of information systems planning requires the full appreciation of all resources used.

Status: Action in process.

TVA should emphasize the systematic management control of its automatic data processing resources by implementing and enforcing a formalized systems development methodology. Procedures should specify the management level at which reviews and approvals are required, based on clearly defined thresholds of cost, schedule, and scope.

Status: Action in process.

TVA should develop a policy that will balance the opportunities for using low cost computers with the need for maintaining control of them.

Status: Action in process.

Agency Comments/Action

TVA agreed with all the GAO recommendations and took action to implement them. As for the first recommendation, TVA issued an ADP policy directive requiring needed action. With respect to the second recommendation, TVA is currently developing an ADP Applications Inventory System. TVA issued a draft regulation concerning recommendation three and will formalize it after comments have been received and considered. TVA is also in the process of developing a policy directive which will address the issues associated with the final recommendation.

TENNESSEE VALLEY AUTHORITY

Triennial Assessment of TVA, FY's 1980-1982
(RCED-83-123, 4-15-83)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Government Corporation Control Act (31 U.S.C. 9105; 31 U.S.C. 9106). Tennessee Valley Authority Act of 1933 (16 U.S.C. 831h). Inspector General Act of 1978.

GAO reported on its work at the Tennessee Valley Authority (TVA) during fiscal years 1980 through 1982 and evaluated TVA compliance with prior GAO recommendations.

Findings/Conclusions: GAO found that TVA implemented several rate increases during this period due primarily to the financing of its construction program. Although TVA had planned to build 14 nuclear generating units to meet projected electricity needs, consumption actually declined and only two of these units are currently operational. GAO had initiated several reports on the way TVA projects future demand for electricity and made recommendations for improving the process. GAO found that, despite the high cost of coal and nuclear fuel, TVA has taken actions which have saved or avoided costs totaling over $770 million. GAO believes that congressional oversight authority over TVA power program operations needs to be strengthened, and it provided optional oversight methods which do not require congressional legislation. GAO found that recent TVA actions have satisfactorily implemented prior GAO recommendations to increase internal audits as a viable option to the establishment of an inspector general. Finally, GAO noted that administration cutbacks in funding research and development projects have adversely affected the ability of TVA to demonstrate the commercial feasibility of several emerging technologies.

Recommendations to Congress: If Congress wants to maintain its historical periodic oversight every 4 to 7 years of raising the TVA debt ceiling, it will need to reduce the current borrowing authority.

Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Board of Directors of TVA should take necessary actions to. (1) ensure that the procedures and controls for safeguarding tagged equipment and materials be brought under proper management controls; and (2) ensure the completion and issuance of agencywide procedures and guidelines to be used in deciding whether the design and construction should be done in-house or by private contractors along the lines GAO suggested in its March 15, 1982, report.

Status: Action in process.

Agency Comments/Action

All tagged equipment and materials maintained by the Office of Power (OP) will be inventoried by the close of fiscal year 1983. OP will soon issue revised procedures for small tools and tagged equipment. The Office of Audit and Evaluation is closely monitoring these actions. Each construction office has developed its own procedure to implement a Board-approved policy. TVA has an ongoing review of the implementation of the Board's policy which may show the need for an agencywide procedure in order to achieve an acceptable level of uniformity in its application.

UNITED STATES
ARMS CONTROL AND DISARMAMENT AGENCY

Need To Improve Management of ACDA's Automatic Data Processing and Operations Analysis Functions
(NSIAD-83-66, 9-30-83)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: OMB Circular A-121. OMB Circular A-71.

In response to a congressional request, GAO examined the management of computer-based support functions at the Arms Control and Disarmament Agency (ACDA).

Findings/Conclusions: GAO found that, at the end of fiscal year (FY) 1982, ACDA abolished its Office of Operations Analysis (OA), transferred its analysts to other parts of ACDA and gave them new titles, canceled its contract for a DEC-20 computer, and kept its small Wang computer and purchased timesharing services from other agencies. ACDA stated that OA was abolished, in part, to help cope with a FY 1983 budget reduction and claimed that over $1.3 million was saved in FY 1983 by relocating the facility. However, GAO estimated that only about $683,000 in savings can properly be attributed to ACDA actions regarding OA and computer support. GAO found that, currently, ACDA does not adequately plan for or evaluate the use of automatic data processing (ADP) systems. Moreover, ACDA is not complying with Office of Management and Budget (OMB) guidance on computer security, although GAO is unaware of any loss of data. Within ACDA there is disagreement concerning the adequacy of operations analysis capabilities to meet future needs. Further, ACDA has limited access to Department of Defense operations analysis resources.

Recommendations to Agencies: The Director, ACDA, should develop a comprehensive ADP planning process, which requires top management involvement, well supported justification of stated needs, and periodic feedback from users.

Status: Action in process.

The Director, ACDA, should implement an ADP cost accounting system which complies with OMB Circular A-121.

Status: Action in process.

The Director, ACDA, should establish a computer security program which complies with Transmittal Memorandum Number 1 to OMB Circular A-71.

Status: Action in process.

The Director, ACDA, should periodically assess ACDA operations analysis needs and capabilities, and determine what adjustments in allocated resources, organizational structures, and access to other agencies' resources are required to best meet identified needs.

Status: Action in process.

Agency Comments/Action

The ACDA Director has stated that he has initiated several reviews designed to improve the administration of ADP planning at ACDA. These include reviews of ADP planning procedures, computer security, operations analysis needs, and the Paperwork Reduction Act.

UNITED STATES
ARMS CONTROL AND DISARMAMENT AGENCY

ACDA's Coordination of Federal Arms Control Research and Management of Its External Research Program Still Need Improvement
(NSIAD-83-67, 9-30-83)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Arms Control and Disarmament Act (22 U.S.C. 2551 et seq.). Executive Order 11044.

In response to a congressional request, GAO reviewed the Arms Control and Disarmament Agency's (ACDA) performance of its research responsibilities.

Findings/Conclusions: GAO found that ACDA: (1) needs to improve the operation of its external research program; (2) needs to fulfill its responsibilities for coordinating all Federal arms control and disarmament research or seek relief from them; and (3) is not meeting its legislated responsibilities for planning a program of arms control research, advising other agencies on their research roles, maintaining a continuing inventory of Federal activities related to research, or submitting periodic schedules of activities to the Office of Management and Budget.

Recommendations to Agencies: The Director, ACDA, should: (1) establish criteria for developing and selecting proposed research projects; (2) require project officers to more comprehensively identify research related to proposed projects; (3) direct that contractor evaluations be properly completed and used; and (4) establish a system to determine the actual use made of ACDA research products.

Status: Action in process.

The Director, ACDA, should address the difficulties it has in meeting its Government-wide coordination responsibilities by: (1) defining the scope of arms control research conducted by or for the Federal Government; (2) estimating the resources needed for effective coordination; and (3) determining whether ACDA will fulfill its Federal coordination role or seek relief from the requirements.

Status: Action in process.

Agency Comments/Action

The ACDA Director has stated that he has initiated two reviews designed to improve the ACDA external research program. The first covers existing external research planning and procedures. The second deals with steps, working with other agencies, to determine how coordination of Federal arms control research can be effectively pursued. These reviews will include outside evaluations. He indicated that, once the reports were available, the appropriate changes would be implemented.

UNITED STATES
ARMS CONTROL AND DISARMAMENT AGENCY

Need for Internal Control Improvements at ACDA, Including Adequate Internal Audit Coverage
(NSIAD-83-68, 9-30-83)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512). Arms Control and Disarmament Act Amendments of 1977 (22 U.S.C. 2577(a)(1)). Executive Order 11044. Executive Order 12356. OMB Circular A-71. OMB Circular A-73. OMB Circular A-123.

GAO reviewed internal controls and audit coverage at the Arms Control and Disarmament Agency (ACDA), focusing on its compliance with legislative and administrative directives.

Findings/Conclusions: GAO found that ACDA has only recently begun to implement key internal control requirements set forth in OMB Circular A-123. GAO also found that ACDA has no internal audit staff and that its internal audit coverage does not meet the requirements for expanded-scope auditing set forth in OMB Circular A-73. In addition, GAO found that ACDA has not comprehensively analyzed its authorizing legislation to determine whether it is meeting required mandates. Finally, GAO found that ACDA has not complied with reporting requirements under the Arms Control and Disarmament Act concerning the verifiability of arms control proposals.

Recommendations to Agencies: The Director, ACDA, should establish an internal control system which is in accordance with legislative requirements and administrative directives.
Status: Action in process.

The Director, ACDA, should establish internal audit coverage in accordance with the requirements of 31 U.S.C. 3512 and of OMB A-73, "Audit of Federal Operations and Programs."
Status: Action in process.

The Director, ACDA, should correct the matters discussed in this report related to updating the ACDA Manual and Instructions.
Status: Action in process.

The Director, ACDA, should correct the matters discussed in this report related to resolving the differences in assigned versus performed verification duties.
Status: Action in process.

The Director, ACDA, should correct the matters discussed in this report related to assessing all of the ACDA legislative authorities.
Status: Action in process.

The Director, ACDA, should correct the matters discussed in this report related to preparing reports specified by Section 37(a)(1) of the Arms Control and Disarmament Act.
Status: Action in process.

Agency Comments/Action

ACDA said that it has reviewed the report and that it is seriously considering the recommendations. Specifically, ACDA said that it has entered into an agreement with the General Services Administration (GSA) under which GSA will provide expanded audit coverage. A detailed audit plan is being prepared jointly by ACDA and GSA. Additional work is being conducted, assisted by outside experts, to ensure that internal control systems will be established as required by legislation and administrative directives. Reviews are also being conducted on the other GAO recommendations.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Changes Needed To Forge an Effective Relationship Between AID and Voluntary Agencies

(ID-82-25, 5-27-82)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: International Development and Food Assistance Act of 1977. Foreign Assistance Act of 1973. International Security and Development Cooperation Act of 1980 (P.L. 96-533; 95 Stat. 3131). International Security and Development Cooperation Act of 1981 (P.L. 97-113; 95 Stat. 1519). P.L. 83-480.

Congress has repeatedly expressed concern over the Agency for International Development's (AID) implementation of congressional policy to expand cooperation with Private and Voluntary Organizations (PVO's). GAO undertook a review of the role of PVO's in the development of international assistance programs, focusing on: (1) the function and effectiveness of PVO's; (2) what the proper structure of the relations between PVO's and AID should be; and (3) how much emphasis should be placed on PVO's.

Findings/Conclusions: PVO strategy emphasizes the strengthening of local organizations, such as church, private, and government institutions operating at the village or regional level. PVO's are distinctive from AID in the level and scale on which they operate; that is, they undertake small projects at the local level while AID generally works through national or regional governments on considerably larger projects. The dual approach of AID funding to PVO programs consists primarily of grants from the overseas missions responsible for administering the AID programs in individual developing countries and grants from the Washington-based bureau responsible for coordinating relations with PVO's. However, procedures for mission funding of PVO programs should be simplified, and criteria for awarding Washington-funded grants should be defined. Further, information on grant awards and performance on grants needs to be disseminated to program managers. GAO believes that, for PVO's to gain the freedom to focus on the small, locally based projects of developing areas, without an undermining influence from the broader goals of AID, efforts should be made to grant them a greater independence from AID supervision.

Recommendations to Agencies: The Administrator of AID should direct that Bureau for Food for Peace and Voluntary Assistance information and mission experience be used to evaluate PVO implementation skills during the project approval process.

Status: Action in process.

The Administrator of AID should direct AID missions to formally consult with knowledgeable PVO officials in-country about development needs and local conditions in preparation of the country development strategy statement.

Status: Action completed.

The Administrator of AID should increase the use of co-financing as a method of mission funding for PVO projects.

Status: Action completed.

The Administrator of AID should define specific criteria for determining PVO track records and limit matching grants to PVO's with demonstrated development programs.

Status: Action completed.

The Administrator of AID should improve the information that missions receive about Bureau for Food for Peace and Voluntary Assistance grants, so that the missions can be better prepared to answer inquiries about such grants.

Status: Action completed.

The Administrator of AID should assess, in cooperation with PVO's, the effectiveness of the Advisory Committee on Voluntary Foreign Aid prior to fiscal year 1984.

Status: Recommendation no longer valid/action not intended. *The agency has not assessed the committee's effectiveness and has no plans to do so. However, the agency has taken actions aimed at improving committee effectiveness such as expanding committee membership, restructuring subcommittees to allow for more substantive work, and strengthening coordination with the agency.*

The Administrator of AID should clarify the objectives behind support to PVO and the role of U.S. and indigenous PVO's in meeting these objectives.

Status: Action completed.

The Administrator of AID should give priority to PVO's programs in which the PVO's matches AID contributions.

Status: Action completed.

Agency Comments/Action

AID has initiated action on seven of the eight recommendations as part of the internal policy review it has gone through over the past several months.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

OVERSEAS PRIVATE INVESTMENT CORPORATION

Examination of Fiscal Year 1981 Overseas Private Investment Corporation Financial Statements and Related Issues
(ID-82-33, 8-16-82)

Budget Function: International Affairs: International Financial Programs (155.0)
Legislative Authority: Government Corporation Control Act (31 U.S.C. 841 et seq.). Foreign Assistance Act of 1969 (P.L. 91-175). Foreign Assistance Act of 1961. Overseas Private Investment Corporation Amendments Act of 1981 (P.L. 97-65). Overseas Private Investment Corporation Amendments Act of 1974. Civil Service Reform Act of 1978. H. Rept. 97-195.

GAO examined the Overseas Private Investment Corporation's (OPIC) fiscal year 1981 financial statements.

Findings/Conclusions: GAO found that the statements disclosed no exception, weakness of internal control, or departure from law and regulation having a material impact on its financial position at September 30, 1981, and its operating results for the year then ended. However, the report also noted that: (1) although OPIC is experiencing significant losses on its loans, its insurance and guaranty reserves appear to be adequate to cover existing commitments; (2) OPIC did not fully disclose the effects of delinquent project financing in its statement; and (3) tighter control and monitoring of OPIC administrative expenditures are needed.

Recommendations to Agencies: The President of OPIC should require that future years' financial statements disclose the outstanding balance of delinquent, nonearning assets held for investment and the related amounts of principal and interest that are due from them.

Status: Action in process.

The President of OPIC should require that future years' financial statements show all net gains or losses realized from Direct Investment Fund (DIF) lending activity.

Status: Recommendation no longer valid/action not intended. *The recommendation is based on an interpretation of congressional intent that DIF be charged with administrative costs and credited with interest income. Provisions of the OPIC Amendments Act of 1981 nullify this interpretation and make the recommendation no longer valid.*

The President of OPIC, to preclude a possible misunderstanding of how Congress intended additional authorized resources to be made available for DIF lending, should seek clarification from Congress regarding how the funds are to be transferred to the DIF.

Status: Action in process.

The President of OPIC, to enable a determination on whether OPIC is adhering to the congressional spending limitation on entertainment, should obtain clarification from Congress regarding what costs constitute entertainment versus business meeting expenses and thus are chargeable to the limited annual entertainment allowance.

Status: Action in process.

The President of OPIC should require operating policies having significant financial or internal control implications to be in writing and subject to review by the Board of Directors and independent auditors.

Status: Action in process.

The President of OPIC should request the Agency for International Development Inspector General to monitor OPIC financial and management policies and controls, and to conduct such reviews or inspections of administrative expenditures as often as he deems necessary, though not less frequently than once every 3 years.

Status: Recommendation no longer valid/action not intended. *GAO continues to stress the need for improved OPIC internal review and oversight of administrative practices but believes that recent management actions to tighten controls, cost/benefit considerations, and congressional concern over possible duplication of audit effort combine to render this recommendation no longer effective.*

Agency Comments/Action

OPIC disagreed with most of the report recommendations but did take some steps to improve financial statement disclosure and administrative control. In all instances where it did not agree with the recommendations, OPIC provided reasonable justification for not doing so. Actions are either completed or in process on four of the recommendations, the other two recommendations are no longer considered to be valid and have been withdrawn.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Lessons Learned From AID's Private Sector Development Efforts in Egypt
(ID-83-18, 2-28-83)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1961. International Security Assistance Act of 1977.

GAO reported on the progress which the Agency for International Development (AID) has made in assisting the Government of Egypt to develop its private sector.

Findings/Conclusions: GAO found that the development of a private-sector development strategy has been slow and difficult, with AID and Egyptian Government limitations impeding progress. The Egyptian business climate does not favor the private sector, and Egypt has not clearly defined the role which the private sector should play in its economic development. GAO found that AID had not long been involved directly with industrial private-sector development when it began to design a program for Egypt. The AID mission did not actively involve the Egyptian Government in developing its strategy, and it has viewed the program to date as a learning period and plans to refine its strategy and develop projects to better respond to Egypt's needs in the future. Because of implementation problems, GAO stated that it is doubtful some projects will achieve their objectives. Financial assistance provided has thus far benefited a relatively small group, primarily larger, financially well-established firms located in the Cairo/Alexandria metropolitan areas. Financial assistance has not been targeted toward small-scale enterprises which comprise the majority of Egyptian private enterprises. GAO believes that AID could apply some of the lessons learned in Egypt to other countries.

Recommendations to Agencies: The Administrator of AID should direct the mission to actively involve the Egyptian Government in developing, refining, and revising its private-sector development strategy to ensure that it is consistent with Egyptian Government priorities and goals.
Status: Action completed.

The Administrator of AID should direct the mission to assess future information needs and, in conjunction with Egyptian officials, develop a plan to address these needs.
Status: Recommendation no longer valid/action not intended. *AID stated that given the changing, fluid situation it is addressing, it believes that the present information base is reasonably sufficient for planning purposes. AID stated that it believes that thorough consideration and comprehension of the considerable information and data base that presently exists in Egypt is necessary before undertaking new, comprehensive studies.*

The Administrator of AID should explore the mechanisms to mitigate the negative effects of AID procurement regulations on private-sector credit projects.
Status: Action in process.

The Administrator of AID should direct the mission to consider folding the Private Investment Encouragement Fund into the proposed Production Credit II project if it is approved; if not, consider terminating the Private Investment Encouragement Fund project and seeking an alternative means for delivering term-credit assistance.
Status: Action in process.

The Administrator of AID should direct the mission to closely monitor the Private Sector Feasibility Studies project and terminate it if the project becomes inactive again.
Status: Action completed.

Agency Comments/Action

AID stated that its earlier comments on the draft report remain valid as the final report incorporates changes and acknowledges its comments. However, this does not imply that AID agrees 100 percent with the content of the GAO presentation; AID could not thoroughly investigate the intracacies of individual projects or events that have had a major impact on the development of the AID private sector program in Egypt. AID also felt that more emphasis should have been placed on the political predetermination of the size of its program in Egypt, a bias which limits the mission's ability to effect change in Egypt's economic policies that are disincentives to private-sector growth and development in Egypt. AID has acted on the recommendation to increase Egypt's involvement in formulating program strategy, but has not acted on the other recommendations. AID has deobligated $20 million of the PIE Fund and left $10 million in the Fund to see if the Egyptians can utilize it.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Irrigation Assistance to Developing Countries Should Require Stronger Commitments to Operation and Maintenance
(NSIAD-83-31, 8-29-83)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1974. P.L. 80-480.

GAO reviewed the operation and maintenance of U.S.-financed irrigation systems in Indonesia, Sri Lanka, and Thailand to determine how the Agency for International Development (AID) can: (1) improve operation and maintenance practices of developing countries and extend the economic life of the irrigation systems; and (2) design irrigation systems that adequately consider operation and maintenance requirements.

Findings/Conclusions: GAO found that donors have demonstrated their concern with developing country food problems by investing in irrigation systems and other facilities. At the same time, they have not given sufficient attention to the complementary institutional and financial costs of operating and maintaining the facilities. Donors have assumed that recipient countries would provide recurrent budget support to effectively operate and maintain projects, but this has not happened. AID has prepared a policy on recurrent cost financing, but the World Bank and Asian Development Bank have not. GAO believes that institutional as well as financial weaknesses affect the recipient countries' ability to effectively use and maintain irrigation systems and found that many systems do not provide reliable water sources and have not become self-sustaining. GAO found that AID project designs have assumed that water user associations would be established to provide on-farm maintenance, ensure equitable water distribution, and maintain discipline among users. Generally, these assumptions have not been realized. Consequently, systems have been vandalized, water wasted or stolen, and routine maintenance ignored.

Recommendations to Agencies: The Administrator of AID should: (1) as an integral part of project planning and as a condition for project approval, require that recurrent cost plans be developed in conjunction with recipient governments and other donors to recognize the principle of cost recovery from all beneficiaries, project the annual life-of-system operation and maintenance costs, identify the source of operation and maintenance funds and the funding options available to the country and the donors, include specific plans to strengthen each recipient country's capability to budget for operation and maintenance funding and to account for operation and maintenance expenditures on a project basis, and institutionalize management monitoring and evaluation of plan implementation; and (2) encourage other donors to define their recurrent cost financing options. In addition, the Administrator should encourage the multilateral development banks to further define their recurrent cost financing options as they relate to future financing of irrigation project development.

Status: Action in process.

The Administrator of AID should adopt stronger design and construction criteria for improving operation and maintenance performance as standard prerequisites of approval for new irrigation and rehabilitation projects. The criteria should include: (1) quality assurance measures in design and construction to ensure that local engineers and contractors take heed of technical advisors and require site visits during the design process; (2) the involvement of farmers in the planning, design, implementation, monitoring, and evaluation process; (3) priority consideration of operation and maintenance requirements during project design; and (4) appropriate transition between construction and operation and maintenance.

Status: Action in process.

The Administrator of AID should require from the host governments, before the construction of irrigation systems begin, written certifications that: (1) active, viable water user associations have been established; (2) designers have met with association members, discussed their needs and system benefits, elicited their input into on-farm system design, and stressed that the on-farm system will be theirs and that they must operate and maintain it; (3) each association has submitted a written request for the system and has agreed to the on-farm operation and maintenance; and (4) local users, to the extent possible, will be used to help construct the on-farm portions of each project.

Status: Action in process.

Agency Comments/Action

AID substantially agreed with the findings and recommendations and it is pursuing many of them through its policies and projects. Specific steps of implementation in some projects await the design process for new projects since implementation of such recommendations, along with consideration of numerous other issues, takes place at the level of individual projects' design and approval. AID will monitor these designs to ensure that recommendations are implemented as needed. AID has also proposed irrigation operation and maintenance projects in Indonesia and Sri Lanka costing $25 million and $19 million respectively, for fiscal year 1985. These projects are designed to improve the efficiency of AID investments in irrigation.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Africa's Agricultural Policies--A More Concerted Effort Will Be Needed If Reform Is Expected *(NSIAD-83-36, 9-8-83)*

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: P.L. 80-480.

GAO reviewed efforts by the Agency for International Development (AID) to reform host-government agricultural policies in Sub-Saharan Africa, which have been recognized as a major cause of the current agricultural crisis in the region because agricultural producers are not provided with either appropriate incentives or suitable economic environments to make production beyond the subsistence level worthwhile.

Findings/Conclusions: GAO believes that AID preparation of a number of policy and strategy papers, development of guidelines for preparing country development strategies, and testimony before Congress fostered commendable policy reform. However, at the country level, GAO found that AID often does not have an ongoing viable program in place which recognizes the difficulties inherent in realizing policy reform and the potential long-term effort involved. Most missions have not yet fully identified and prioritized the key host-country economic policy constraints, nor have they been involved in the development of national food strategies. In addition, GAO found that further improvements are needed in AID attempts to upgrade the economic analysis capability of its mission staff. GAO found that few missions have better than minimal reform programs underway and that only half of the missions currently have programs to improve host-government analysis capability. Some missions have questioned their ability to effectively discuss policy with host-government officials. Finally, GAO found that many missions are not fully coordinating their reform efforts with other donors and other U.S. agencies or fully using concessional agricultural commodity programs to influence reform.

Recommendations to Agencies: The Administrator, AID, should require a definitive policy reform plan from the mission in each country, including an assessment of the probability for policy reform. Each plan should recognize the difficulties in motivating the country to make needed reforms and the potential and likely long-term nature of such an effort. Such a plan should provide actions that can be taken immediately and over the longer term and actions to be pursued if the country fails to respond or to make adequate progress.

Status: Action in process.

The Administrator, AID, should establish appropriate incentives for rewarding missions and staffs for their efforts in: (1) effectively carrying out policy reform programs; (2) enlisting the support of other donors for a more unified donor approach to policy reform; and (3) involving the Departments of State, Treasury, and Agriculture in the AID policy reform effort by soliciting their views and input on both regionwide and country-specific AID documents generated.

Status: Action in process.

Agency Comments/Action

AID has recognized the role of inappropriate host government policies as a prime suppressant of agricultural output growth in sub-Saharan Africa and has intensified its efforts concerning corrective action. AID agrees that more needs to be done to accelerate the pace of reform. Much of what the report calls for is underway. AID proposes both to strengthen the basis for more policy reform by better identification of policy constraints to agricultural growth through agricultural assessments and other means, and to concentrate efforts through more careful tailoring of policy reform planning by individual missions.

UNITED STATES POSTAL SERVICE

Contract Conditions and Specifications Unduly Restricting Competition
(GGD-81-39, 2-12-81)

Budget Function: Procurement - Other Than Defense (990.4)

GAO addressed the restrictive conditions and specifications in U.S. Postal Service solicitations and contracts and their impact on Postal Service relationships with private industry, competition, and cost. The review discussed the Postal Service's formally advertised fixed-price contract for corrugated mail trays and sleeves to cover them in transit.

Findings/Conclusions: GAO found that: (1) the solicitation permitted bidding only by firms which could furnish all production requirements to all postal regions located throughout the United States; (2) the contract currently requires the corrugated trays and sleeves to be cut with a specific type of cutter; and (3) the contract requires the tray and sleeve be made from a very strong corrugated product.

Recommendations to Agencies: The Postmaster General should direct the involved Postal departments to develop a solicitation which should at least resolve current restrictions by allowing multiple awards for different geographical areas.

Status: Action completed.

The Postmaster General should direct the involved Postal departments to develop a solicitation which should at least resolve current restrictions by permitting material which provides the best tradeoff between strength, durability, weight, and cost. In addition to the current test program, industry should be asked to propose other new materials configurations which meet Postal needs.

Status: Action in process.

The Postmaster General should direct involved Postal departments to develop a solicitation which should at least resolve current restrictions by deleting the requirement for any specific type of cutter.

Status: Action completed.

Agency Comments/Action

The Postal Service's fiscal year 1982 contracts for mail trays and sleeves were awarded on a geographical basis and deleted a restrictive cutter requirement. These actions saved an estimated $521,000 (see accomplishment report GGD-82-10, November 20, 1981). Due to various problems, the tests on alternative materials/configurations will not be completed before the end of 1982. If these tests prove positive, a new, lighter weight tray/sleeve which will significantly reduce freight costs will be phased in beginning in fiscal year 1984.

UNITED STATES POSTAL SERVICE

Replacing Post Offices With Alternative Services: A Debated but Unresolved Issue
(GGD-82-89, 9-2-82)

Budget Function: Commerce and Housing Credit: Postal Service (372.0)
Legislative Authority: Postal Reorganization Act. Postal Reorganization Act Amendments of 1976 (39 U.S.C. 404(b)).

In response to a congressional request, GAO conducted a study of the possible savings and effects on services that would result from systematically closing and consolidating inefficient post offices and replacing them with contractor-operated stations, rural route extensions, and other alternative services. Specifically, GAO was asked to: (1) estimate the savings involved in closing inefficient post offices and replacing them with lower cost alternative services, and provide examples of inefficient post offices currently in operation; (2) survey the opinions of postal customers who have recently had their post offices replaced with alternative mail services; and (3) assess the efficiency and effectiveness of the current post office closing/consolidation process, including a review of the Service's use of the specific reorganization approach known as area planning.

Findings/Conclusions: GAO stated that the Service could save millions of dollars, without adversely affecting its current level of service, if it replaced thousands of post offices. The majority of postal patrons whose post offices have been replaced are satisfied with their current services. GAO believes that, by 1991, approximately $150 million could be saved annually if about 7,000 post offices were replaced with acceptable alternative mail services. In addition, other savings opportunities will exist if other offices are replaced on a case-by-case basis. The current post office replacement process significantly limits the Service's management discretion, and it can take up to 19 months to process a case. The Service must also address the nonpostal effects of replacement action to satisfy the applicable standards of the Postal Rate Commission for reviews of proposed replacements. Adjustments to the current process must be addressed from two perspectives: (1) whether major changes should be made to the process to accelerate replacement action; and (2) whether improvements can be made under the existing process to make it more efficient and workable. However, the final decision on major changes rests on the relative value that Congress places on the Service's quickly achieving the savings associated with replacement activities.

Recommendations to Agencies: The Postmaster General should remove the emphasis on requiring either a postmaster vacancy or a loss of quarters before a post office can be actively considered for replacement to encourage a wider application of replacement efforts.

Status: No action initiated. Date action planned not known.

The Postmaster General should require Service management to formally post a replacement proposal, formally advertise a vacancy for the postmaster, or establish a new facility within a specific timeframe after initiation of suspension to discourage the extensive use of long suspension periods prior to the initiation of replacement actions.

Status: No action initiated. Date action planned not known.

The Postmaster General should work with the Postal Rate Commission to develop efficient investigation and analysis standards.

Status: Action in process.

The Postmaster General should periodically determine the level of costs associated with the replacement process to enhance management control.

Status: Action completed.

Agency Comments/Action

The Postal Service has written to the Chairman of the Postal Rate Commission advising that it is initiating a review of the post office closing process and inviting the Commission to participate. The Postal Service has also completed a study to determine the level of costs associated with the post office replacement process.

UNITED STATES POSTAL SERVICE

The Postal Service Can Substantially Reduce Its Cleaning Costs
(AFMD-83-23, 12-28-82)

Budget Function: Commerce and Housing Credit: Postal Service (372.0)

GAO reviewed Postal Service cleaning operations and compared the cost of using in-house staff to contracting for the cleaning of postal buildings of 10,000 square feet or less.

Findings/Conclusions: GAO found that the Postal Service saves several million dollars annually by using contractors in the regions reviewed and that it could save more by cleaning all of its buildings of 10,000 square feet or less in those regions with contractors, or by otherwise reducing its cleaning cost per square foot to the average cost of contract cleaners. Cleaning costs could also be reduced by adopting new methods and procedures to increase productivity. The sooner Postal Service management can reduce its cost to that of contract cleaning, the sooner it can begin to reap savings.

Recommendations to Agencies: The Postmaster General should take action within the framework of existing and prospective national collective bargaining agreements to update the housekeeping cleaning requirements and practices to reflect the use of new cleaning methods and procedures.

Status: Action completed.

The Postmaster General should take action within the framework of existing and prospective national collective bargaining agreements to convert, where economical, to contract cleaning or otherwise reduce cleaning costs to a level comparable to that of cleaning done under contract.

Status: Action in process.

Agency Comments/Action

Even though the Postal Service revised its housekeeping manual, the union decided to take it to arbitration. The Postal Service will compete each cleaning contract after completion of the current contract.

UNITED STATES POSTAL SERVICE

Conversion to Automated Mail Processing Should Continue: Nine-Digit Zip Code Should Be Adopted
(GGD-83-24, 1-6-83)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Postal Reorganization Act.

In response to a congressional request, GAO assessed the automatic mail processing equipment which the U.S. Postal Service is buying and the nine-digit ZIP Code system (ZIP-Plus-4) which the Postal Service plans to implement. GAO reviewed the accuracy of the Postal Service's financial projections, the likelihood that the new equipment will perform as intended, and the potential impact of ZIP-Plus-4 mailers.

Findings/Conclusions: Because the cost effectiveness of ZIP-Plus-4 would hinge heavily on voluntary participation by business mailers, and such participation is not certain, GAO could not advise without qualification the Postal Service to move forward with ZIP-Plus-4. However, GAO believes that the incremental gain in moving to ZIP-Plus-4 will be so great that the move would be more than justified. Householders' use of ZIP-Plus-4 would help reduce mail processing costs but would not be critical to the cost effectiveness of ZIP-Plus-4. However, GAO endorsed the acquisition of the new equipment and its use to automate the processing of five-digit ZIP Code mail, provided that it will perform adequately. Even if the equipment performs adequately, there will still be risks associated with its use. Performance assumptions which the Postal Service used in its economic analysis to justify the automation program were based on assumed future improvements. Furthermore, testing and evaluation procedures used during the analysis were not adequate to measure the performance of the equipment or determine the need for design changes, and the Postal Service may have initial problems maintaining its new equipment. However, given the Postal Service's labor intensive operations and the opportunity that automation offers to reduce labor costs, GAO considered these risks acceptable.

Recommendations to Agencies: The Postal Service should implement a test program to develop adequate data for improving optical character reader (OCR) readability guidelines.
Status: Action in process.

The Postal Service should develop clear and precise procedures and techniques to apply OCR readability guidelines to determine that mail is eligible for a reduced postage rate.
Status: Recommendation no longer valid/action not intended. *The Service position is that it would be impracticable for postal acceptance units to take the time to closely screen mail to verify eligibility for the ZIP-Plus-4 discount.*

The Postal Service should obtain data on mailer reactions to the Postal Service's requests that they voluntarily improve the OCR readability of their mail, and determine whether additional management actions are needed to encourage cooperation.
Status: Action completed.

The Postal Service should conduct an 8-week test on the first unit or units built by each contractor.
Status: Action completed.

The Postal Service should thoroughly evaluate the criteria to be used for retesting the machines which fail the initial acceptance tests.
Status: Action completed.

The Postal Service should, for future OCR and other equipment procurements, conduct a comprehensive first article test of a representative machine, where the production machine is significantly different from: (1) machines currently in use; or (2) machines which were tested in a release-loan program. These first article tests should be conducted under expected environmental conditions and cover all operating parameters, to include processing of nine-digit mail.
Status: No action initiated. Affected parties intend to act.

The Postal Service should, for future OCR and other equipment procurements, perform a thorough engineering analysis of any changes proposed to the design of the machine after the initial first article test, and retest a first article if these changes are deemed significant.
Status: No action initiated. Date action planned not known.

The Postal Service should, if ZIP-Plus-4 is implemented, provide local delivery unit employees the necessary indoctrination to understand the Zip-Plus-4 program and the training to assist in keeping the National Zip-Plus-4 Directory updated.
Status: Action in process.

The Postal Service should, if ZIP-Plus-4 is implemented, broaden the eligibility criteria for the manual-list conversion service in order to aid more mailers.
Status: Action completed.

The Postal Service should, if the ZIP-Plus-4 program is implemented, provide uniform guidelines for local postmasters to follow in honoring customers' requests for ZIP-Plus-4 codes in order to provide consistent treatment of customers' requests.
Status: Recommendation no longer valid/action not intended. *The Service has changed positions. It now will honor all requests from business for ZIP-Plus-4 codes, regardless of the number of codes requested. Therefore, action recommended is no longer needed.*

The Postal Service should, if ZIP-Plus-4 is implemented, modify the Postal Service's information system to track delivery times of five-digit ZIP Code mail when the switch to full manual sortation of such mail occurs, and make the resulting information a matter of postal management review to ensure that delivery times for five-digit ZIP Code mail do not fall below current levels.
Status: Action completed.

The Postal Service should, if ZIP-Plus-4 is implemented, provide businesses and householders, if they are to be included, with more and clearer information about the ZIP-Plus-4 program such as its benefits, prerequisites for participation, expected impact on delivery times, and effects on other programs.

Status: Action completed.

Agency Comments/Action

The agency generally concurred with the recommendations and said that it was taking or planned to take actions to comply. GAO has since verified that action has been completed on 6 of the 12 recommendations and action is in process on 2 recommendations. One recommendation is no longer valid. The Service plans no action on one recommendation, and the two remaining recommendations on which the Service has not yet initiated action cannot be acted on until a scheduled new phase of equipment procurement begins at a later date.

UNITED STATES POSTAL SERVICE

Postal Service Needs To Strengthen Controls Over Employee Overtime
(GGD-83-36, 4-6-83)

Budget Function: Commerce and Housing Credit: Postal Service (372.0)
Legislative Authority: Fair Labor Standards Act of 1938 (29 U.S.C. 207).

GAO reported on the Postal Service's need to improve overtime controls.

Findings/Conclusions: At the six postal facilities it reviewed, GAO found that overtime payments cost about $4.2 million dollars. Management's effort to meet its own overtime estimates was often a primary consideration when allowing overtime rather than determining whether a need for additional work was present. GAO noted that a substantial amount of overtime had been retroactively approved due to supervisors' failure to control employee work schedules. GAO found that at five of the facilities it visited the Postal Service paid an estimated $470,000 for overtime hours that had not been authorized because overtime entered into the system was automatically paid unless expressly disallowed and because supervisors did not disallow unnecessary overtime requests. GAO concluded that, although overtime provides management with manpower flexibility, improper use results in unnecessary costs.

Recommendations to Agencies: The Postmaster General, to improve control over the use of overtime, should ensure that planned overtime hours be included in the work-hour budget and reported on the work-hour report.

Status: No action initiated. Date action planned not known.

The Postmaster General, to improve control over the use of overtime, should ensure that employees with constant and high overtime use be periodically identified for a determination as to whether the work can be done on straight time.

Status: Action completed.

The Postmaster General, to improve control over the use of overtime, should ensure that facility managers be instructed to not hire additional employees to reduce overtime until its underlying causes are determined.

Status: Action completed.

The Postal Service should require facility managers to prepare periodic reports showing the extent of retroactively approved overtime.

Status: Action completed.

The Postal Service should require facility managers to monitor forced overtime to identify supervisors who are not fulfilling their responsibility to control work schedules.

Status: Action completed.

The Postal Service should require facility managers to periodically remind supervisors and timekeepers of their respective responsibilities for maintaining control of employee work schedules.

Status: Action completed.

Agency Comments/Action

A letter has been issued to Regional Postmasters General instructing them to: (1) periodically identify employees with constant and high overtime usage, determine the reasons for this usage, and make adjustments accordingly; (2) determine the underlying cause for overtime usage before hiring additional personnel in an attempt to reduce overtime to a more acceptable level; and (3) periodically analyze retroactively approved and forced overtime to identify and instruct those supervisors who are not properly controlling their employees' work schedules.

UNITED STATES POSTAL SERVICE

Conversion to Automated Mail Processing and Nine-Digit ZIP Code--A Status Report
(GGD-83-84, 9-28-83)

Budget Function: General Government: Other General Government (806.0)

GAO reported on the current status of Postal Service plans to implement automated mail processing and the nine-digit ZIP code.

Findings/Conclusions: GAO found that the Postal Service will be in a position to implement the automated mail processing system as scheduled. Although there are several recommended program improvements and some uncertainties about equipment performance, GAO believes that none of these concerns warrants a delay in implementation. One concern is that the performance of the optical character reading equipment is uncertain. Results of recently completed tests of this equipment were not reviewed by GAO, but the Postal Service claimed that these tests indicated that the equipment will perform up to expectations. Performance of the bar code sorting equipment was also uncertain, but GAO found no catastrophic or uncorrectable problems with the design or performance of the sorters. GAO found that improvements are needed in Postal Service programs to improve the optical character readability of mail and administer the postage rate incentive proposed for large-volume mailings of ZIP-plus-4 mail. GAO also believes that the Postal Service estimate of potential usage of ZIP-plus-4 is questionable because of deficiencies in study methodology for a market study commissioned by the Postal Service. GAO further found that the National ZIP-plus-4 Directory is substantially complete and reasonably correct, although some improvements are attainable.

Recommendations to Agencies: The Postal Service should conduct, as planned, an extended test on one or two of the bar code sorters (BCS's) already accepted in Phase I to (1) identify BCS performance capabilities, (2) identify potential design defects, and (3) obtain reliability data. If design flaws are detected, the Postal Service should fully enforce existing contractual remedies.

Status: Action in process.

The Postal Service should ensure that Phase II equipment test results accurately reflect anticipated operating results by (1) staffing Phase II optical character reader/channel sorter (OCR/CS) and BCS release-loan and acceptance tests at levels consistent with normal operating conditions, and (2) using Postal Service, not contractor, personnel to operate BCS's during testing.

Status: Action in process.

The Postmaster General should issue written guidance clarifying organizational responsibilities for these programs and establishing management responsibilities for program oversight, including oversight of budget support and training.

Status: Action in process.

The Postmaster General should provide technical support to large-volume mailers by establishing an orientation program to analyze mail from large-volume mailers and to demonstrate to these mailers the capabilities and limitations of the OCR.

Status: Action in process.

The Postmaster General should provide technical support to large-volume mailers by providing training for Customer Service Representatives (CSR s) and associate office postmasters to enable them to effectively communicate OCR readability problems to mailers

Status: Action in process.

The Postmaster General should provide technical support to large-volume mailers by making technical support available to CSR's and associate office postmasters

Status: Action in process.

The Postmaster General should develop policies and procedures for determining whether mail is eligible for the ZIP-plus-4 discount.

Status: Action in process.

The Postmaster General should develop policies and procedures for training and equipping acceptance unit staffs to check for compliance with OCR readability criteria

Status: No action initiated. Affected parties intend to act

The Postmaster General should develop policies and procedures for using actual OCR readings to monitor implementation of the ZIP-plus-4 rate incentive program.

Status: No action initiated. Affected parties intend to act

Agency Comments/Action

The agency concurred in general with the recommendations and said that it was taking or planned to take actions to comply with them. GAO has verified that action is in process on seven of the recommendations and no action has been initiated on two of the recommendations

VETERANS ADMINISTRATION

Legislation Plus Aggressive Action Needed To Strengthen VA's Debt Collection
(HRD-81-5, 2-13-81)

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (702.0)
Legislative Authority: P.L. 96-466. 5 U.S.C. 5514(a). 28 U.S.C. 2415. 31 U.S.C. 952.

GAO was asked to study the feasibility of resuming collection action on education assistance overpayments written off as uncollectable by the Veterans Administration (VA) through the use of generally accepted private-sector debt collection practices. Special attention was given to the reporting of delinquent and terminated accounts to commercial credit bureaus as a means of motivating veterans to repay their debts to the Government.

Findings/Conclusions: GAO obtained a random sample of commercial credit reports on veterans whose accounts had been terminated as uncollectable and found that most of the veterans were employed, had an established history of paying their private-sector creditors, and had private-sector lines of credit equal to or greater than the amounts owed to VA. Several factors have hampered the VA debt collection efforts and contributed to a large volume of educational assistance overpayment accounts terminated in recent years. GAO believes that the most significant problem is that veterans have been able to ignore the demands of VA for repayment with little or no fear of the adverse actions which would normally result from failure to pay debts owed to private-sector creditors.

Recommendations to Congress: Congress should enact legislation to amend 5 U.S.C. 5514(a) to permit involuntary collection of general Government debts from the current salary of Federal employees.
Status: Action completed.

Congress should enact legislation to specify that the 6-year statute of limitations contained in 28 U.S.C. 2415 applies only to court action by the Government, and that it does not include administrative collection actions by Federal agencies, such as offsetting uncollectable debts owed by Federal employees against their final salary payments or retirement benefits.
Status: Action completed.

Congress should monitor VA collection activities to ensure prompt and effective implementation of the debt collection provisions of Public Law 96-466.
Status: Action completed.

Recommendations to Agencies: The Administrator of VA should, on a test basis, independently verify the accuracy of investigative credit report information.
Status: Recommendation no longer valid/action not intended. *Credit bureau data are being used in lieu of investigative reports. If the data can be obtained from credit bureaus, investigative reports will not be needed. VA considers this issue a low priority.*

The Administrator of VA should combine terminated and current overpayments of individual debtors so the full debt amount is pursued.
Status: Action completed.

The Administrator of VA should instruct VA regional offices to deduct outstanding overpayments from special benefit payments.
Status: Action completed.

The Administrator of VA should, to the maximum extent practicable, require payment in full rather than repayment plans for debts disclosed when matching guaranteed home loan applications with educational assistance.
Status: Recommendation no longer valid/action not intended. *VA believes that scheduling repayment over a 1-year period is reasonable.*

The Administrator of VA should, when possible, obtain debtor ability-to-pay information in a more economical manner, such as from commercial credit bureau reports.
Status: Recommendation no longer valid/action not intended. *The majority of the cases are processed by VA without obtaining any financial report.*

The Administrator of VA should require commercial lenders to give VA veteran identification information on applicants for automatically guaranteed home loans so VA can check for indebtedness before the loans are closed.
Status: Action completed.

The Administrator of VA should implement immediately the debt collection provisions of Public Law 96-466 which (1) permit VA to report delinquent and terminated accounts to commercial credit bureaus, (2) give VA attorneys the authority to litigate debt collection cases, and (3) require VA to charge interest and recover administrative collection costs on debts owed to VA.
Status: Action in process.

The Administrator of VA should implement a program to periodically match delinquent and terminated educational assistance overpayment accounts with computer listings of current Federal civilian and military personnel.
Status: Action completed.

The Administrator of VA should resume collection action on terminated educational assistance overpayment accounts using the collection methods discussed in this report.
Status: Action completed.

Agency Comments/Action

The agency was in general agreement with most of the recommendations and has taken action to implement the recommendations with which it agreed. VA has started using its own attorneys for litigating debt cases and has begun charging interest and administrative cost on certain debts. VA has not referred debts to commercial credit bureaus because the Office of Management and Budget desires to negotiate a Government-wide contract for this.

The agency disagreed with the recommendation to require applicants for VA-guaranteed home loans to pay education debts in full. Unless the debt is low, VA will seek to establish repayment plans that cover 1 year.

VETERANS ADMINISTRATION

Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms
(HRD-81-54, 3-3-81)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

The Veterans Administration (VA) is planning to spend more than $1 billion to replace 10 of its medical centers. Each replacement center will have a surgical suite, which is among the most costly hospital departments to construct and operate.

Findings/Conclusions: In reviewing operating room utilization at centers that VA intends to replace, GAO found that, on the average, the 74 operating rooms at these centers were idle about 50 percent of the time that they were available for scheduled surgery. The current planning criterion used by VA calls for 1 operating room for every 28 surgical beds. The continued use of this criterion could result in overconstruction of operating rooms with resulting low utilization. In developing its criterion, VA did not recognize that all patients admitted to surgical beds do not undergo surgery. VA did not fully recognize the significant variation among medical centers in the type of surgical procedures performed and the length of time different surgical procedures take. Average operating times varied significantly among VA medical centers. Surgical procedures generally performed by medical school residents at affiliated centers took longer than similar procedures performed by VA staff at nonaffiliated centers. GAO developed a model for planning operating rooms which focused on the unique surgical workload characteristics of each VA center. It showed that VA could handle the surgical workload with 22 fewer operating rooms than planned using the present criterion, a potential $3.5 million saving. VA assigned more operating room nurses than needed to handle the surgical workload due to this criterion, and savings could be realized if VA made use of less skilled personnel to do many of the nonprofessional tasks now handled by operating room nurses.

Recommendations to Congress: Congress should not approve any funding requests for new or replacement surgical suites in VA centers based solely on room-to-bed ratios, unless the planning is so far along that adjusting the surgical suite(s) planned would not be economically feasible.
Status: No action initiated. Date action planned not known.

Recommendations to Agencies: The Administrator of Veterans Affairs should direct the Chief Medical Director to better use skilled operating room nurses by assigning nonprofessional tasks to less skilled personnel.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Chief Medical Director to develop staffing guidelines for operating room nurses based on the number of operating rooms needed to handle the surgical workload.
Status: Recommendation no longer valid/action not intended. *This issue is covered in a separate review concerning VA staffing standards.*

The Administrator of Veterans Affairs should direct the Chief Medical Director to use operating room estimates obtained from GAO's model, or a similar workload model, to reassess the number of operating rooms needed at the Minneapolis VA Medical Center and use such a model for all future construction proposals submitted to the Congress. If, in VA's judgment, more operating rooms are needed than called for by the workload model, the Chief Medical Director should be required to justify the additional rooms.
Status: No action initiated. Date action planned not known.

The Administrator of Veterans Affairs should direct the Chief Medical Director to discontinue use of current VA operating room planning criterion in favor of a planning methodology based on surgical workload for new or replacement operating rooms similar to the one developed by GAO, with the aim of achieving an 80 percent operating room utilization level.
Status: Action in process.

Agency Comments/Action

Although VA did not concur with the specific recommendation regarding a new planning methodology, it is conducting research on a new model for determining the size of surgical suites. Research is scheduled to be completed in April 1984.

VETERANS ADMINISTRATION

State Veterans' Homes--Opportunities To Reduce VA and State Costs and Improve Program Management *(HRD-82-7, 10-22-81)*

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Veterans Omnibus Health Care Act of 1976 (P.L. 94-581). 38 C.F.R. 17.166d. 38 C.F.R. 17.47. P.L. 95-588. H.R. 6263 (96th Cong.). H.R. 518 (97th Cong.). H.R. 2832 (97th Cong.). S. 1034 (97th Cong.). 38 U.S.C. 610(a). 38 U.S.C. 641(b). 38 U.S.C. 3203.

State homes provide hospital, nursing home, and domiciliary care to needy, disabled veterans. The Veterans Administration (VA) helps States defray the costs of operating and constructing State homes through per diem payments and construction grants. GAO reviewed the State home program to find out if VA was effectively administering the program, if the method used to help States pay for the care provided should be changed, and if the homes were capable of providing quality care.

Findings/Conclusions: Because VA was generally not properly certifying the levels of care needed by veterans admitted to State homes, hospitals and nursing homes per diem rates were paid unnecessarily for many veterans requiring lower levels of care. The improper certifications occurred because VA physicians were not independently verifying the patients' need for the levels of care requested by the homes. Changes in the method of reimbursing States for the care provided to veterans in State homes are not needed. The homes have been able to maintain or expand the services provided to veterans under the current method. Alternatives to increased VA funding exist. State homes could obtain more revenues from veterans receiving VA pensions, and part of the cost of care provided to some veterans could be recovered from Medicare or private health insurance. Because VA has not effectively planned and coordinated the construction or use of VA hospitals, State homes, and contract community nursing homes, VA and State home facilities may be constructed in areas having too many community or State nursing home beds while not enough beds may be available in other areas. State homes are capable of providing quality nursing home and domiciliary care to their patients, but they have only limited acute hospital care capabilities. VA inspections may not identify deficiencies by not evaluating the surgical care provided by State home hospitals and by limiting the scope of their assessments because of a lack of guidance on how to assess compliance.

Recommendations to Congress: Congress should consider amending 38 U.S.C. 3203 to extend the pension reduction criteria to cover care being furnished in State homes and to authorize VA to transfer the money withheld to the States to help pay for the veterans' care.

Status: No action initiated. Date action planned not known.

In any deliberations on legislative proposals to change the reimbursement method to increase VA funding, Congress should consider the extent to which the States are taking advantage of the alternative sources of revenue identified by GAO.

Status: Action completed.

Recommendations to Agencies: The VA Administrator, through the chief medical director, should determine the need for State home construction projects before approving their construction.

Status: Action completed.

The VA Administrator, through the chief medical director, should establish, in coordination with State and local planning agencies, and the National Association of State Veterans Homes, more realistic medical district plans for the construction and/or use of VA, community, and State nursing homes to provide care to veterans.

Status: Action completed.

The VA Administrator, through the chief medical director, should encourage State homes to collect from veterans receiving pensions an amount equal to the reduction that would occur if the veterans obtained care in a VA facility.

Status: Action completed.

The VA Administrator, through the chief medical director, should follow up on inspection reports to insure that compliance with all standards is assessed.

Status: Action completed.

The VA Administrator, through the chief medical director, should revise State home standards to provide specificity and guidance such as that provided in the Joint Commission on Accreditation of Hospitals and Department of Health and Human Services standards.

Status: Action in process.

The VA Administrator, through the chief medical director, should develop standards on surgical care and related services as part of the State home hospital standards.

Status: Recommendation no longer valid/action not intended. *Legislation has been introduced which could eliminate hospital care from the State home program. VA has no further plans to develop surgical standards.*

The VA Administrator, through the chief medical director, should encourage State homes to convert hospital beds, other than those needed to meet the short-term acute-care needs of home patients, to nursing home beds.

Status: Recommendation no longer valid/action not intended. *VA plans no action to implement the recommendation. It feels the limited hospital per diem discourages State homes from operating hospital beds.*

The VA Administrator, through the chief medical director, should direct VA medical centers that are clinics of jurisdiction for the State home program to review the appropriateness of the per diem rates paid for veterans already in State homes and adjust per diem payments as necessary. The appropriateness of per diem rates should be determined by a VA physician using the level of care definitions in the State home manual.

Status: Action completed.

The VA Administrator, through the chief medical director, should inform VA physicians of their options to request additional data from the State home to justify the requested level of care and to authorize payment of per diem at a rate other than that requested.
Status: Action completed.

The VA Administrator, through the chief medical director, should reemphasize to VA physicians the importance of independently verifying the needed level of care of veterans admitted to State homes.
Status: Action completed.

The VA Administrator, through the chief medical director, should direct VA physicians to approve payment of the hospital per diem rate only if the patient needs acute hospital care.
Status: Recommendation no longer valid/action not intended. *VA plans no action. VA believes it must pay the hospital per diem rate for intermediate hospital care if the State home provides that level of care.*

Agency Comments/Action

VA is reevaluating the way in which it determines the need for VA, State home, and community nursing home beds, and has shelved all construction plans beyond 1983 until firm criteria to justify needs are developed. The need for State home construction projects is being determined as part of the Medical District Initiated Program Planning process. VA sent a letter to the National Association of State Veterans Homes in December 1981 urging them to collect pension funds from veterans to help defray the costs of care. VA is currently preparing a circular directing medical centers to review the appropriateness of per diem currently being paid, and is incorporating JCAH and HHS standards into its State home program manual.

VETERANS ADMINISTRATION

Legislation Needed To Prevent Loss of Millions From Mentally Incompetent Veterans' Estates
(HRD-82-1, 2-10-82)

Budget Function: Veterans Benefits and Services: Income Security for Veterans (701.0)
Legislative Authority: 38 U.S.C. 3202. 38 U.S.C. 3202(e). 38 U.S.C. 3202(d).

Congressional concern was expressed that mentally incompetent veterans' estates accumulated from Veterans Administration (VA) benefits are being inherited by relatives other than the veterans' immediate families. GAO reviewed active and closed cases of veteran beneficiaries with court-appointed guardians, legal custodians, and institutional award arrangements at 4 of the 58 VA regional offices to determine the extent to which such situations have occurred and could occur in the future.

Findings/Conclusions: GAO estimated that about 3,000 estates of living incompetent veterans comprising about $56 million in veterans' benefits are unprotected from future claims by relatives other than spouses, children, and dependent parents. If the results are representative of the situation nationwide, an estimated 29,000 such estates comprised of about $500 million accumulated from veterans' benefits are currently unprotected from claims by such relatives. Under current law, VA will be unable to recover this money. In 1959, Congress passed legislation limiting the inheritance of incompetent veterans' estates to spouses, children, and dependent parents. This legislation provides that, in the absence of such relatives, VA benefits accumulated in these estates will revert to the Federal Government. However, because the restrictions do not apply to the estates of most mentally incompetent veterans, other relatives have made successful claims totaling millions. In reviewing VA estate accounting procedures, GAO found that many regional offices apply all veterans' expenses first to VA benefits rather than allocating the expenses to each revenue source in proportion to its contributions to the veterans' estates. This method underestimates the VA contribution to the estates.

Recommendations to Congress: Congress should amend 38 U.S.C. 3202 by adding a new subsection (f) as follows: any funds hereafter deposited in the hands of a fiduciary appointed by a State court or the Veterans Administration derived from benefits payable to mentally incompetent or insane veterans under laws administered by the Veterans Administration, which under the law of the State wherein the beneficiary had his last legal residence would descend and be distributed to persons other than the surviving spouse, children, or dependent parents of the beneficiary, there being no such survivors, shall not be paid to such persons but instead shall revert to the United States and shall be returned by such fiduciary, or by the personal representative of the deceased beneficiary, less legal expenses of any administration necessary to determine that a reverter is in order, to the Veterans Administration, and shall be deposited to the credit of the applicable revolving fund, trust fund, or appropriation.

Status: Action in process.

Recommendations to Agencies: The Administrator of Veterans Affairs should direct the Chief Benefits Director to revise the estate accounting procedures to require that all expenses which cannot be matched directly with specific revenue sources be allocated to each source in proportion to its contributions to the mentally incompetent veteran's estate.

Status: **Recommendation no longer valid/action not intended.**

Agency Comments/Action

VA generally agreed with the recommended legislation to prevent relatives other than spouses, children, and dependent parents from inheriting mentally incompetent veterans' estates. However, VA disagreed with the GAO suggestion that Congress apply the restrictions to payments already made to guardians and fiduciaries because of potential constitutional problems. VA did not concur with the recommendation that it revise its estate accounting procedures principally on the basis that it is felt the new procedures would not be cost effective.

VETERANS ADMINISTRATION

Actions Needed To Insure That Female Veterans Have Equal Access to VA Benefits
(HRD-82-98, 9-24-82)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

In response to a congressional request, GAO reviewed Veterans Administration (VA) efforts to provide health care benefits to female veterans. GAO specifically sought to determine whether VA was: (1) equipped to provide women with medical care; (2) planning for the anticipated increase in women veterans demanding care; (3) informing women veterans of available benefits; and (4) addressing their psychological problems related to service in Vietnam.

Findings/Conclusions: VA has made progress in ensuring that medical care and other benefits are available to female veterans. However, because females are a small proportion of the total veteran population, VA has not adequately focused on the unique medical needs of women. Women cannot benefit from some specialized medical care because of the lack of privacy in older VA facilities; and complete gynecological and obstetrical care are often not available. The reliance of many facilities on a fee-basis program to reimburse private health care providers for such services results in the denial of treatment to women with nonemergency conditions which are not connected with their service. This is inequitable because the facilities treat virtually all of the outpatient nonservice-connected medical needs of males. VA does not provide care for normal pregnancy and childbirth, even if the veteran was pregnant when discharged from the military or is unable to pay for hospital care. VA long-range planning has neither identified those programs currently unable to accept women nor projected the number of female veterans expected to seek care, and VA has not planned renovation projects which would increase female patients' access to care. VA has not adequately informed female veterans of their medical benefits; however, the Veterans' Readjustment Counseling Program is specifically addressing female veterans needs, collecting statistics on women treated, and performing outreach toward female veterans.

Recommendations to Agencies: The Administrator of Veterans Affairs should, through the Chief Medical Director, improve female veterans' access to outpatient gynecological care and other care not available at VA facilities by: (1) negotiating sharing agreements with the Department of Defense or other Federal hospitals; (2) contracting with private gynecologists; or (3) developing in-house capability.
Status: Action completed.
The Administrator of Veterans Affairs should, through the Chief Medical Director, revise privacy standards and ensure that future construction or renovation projects correct privacy limitations that limit women's access to VA facilities and treatment.
Status: Action completed.
The Administrator of Veterans Affairs should, through the Chief Medical Director, instruct VA medical facilities to identify all treatment programs that cannot accept female patients and develop alternative ways to provide the care, such as sharing agreements or increased use of the inpatient fee-basis program.
Status: Action completed.
The Administrator of Veterans Affairs should, through the Chief Medical Director, develop projections on the numbers of service-connected and nonservice-connected female veterans expected to seek care from VA and use such data in planning future construction and renovation projects.
Status: Action in process.
The Administrator of Veterans Affairs should, through the Chief Benefits Director, evaluate female veterans' awareness of benefits.
Status: Recommendation no longer valid/action not intended. *VA did not agree with the recommendation; and it said that all veterans are equally aware of benefits.*
The Administrator of Veterans Affairs should, through the Chief Benefits Director, establish procedures to ensure that female veterans will not be notified of major changes in benefits that affect them.
Status: Recommendation no longer valid/action not intended. *VA did not agree with the recommendation; and it said that female veterans are notified of their benefits when they are discharged.*
The Administrator of Veterans Affairs should, through the Chief Benefits Director, expand outreach efforts to include veterans' organizations with predominantly female memberships.
Status: Action in process.

Agency Comments/Action

VA has initiated actions to: (1) identify treatment programs that cannot accommodate female veterans; and (2) increase the use of sharing agreements and fee basis care. Although it disagreed with the recommendations that it assess female veterans' awareness of VA benefits and notify female veterans of changes in benefits which specifically affect them, VA has agreed to expand its outreach efforts to include veterans organizations with predominantly female memberships.

VETERANS ADMINISTRATION

VA Should Consider Less Costly Alternatives Before Constructing New Nursing Homes
(HRD-82-114, 9-30-82)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

GAO evaluated the Veterans Administration (VA) planning criteria and processes used to justify proposed nursing home construction projects for the aging veteran population.

Findings/Conclusions: GAO found that VA used national demographic and needs projections to justify new nursing home construction without the benefit of additional information about the characteristics and resources of the primary service areas of the medical districts or centers. As a result, VA did not adequately consider its option of providing more nursing home care in community nursing homes by expanding its use of existing legislative authority to contract for care. In addition, VA did not adequately consider converting, renovating, or changing the mission of existing VA facilities to help meet the need for more nursing home beds. GAO concluded that more consideration should be given to local conditions and less costly alternatives to new construction.

Recommendations to Agencies: The Administrator of Veterans Affairs should: (1) supplement national projections with local information on actual and projected needs for nursing home care in each medical district; (2) consider meeting nursing home needs wherever possible through greater use of the contract community nursing home program; and (3) consider meeting nursing home needs by renovating, converting, or changing the mission of existing VA facilities.

Status: Action in process.

Agency Comments/Action

VA concurred with the recommendations and instructed district planners to consider local demographics and less costly alternatives when justifying new nursing home construction projects.

VETERANS ADMINISTRATION

A Change to the Veterans Administration's Apprenticeship and On-the-Job Training Programs Should Be Made *(HRD-83-12, 10-19-82)*

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (702.0)
Legislative Authority: Veterans' Pension and Readjustment Assistance Act of 1967 (P.L. 90-77).

As part of its oversight of the Veterans Administration's (VA) educational programs, GAO reviewed the VA apprenticeship and on-the-job training (OJT) programs.

Findings/Conclusions: GAO found that VA educational assistance often helped fill a significant earnings gap during apprenticeship when wages of veterans being trained for relatively high paying jobs wages were considerably less than the wages veterans would receive when fully trained. However, the wages to be paid to fully trained veterans in OJT programs were frequently relatively low and the wages paid to trainees were often close to the wages they would receive as fully trained workers. GAO stated that, even with periodic reductions in VA assistance, some workers will lose income by completing training programs.

Recommendations to Congress: Congress should limit assistance allowances to veterans in apprenticeship and OJT programs to the differences between the wages veterans earn while in training and their objective wages.

Status: No action initiated. Date action planned not known.

VETERANS ADMINISTRATION

VA's Agent Orange Examination Program: Actions Needed To More Effectively Address Veterans' Health Concerns
(HRD-83-6, 10-25-82)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)
Legislative Authority: Veterans' Health Care, Training and Small Business Loan Act of 1981 (P.L. 97-92). Veterans' Health Programs Extension and Improvement Act of 1979 (P.L. 96-151). 38 U.S.C. 3010(g).

In response to a congressional request, GAO reviewed Vietnam veterans' complaints regarding the Veterans Administration's (VA) Agent Orange program and related issues.

Findings/Conclusions: GAO found that, since 1978, more than 89,000 Vietnam veterans have been examined through VA services. Although the GAO veteran participant survey and investigation showed that the VA examinations were more thorough than the veterans perceived them to be, GAO believes that VA could reduce dissatisfaction and health concerns by providing more timely and thorough examinations and by better dissemination of Agent Orange, health-related information to veterans. GAO reviewed disability compensation claim issues and noted that the unreliability of medical service records and the legal requirement for epidemiological studies of veterans exposed to Agent Orange suggest that the retroactive compensation period for claims should be changed.

Recommendations to Congress: Congress should consider whether 38 U.S.C. 3010(g) should be amended to extend the retroactive compensation period for Agent-Orange-related disability claims to the date the initial claim was filed.
Status: Action in process.

Recommendations to Agencies: The Administrator of Veterans Affairs, through the chief medical director, should discontinue the computerized Agent Orange registry and maintain a list of veterans who have had Agent Orange examinations.
Status: Recommendation no longer valid/action not intended. *VA again stated in its 60-day letter that it does not plan to implement this recommendation. VA said the registry is a valuable tool in agency oversight of Agent Orange activities.*

The Administrator of Veterans Affairs, through the chief medical director, should revise the exposure history form and use the standard VA physical examination and medical history forms to gather more thorough information during Agent Orange examinations.
Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical officer, should require environmental physicians to review all examinations records to ensure that examinations are thorough and documented.
Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical director, should direct VA physicians to document all findings for every factor described in VA Agent Orange program circulars for each examination.
Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical director, should reemphasize to VA medical facilities the importance of providing examinations in a timely manner.
Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical director, should direct VA medical facilities to ensure that examining physicians are familiar with available information on Agent Orange and that they provide this information to all veterans examined.
Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical director, should direct VA medical facilities to inform veterans seeking Agent Orange examinations of the examination's limitations.
Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical director, should require VA medical facilities to include the Agent Orange examination program in the facilities' systematic internal review process.
Status: Action in process.

The Administrator of Veterans Affairs, through the chief medical director, should develop and analyze statistics on the kinds of skin problems, tumors, and birth defects identified in Agent Orange examinations, and make this information available to veterans.
Status: Recommendation no longer valid/action not intended. *VA did not concur with the recommendation. VA said that any statistics that could be developed would be skewed due to the self-selected population.*

The Administrator of Veterans Affairs, through the chief medical director, should emphasize to VA medical facilities the importance of sending tissue samples taken from veterans who served in Vietnam to the Armed Forces Institute of Pathology.
Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical director, should develop a monograph on Agent Orange's potential for causing birth defects.
Status: Action in process.

The Administrator of Veterans Affairs, through the chief medical director, should direct VA medical facilities to provide available information to veterans concerned about birth defects or to refer veterans to genetic counseling services for such information.
Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical director, should direct VA medical facilities to follow up with all veterans examined before January 1981 to ensure that they have been provided their examination results.

Status: Recommendation no longer valid/action not intended. *VA did not concur with the recommendation. It said that it is currently using a health status questionnaire to follow-up on veterans who have had Agent Orange examinations.*

The Administrator of Veterans Affairs, through the chief medical director, should direct all VA medical facilities to offer to send the Agent Orange pamphlet to all telephone callers interested in information about Agent Orange and advise callers when and where they can see the Agent Orange film.

Status: Action completed.

The Administrator of Veterans Affairs, through the chief medical director, should use public service announcements to advise veterans of VA Agent Orange services.

Status: Action in process.

The Administrator of Veterans Affairs, through the chief medical director, should work with State veterans' affairs offices to advise veterans of available VA Agent Orange services.

Status: Action completed.

Agency Comments/Action

VA has added the Agent Orange program to both internal and external review programs. VA is revising a program circular to direct environmental physicians to review all examination records and to emphasize the importance of timely examinations. An information letter has already been issued to implement several other recommendations. VA is also revising its internal review manual to require medical centers to include the Agent Orange program in their reviews. However, VA disagreed with the recommendations that it: (1) discontinue the computerized Agent Orange registry; (2) develop and analyze statistics on the types of skin problems, birth defects, and tumors veterans have experienced; and (3) provide examination results to veterans who had not received them. Regarding the recommendation for legislative change, VA believes it appropriate to wait for results of scientific studies before changing the retroactive compensation period. Studies are ongoing; results will not be available until at least 1987.

VETERANS ADMINISTRATION

VA Is Making Efforts To Improve Its Nursing Home Construction Planning Process
(HRD-83-58, 5-20-83)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

Pursuant to a congressional request, GAO analyzed the Veterans Administration's (VA) justification for each nursing home construction project included in its fiscal year (FY) 1984 budget request to determine whether it had fully considered local conditions and less costly alternatives.

Findings/Conclusions: GAO stated that the processes VA used to plan, justify, and rank in priority order the seven nursing home projects proposed for FY 1984 funding were essentially the same as described in a previous GAO report. VA planned and justified the projects using national need projections without obtaining much input about local needs and resources or thoroughly considering potentially less costly alternatives.

Recommendations to Agencies: The Administrator of Veterans Affairs should include information on local needs and resources and a discussion of the VA consideration of less costly alternatives, such as conversion, renovation, and greater use of community nursing homes, as part of the budget justification for each proposed nursing home construction project beginning with its FY 1985 budget request.

Status: Action in process.

Agency Comments/Action

VA concurred with the recommendation and agreed to implement responsive changes during the fiscal year 1985 budget cycle. VA advised GAO that guidelines were being drafted to ensure that the recommended information is included in all future nursing home justifications.

VETERANS ADMINISTRATION

Better Management and Price Negotiation Will Improve the VA Multiple Award Schedule Program
(NSIAD-83-33, 9-20-83)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

GAO reviewed the Veterans Administration's (VA) procurement of drugs and pharmaceuticals, medical equipment, and subsistence products through the multiple award schedule (MAS) program, under which VA and other agencies procure certain supplies directly from vendors at a negotiated price.

Findings/Conclusions: GAO found that VA may not be obtaining the lowest prices possible under the MAS program because: (1) prices offered by vendors are not fully analyzed; (2) inadequate and unreliable vendor-submitted data are used for negotiations; and (3) offers are frequently accepted without counteroffers or negotiations. Management of the MAS program is also hampered by the large volume of products and contracts. In addition, GAO found that the format of the drug and pharmaceutical schedules does not provide customers with sufficient information to make buying decisions.

Recommendations to Agencies: The Administrator of Veterans Affairs should direct the Assistant Deputy Administrator for Procurement and Supply to develop and maintain a combined generic and brand name schedule with unit costs for drug and pharmaceutical products.

Status: Action in process.

The Administrator of Veterans Affairs should direct the VA Marketing Center to: (1) identify MAS products that can be procured competitively; (2) eliminate product groups that fall below established sales volume criteria; and (3) establish a negotiation objective that prevents awarding contracts that will not be cost effective.

Status: Action in process.

The Administrator of Veterans Affairs should direct the VA Marketing Center to: (1) obtain specific product discount information from vendors who now provide only the range of discounts given to their most favored customers; (2) perform required price analyses utilizing all available information; (3) establish specific price or discount negotiation objectives; and (4) negotiate vendor offers, even though most favored customer status is the initial offer, when price analyses indicate that VA should obtain a lower price.

Status: Action completed.

Agency Comments/Action

VA agreed with several recommendations concerning the means of obtaining the best discounts from the vendor's prices. It also agreed to reduce the number of contractors and product groups in the multiply award schedule program and allow the VA Marketing Center to efficiently use its resources. Actions to implement these recommendations were underway, according to VA. VA agreed that a recomendation to develop and maintain a combined generic and brand name schedule with unit costs for drug and pharmaceutical products would be beneficial, but noted that the initial time and costs required to implement the recommendation would be considerable. VA planned to continue implementing the recommendation on a cost-beneficial basis.

VETERANS ADMINISTRATION

Opportunities To Reduce Fee-Basis Pharmacy Costs
(HRD-83-83, 9-27-83)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)

GAO reviewed Veterans Administration (VA) efforts to reduce the number and cost of prescriptions filled by private pharmacies on a VA-reimbursable fee-for-service basis.

Findings/Conclusions: GAO found that, in fiscal year 1982, VA paid private pharmacies about $10.5 million in prescriptions for veterans with service-connected disabilities. VA determined that only about 5 percent of the fee-basis prescriptions needed to be filled by private pharmacies. Such prescriptions cost VA about twice as much as prescriptions filled through VA pharmacies. GAO noted that, although VA is making progress in reducing the percentage of fee-basis prescriptions filled by private pharmacies, over 20 percent of those prescriptions were filled by private pharmacies at six facilities contacted by GAO.

Recommendations to Agencies: The Administrator of Veterans Affairs, through the Chief Medical Director, should: (1) direct VA clinics of jurisdiction to have pharmacists review fee pharmacy prescriptions to identify duplicate prescriptions, excessive quantities of drugs, and prescriptions that should have been filled by the VA pharmacy; (2) reemphasize, to clinics of jurisdiction, the importance of having Medical Administration Service clerks review fee pharmacy prescriptions to ensure that payments do not exceed the limits established by the VA prescription schedule; (3) revise the fee-basis manual to direct VA clinics of jurisdiction to instruct veterans to send prescriptions for nonemergencies to VA for filling and to deny payment for subsequent prescriptions if veterans disregard the request; (4) revise VA drug reimbursement policies to incorporate Medicaid "maximum allowable cost" provisions; (5) direct VA clinics of jurisdiction to fill prescriptions for non-service-connected conditions only if the clinic's staff and facilities are not needed to fill prescriptions for veterans with service-connected conditions, including those fee-basis prescriptions for nonemergencies; (6) establish priorities for providing outpatient prescriptions to veterans with no service-connected conditions based on a veteran's ability to pay for prescriptions from private sources; and (7) establish a system for periodically monitoring clinics of jurisdiction compliance with fee-basis pharmacy policies and procedures.

Status: No action initiated. Date action planned not known.

Agency Comments/Action

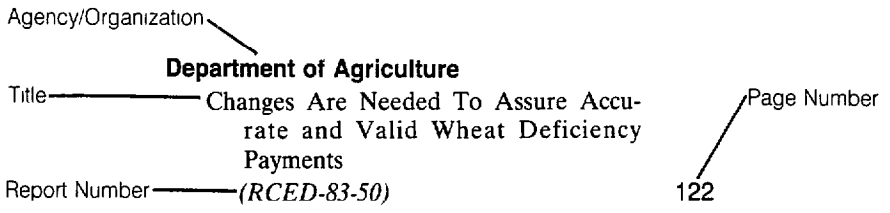
VA agreed to revise its internal manuals to: (1) specify that VA pharmacists review fee-basis prescriptions; (2) establish a procedure to identify prescriptions which VA should fill rather than private pharmacies; and (3) provide for professional review and audit of fee-basis prescriptions. VA also instructed its clinics of jurisdiction to ensure that their payments for fee pharmacy prescriptions do not exceed VA limits. VA did not agree to incorporate Medicaid "maximum allowable cost" provisions because the Health Care Financing Administration was reconsidering this program. VA did not agree to fill prescriptions for veterans with no service-connected disabilities only if staff and facilities were available because: (1) staffing is based on the size of the eligible veteran population using VA facilities, not just those with service-connected disabilities; and (2) administrative costs would exceed any resources to be saved. VA also did not agree to prioritize nonservice-connected veterans' eligibility for outpatient prescriptions based on the veterans' ability to pay because, once VA determines that a veteran is eligible for care, VA provides all appropriate care.

INDEX
SECTION

AGENCY/ORGANIZATION INDEX

The entries in this index include both Federal agencies and nongovernmental corporate bodies with which the document is concerned, in one alphabetic sequence. The Federal departments and agencies standing alone are those which appear in bold face type in the **United States Government Manual.** Other Federal entities are listed under their respective departments and agencies, e.g. documents related to the National Park Service will be listed under National Park Service, but documents related to VISTA will be listed under ACTION.

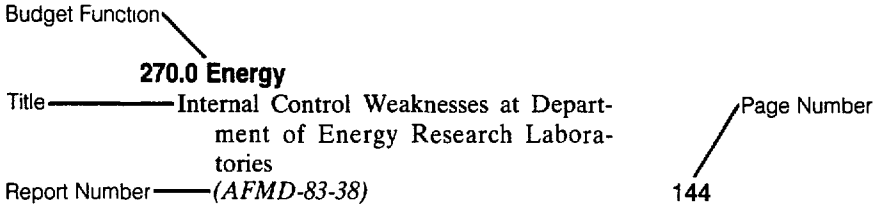
SAMPLE ENTRY



BUDGET FUNCTION INDEX

Entries are arranged by official OMB Budget Function Codes. Also included are some codes added by GAO to capture areas not covered by the OMB codes. In particular, all codes of 990.0 and higher were added by GAO.

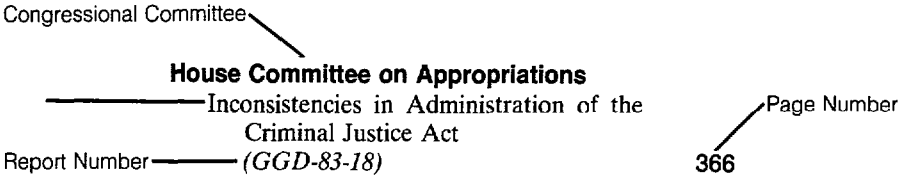
SAMPLE ENTRY



CONGRESSIONAL INDEX

Includes entries under relevant House, Senate, and Joint committees and subcommittees.

SAMPLE ENTRY



Interior Subcommittee

Labor, Health and Human Services, and Education Subcommittee

Joint Committees

Joint Committee on Taxation

Senate Committees

Senate Committee on Agriculture, Nutrition, and Forestry

Forestry, Water Resources and Environment Subcommittee

Nutrition Subcommittee

Soil and Water Conservation Subcommittee

Soil and Water Conservation, Forestry and Environment Subcommittee

Senate Committee on Appropriations

Agricultural, Rural Development, and Related Agencies Subcommittee

Interior Subcommittee

Labor, Health and Human Services, and Education Subcommittee

Senate Committee on Armed Services

Senate Committee on Commerce, Science and Transportation

Aviation Subcommittee

Merchant Marine and Tourism Subcommittee

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AGENCY/ORGANIZATION INDEX

BUDGET FUNCTION INDEX

CONGRESSIONAL INDEX