24407

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 1984. 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

B-205879

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. We believe that it is important for GAO to continually follow up on these recommendations and, as such, have established an automated system to track and record, every four months, the status of congressional and agency actions. We believe this system will result in a more timely and useful report.

The summaries will be of interest to your Committees in their review of budget requests for fiscal year 1984. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriations hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Federal civil departments and agencies (OISS-83-2) 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.

Sincerely yours,

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

Charles A. Bowsher, Comptroller General

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VARIOUS DEPARTMENTS AND AGENCIES

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION
OFFICE OF MANAGEMENT AND BUDGET

Recommendation Target Departments/Agencies

Title — ***Further Improvements Needed in EEOC Enforcement Activities***

Report Number/ Document Date — *(HRD-81-29, 4-9-81)*

Budget Function: Nondiscrimination - Equal Opportunity Programs (990.3) — Budget Function

Legislative Authority — **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.

Abstract — 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 — **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 — **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.

Recommendation Status — ***Status:*** Recommendation no longer valid/action not intended.

Non-Action Text — *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 — **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 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.*

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.*

Recommendation Status — Non-Action Text

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 in process.

The Acting Chairman of EEOC should direct the Executive Director to discontinue negotiating settlements on charges lacking reasonable cause and to a close them with a no-cause decision or advise charging parties to withdraw them.
Status: Action completed: implementing action was verified.

Agency Comments/Action — Agency Comments/Action

EEOC generally agreed with the recommendations and has taken or planned action to implement them.

CONTENTS

INTRODUCTION

This report contains abstracts of GAO reports with recommendations open as of October 1, 1982. The status of these recommendations was updated during the last quarter of calendar year 1982.

During 1982 GAO implemented an automated, centrally operated system for the purpose of allowing regular followup on its recommendations. This system allows GAO to ensure that recommendations are periodically tracked, are given consideration by agencies and the Congress, are implemented if appropriate, and are identified and deleted from the system if they are not acted upon for valid reasons. In addition to other data, the system incorporates the status of each report recommendation, GAO comments on the status, and agency or congressional comments and action. The system also relates appropriations and oversight issues for each report to the relevant congressional committees.

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 deal with that particular department, agency, bureau, or organization. The indexes also include page numbers where the reader may find summaries of the reports.

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AGENCY-WIDE MATTERS AFFECTING 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-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) (P.L. 91-129; 83 Stat. 269; 40 U.S.C. 276a). 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 Standard 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 (DOL) 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 DOL 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 DOL were higher than the prevailing rates in 12 of the localities and lower in the other 18. In the 18 projects where the DOL 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 DOL 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: No action initiated: Date action planned not known.

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 implementing the act could be resolved by administrative actions including modifying Labor's regulations. As a result, on May 28, 1982, Labor issued its revised regulations. The revisions corrected many of the problem areas identified in the report and would save about $600 million annually. But on July 22, 1982, the U.S. District Court in Washington, D.C., issued a preliminary injunction preventing Labor from implementing the revised regulations. As of November 6, 1982, the Court had not issued its final ruling. Labor's proposed changes are far short of the repeal action GAO recommended in April 1979 and which GAO still believes is the best solution. The proposed revision will correct some of the significant administration problems in the program GAO identified and, if properly implemented, will result in substantial annual savings.

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

Determining Federal Compensation: Changes Needed To Make the Processes More Equitable and Credible *(FPCD-80-17, 11-13-79)*

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Economic Stabilization Act.

Federal employees' pay is governed by the comparability principle. This is a concept designed to insure employees and the Nation's other taxpayers that pay is equitable and comparable with pay in the private sector. There are problems with the comparability system, and reform is needed. The roles of the parties involved in the system and the problems that proposed legislation will not correct were discussed.

Findings/Conclusions: Some of those involved in determining comparability for white-collar employees have been concerned about the President's extensive use of his authority to propose alternative plans. Because of this intervention, it was felt that the program has not been permitted to function as Congress intended. By law, the President may propose an alternative plan when the adjustment is not warranted because of a national emergency or because of economic conditions affecting the general welfare. In addition, the law required that comparability be based on levels of work, yet Presidential adjustments have often been uniform for all grades, resulting in overpayment for some levels and underpayment for others. According to various agency and employee organization officials, the blue-collar pay process was easier to understand and has resulted in fewer disagreements. This has been attributed to a more localized approach, joint participation by both labor and management at all levels, the lack of political pressure, and the fact that this system was not affected by pay caps. Several legislative changes to the blue-collar system have been proposed, leading to disputes between agency and union officials. The proposed legislation would increase the President's authority to adjust the comparability amounts and make it more difficult for Congress to override his decision.

Recommendations to Congress: Congress should amend the law to further limit the President's use of alternative plans to insure they will be used in situations which are more indicative of national emergency or economic conditions affecting the general welfare.

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

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

Improving the Productivity of Federal Payment Centers Could Save Millions
(FGMSD-80-13, 2-12-80)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Civil Service Reform Act of 1978. 20 U.S.C. 2307. 31 U.S.C. 529. 41 U.S.C. 255.

Inefficiencies in processing payments to vendors for goods and services cost the Federal Government millions annually. For example, productivity rates achieved by Federal payment centers in the vendor bill-payment function varied by about 600 percent. Although the bill-payment function is a readily measurable, repetitive process, most payment centers GAO examined did not have productivity measures. Thus, GAO constructed many of the measures on which the performance data were based. GAO determined three primary reasons for the large variance: (1) the degree of management concern for, and use of efficiency measures; (2) the volume of workload processed by the centers; and (3) the degree to which automation or improved processes and procedures were used in the payment process.

Findings/Conclusions: According to payment center managers, the major cause of low productivity was the disincentive to be efficient. These disincentives included: (1) across-the-board budget cuts, which encouraged managers to keep staff above minimum levels in order to absorb the cuts and still perform the work; (2) tying grade levels to number of staff supervised; and (3) inability of managers to discipline employees who do not perform. Alternatively, the managers of payment centers with high productivity showed a high degree of concern about productivity and had reasonably good systems designed to identify expected performance and measure against it. However, one nonprocedural factor that affected productivity was workload volume. Payment centers with large workloads normally achieved higher productivity rates than centers with low volumes. High volume allowed economies of scale and assembly-line techniques to be used. Just as automation and statistical sampling contributed to high productivity rates, duplication of effort, problems in timely submission of receiving reports and limited sharing of knowledge on processing rates and methods used to improve efficiency contributed to the low processing rates. Newly enacted legislation should help make managers more acutely aware of the need for emphasizing productivity. However, GAO does not feel that legislation alone would result in a significant increase in productivity measurement. The Office of Personnel Management needs to take an active role in supporting productivity measurements.

Recommendations to Agencies: The heads of individual departments and agencies should carefully evaluate the structure, processes, and procedures for their bill-paying activities. To improve productivity they should: (1) eliminate or consolidate payment centers which, due to low volume, cannot be made efficient; (2) use statistical sampling techniques in auditing payment transactions in accord with GAO requirements; (3) use alternatives to receiving reports such as fast-pay procedures, where possible; (4) analyze the processes and procedures used in examining payment transactions to identify and eliminate unnecessary or redundant steps; and (5) initiate periodic exchange of information on methods and procedures between payment centers that are within the same agency and with other agencies. In addition, for payment centers and related financial management functions, the Joint Financial Management Improvement Program has a role which the Office of Personnel Management should consider drawing upon. GAO further recommends that the Executive Director, Joint Financial Management Improvement Program, request that agencies report the progress made in measuring and improving productivity within their payment centers as part of the agency's annual financial management improvement report.

Status: Action in process.

Agency Comments/Action

The Office of Management and Budget has identified improving productivity and reducing costs of payment centers as a key item in its "Reform 88" initiative. It is a priority item.

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

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-Healy 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 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-80-102(A), March 25, 1981, evaluating and refuting the adverse comments. On August 14, 1981, Labor published for public comment proposed revisions to its Service Contract Act regulations, including an administrative exemption to ADP and other high-technology commercial product-support service contracts. Final action on the proposed regulations was still pending as of November 30, 1982.

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: Action in process.

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: Action in process.

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: Action in process.

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: Action in process.

The heads of departments and agencies should establish productivity measures for travel voucher processing as part of their payment center productivity measures, which we recommended in a prior report.

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

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.

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-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 in process.

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-WIDE MATTERS AFFECTING APPROPRIATIONS 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 OPM, in coordination with DOD, to study the feasibility of having BLS do the nonappropriated fund surveys or linking or indexing nonappropriated fund wages to the FWS appropriated fund pay system.

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

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: No action initiated: Date action planned not known.

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

Pension Losses of Contractor Employees at Federal Institutions Can Be Reduced
(HRD-81-102, 9-3-81)

Budget Function: Income Security (600.0)
Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Employee Retirement Income Security Act of 1974 (29 U.S.C. 1000).

In response to congressional concern about the pensions of employees working on Government service contracts and the fringe benefits of service contract employees, GAO reviewed the benefits in question.

Findings/Conclusions: There is no Government-wide policy regarding whether, or to what extent, Federal agencies should attempt to protect the pension benefits of contractor employees working at Federal installations. Although most workers on Federal service contracts that GAO reviewed were covered by pension plans, many had lost pension benefits because their employers had changed even though their jobs had not. Most service contract employees were not working for the same employer long enough to become vested employees with a nonforfeitable right to pension benefits. Earlier or immediate vesting could help improve employees' pension benefits. However, reducing the time required to vest would increase costs and reduce benefits to long-term employees. Further, this would not necessarily assure retirement benefits because employers may pay terminating employees a lump-sum equivalent of future pension benefits, and such payments may be spent rather than saved for retirement. For the major operating contracts that GAO reviewed, in most cases, the same contractors had been operating the facilities for long periods of time. Even when the contractors changed, employees' pensions were protected.

Recommendations to Congress: If Congress determines that the pension benefits of contractor employees who work for long periods of time at Federal installations should be protected, it is recommended that Congress direct the Administrator for Federal Procurement Policy to establish a Government-wide policy and implementing regulations to help ensure such protection.

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

The Department of Energy's pension protection arrangements, which emphasize pension portability and discourage lump-sum payments in lieu of future retirement benefits, provide a good model for a Government-wide policy. To minimize administrative problems, if a Government-wide policy is established, it should be limited to relatively large negotiated contracts where a long-term need for future services is forseen.

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

To ensure that any policy and regulations developed are consistent with congressional intent, the Congress could establish oversight provisions.

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

Agency Comments/Action

The agency responding (NASA) had two basic concerns with the recommendations. It questioned whether the type of pension problem identified by GAO can be resolved equitably through the issuance of Federal procurement policy alone. NASA also was concerned about the lack of hard economic data covering the potential impact of such policy on Federal procurement costs. The agency stated that this complex and important subject should be approached with caution pending completion of the type of cost study that would permit a more objective and meaningful dialogue than is presently possible.

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

Need To Strengthen Audit Oversight on Existing and Future Block Grant Programs
(AFMD-82-25, 11-13-81)

Budget Function: Financial Management and Information Systems (998.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981.

GAO reviewed the title XX social services grant program to assess the quality and effectiveness of the States' financial management control systems in providing adequate accountability over Federal funds. The grant management and administrative controls in four States with title XX awards were reviewed for fiscal year 1979. GAO believes that the results of the review will assist the Senate Subcommittee on Intergovernmental Relations in its current deliberations on proposed legislation designed to strengthen audit oversight on existing and future block grant programs.

Findings/Conclusions: The States' financial management and internal controls have been largely ineffective in protecting against fraud, waste, and abuse and in providing proper accountability over Federal funds. About $13 million of the improper and unjustified costs were claimed in about 12 percent of the total contracts reviewed. GAO analysis of the problems revealed that they are not isolated instances or peculiar to any one State. Almost half of the contracts reviewed in each of the four States contained problems of a financial nature. Furthermore, many of the problems were found to exist in previous or subsequent contract years and appeared to be the normal way of doing business in these States. Additionally, some of the conditions not only violated Federal regulations, but also violated the States' own policies and procedures. Most of the improper grant practices and unauthorized or questionable costs could have been avoided through more effective State oversight and audit activities. However, weaknesses in the financial management control systems of these States allowed the abuses to go undetected. Specifically, the GAO review disclosed that some States failed to audit or otherwise oversee the financial activities of all or most of their title XX contractors. Most of the unauthorized or questioned costs occurred in States where audits were generally not being performed. Finally, where States did not conduct audits, they generally failed to meet the GAO yellow book criteria for acceptable financial and compliance auditing.

Recommendations to Congress: The Subcommittee on Intergovernmental Relations, Senate Committee on Governmental Affairs should give consideration to expanding the audit and oversight provisions contained in the cross-cutting legislation to include all block grants under the Omnibus Budget Reconciliation Act.

Status: Action in process.

The Subcommittee on Intergovernmental Relations, Senate Committee on Governmental Affairs should give consideration to making the GAO yellow book standards for financial and compliance audits mandatory for State, local, and independent public accountant audits of block grant programs by deleting the phrase "insofar as is practicable."

Status: Action in process.

The Subcommittee on Intergovernmental Relations, Senate Committee on Governmental Affairs should give consideration to requiring the establishment of an audit quality review process at the Federal level to ensure that the audit organizations, reports, and the audit work itself meet the GAO yellow book standards.

Status: Action in process.

The Subcommittee on Intergovernmental Relations, Senate Committee on Governmental Affairs should give consideration to including subrecipients under the audit requirements of the proposed amendments to the cross-cutting legislation and clarifying the definition of subrecipients to include purchase-of-service contractors.

Status: Action in process.

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 indicated that COBOL will be incorporated in planned guidance documents by using it as language for demonstrating examples, rather than by publishing a separate COBOL-specific document as GAO recommended.

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

Less Sole-Source, More Competition Needed on Federal Civil Agencies' Contracting
(PLRD-82-40, 4-7-82)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Property and Administrative Services Act. Small Business Act (15 U.S.C. 637(e)). P.L. 96-83. P.L. 93-400. 41 U.S.C. 401 et seq. 41 U.S.C. 252(c). 88 Stat. 796.

GAO was asked to examine a sample of six civil agencies' new sole-source contract awards to assess the adequacy of the sole-source decisions.

Findings/Conclusions: Federal regulations require contracting officers to award all purchases and contracts on a competitive basis to the maximum extent practical. GAO estimated that 32 percent of the sole-source contracts it examined could have been awarded on a competitive basis. Underlying causes of the absence of competition on those contract awards were often interrelated. The frequent acceptance of inadequately supported and invalid reasons for sole-source procurements show the need for Federal regulations to more clearly set forth what constitutes an adequate sole-source justification. More effective management controls are also needed to ensure that these regulations are followed. The agencies reviewed made little effort to conduct market research before awarding sole-source contracts, and important differences exist in the interpretations by agency personnel of the requirement to publicize preaward notices. GAO believes that improving agency efforts to obtain competition and strengthening and clarifying the regulations on market research would make the greatest contribution toward eliminating unnecessary sole-source awards. Agencies would benefit from publicizing a preaward sources-sought synopsis in the Commerce Business Daily when requesting officials claim that one contractor is uniquely capable of meeting the Government's needs and when this claim has not been demonstrated. The reliability of the Federal Procurement Data System should be improved. GAO estimated that almost half of the contract actions entered into the system had one or more errors in data elements.

Recommendations to Agencies: The Administrator of the General Services Administration should amend the Federal Procurement Regulations to clearly set forth standards for measuring accountability in obtaining competition on procurement awards and specifically should: (1) require a market search for competitive sources before approving a sole-source justification, unless specified conditions are met; (2) require that the market search include publicizing a preaward notice in the Commerce Business Daily which invites competition on the prime contract, unless one of the regulatory exceptions to publicizing applies; and (3) describe the criteria that must be met to justify sole-source procurement.

Status: Action in process.

The Administrator of the General Services Administration should amend the Federal Procurement Regulations to clearly set forth standards for measuring accountability in obtaining competition on procurement award and specifically should require: (1) a written sole-source justification for each new award over $10,000 to document the facts and circumstances substantiating the infeasibility of competition; (2) major agencies to establish and maintain effective procurement planning systems; and (3) that agency requesting officials notify procurement offices as soon as requirements become known to maximize the time available for conducting the market search and obtaining competition.

Status: Action in process.

Heads of all Federal departments and agencies participating in the Federal Procurement Data System should take other specific actions to correct the problems identified. They should effectively communicate a strong commitment to competition to personnel throughout their agencies by: (1) increasing the effectiveness of the required reviews of sole-source decisions, ensuring that they are made, improving the documentation to sole-source justifications, and implementing other recommendations suggested in this report which should help improve the quality of these reviews; (2) reducing the number of unjustified sole-source contracts evolving from unsolicited proposals; and (3) ensuring that contract specifications are not unnecessarily restrictive and that competition is fostered to the maximum extent practical in subsequent procurements after previous noncompetitive awards.

Status: Action in process.

Heads of all Federal departments and agencies participating in the Federal Procurement Data System, the Director of the Federal Procurement Data Center, and the Administrator, Office of Federal Procurement Policy should, to improve the accuracy and completeness of the data system: (1) institute a quality control program, including periodic sampling of agency data; (2) improve data entry and corrections procedures; (3) resolve inconsistencies between the system's requirements and the agencies' own systems; (4) provide training to appropriate personnel concerning system definitions and procedures; and (5) hold contracting officers accountable for ensuring that correct and complete data are promptly entered into the system on each of their contract actions by providing feedback on the coding errors for their contracts and assessing their performance.

Status: Action in process.

Agency Comments/Action

GSA concurred with the conclusions and recommendations of the report and has developed substantial revisions to the FPR's. A draft of these changes was sent to Federal

agencies requesting comments in early July 1981; GSA expects this process to take 6 months. Proposed revisions implementing the recommendations include a description of the specific criteria that must be met to justify sole-source procurement and requirements for: (1) a written sole-source justification for noncompetitive procurements over $10,000; (2) a procurement planning system; (3) a market search before approving sole-source justifications; (4) better utilization of the Commerce Business Daily to invite competition on prospective awards; (5) early notification to procurement officials of a proposed procurement; and (6) other revisions implementing the remaining GAO recommendations. GAO reviewed six agencies (DOE, HHS, NASA, DOT, VA and Interior) and all have responded to the recommendations.

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 in process.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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

The heads of executive departments and agencies should identify a time schedule and resource requirements for implementing the plan.

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

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 in process.

Agency Comments/Action

Only a few of the agencies have responded. The recommendations are directed to heads of the executive agencies and departments. OMB has not responded.

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: No action initiated: Date action planned not known.

Agency Comments/Action

OMB has begun testing a Federal Information Locator System prototype. A number of agencies are participating in the test and have begun loading data to be used in prototype testing.

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: Action in process.

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 in process.

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: Action in process.

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: Action in process.

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: Recommendation no longer valid/action not intended. *Interior is trying to discontinue the funding grants to States.*

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: No action initiated: Date action planned not known.

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: Action in process.

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: Recommendation no longer valid/action not intended. *Interior is trying to discontinue preservation grants to States. Without Federal money, this recommendation becomes moot.*

The Secretary of the Interior should establish formal coordination procedures among Federal and State agencies performing archeological overviews.
Status: Action in process.

Agency Comments/Action

Interior is in the process of taking action on 11 of the 13 recommendations made. Action on two of the recommendations is doubtful at this time; it is dependent on whether Interior succeeds in scuttling the Preservation Grants Program. The Advisory Council on Historic Preservation is in the process of taking action on the four recommendations, and Agriculture is taking action on the three recommendations with which they are concerned. HUD has not taken action on the recommendation directed to it because it believes that the 1980 amendments to the Historic Preservation Program and the development of an archeological identification guide will help HUD resolve the areas of disagreement with the Department of Justice and the Advisory Council on Historic Preservation without having to resort to a legal opinion. Section 236 responses were received from HUD on September 25, 1981, from Agriculture on July 17, 1981, and from the Advisory Council on Historic Preservation on July 24, 1981.

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

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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 assuring 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 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 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.

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 insuring 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 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.

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.

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

Cost Estimate for the Currituck Outer Banks National Wildlife Refuge Needs Revision
(CED-81-48, 4-21-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: Environmental Policy Act of 1969 (National). Rivers and Harbors Act. Clean Water Act of 1977.

The U.S. Fish and Wildlife Service has proposed establishing a national wildlife refuge in the Currituck Outer Banks off the North Carolina coast. The Service has estimated that the cost of acquiring the 16,000 acres of land and wetlands for the refuge will be about $94 million over a 5-year acquisition period. GAO was asked to determine whether the Service followed its regulations and policies in developing its proposal for the refuge.

Findings/Conclusions: In proposing the refuge, the Service generally adhered to the requirements of the National Environmental Policy Act. However, in developing its cost estimate, the Service did not consider a number of factors that could substantially reduce the cost of establishing the refuge. GAO found that: (1) the data used in preparing the estimate were unreliable; (2) certain costs were not considered, such as the acquisition of subdivision roads and the possibility of a higher property escalation rate; and (3) there were inconsistencies among the options in land classification, values, and the number of lots. In addition, GAO believes that the wetlands could be protected by working with the Army Corps of Engineers using existing regulatory authority, thus eliminating the need for the Service to acquire them.

Recommendations to Agencies: The Secretary of the Interior should require the Fish and Wildlife Service to revise its cost estimate for the refuge considering the factors discussed in pages 4 to 7 of this letter and provide the revised estimate to the Congress when requesting appropriations for the refuge.

Status: Action in process.

The Secretaries of the Interior and the Army should develop a cooperative agreement by which the Corps of Engineers could protect the wetlands without the Service having to acquire full title to such lands.

Status: Recommendation no longer valid/action not intended. *Interior is studying the feasibility of working with the Audubon Society, rather than the Corps of Engineers, to protect the proposed refuge.*

Agency Comments/Action

Interior said that it was preparing a land protection policy which would identify alternatives to acquisition that could alter the fiscal impact of this project. Interior stated that preliminary cost estimates for proposed projects were very speculative. Although the assumptions upon which GAO based the recommendation that Interior revise it estimates are valid, Interior preferred to base its estimates on its original assumptions. Interior is studying alternative land protection strategies other than simple acquisition.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Office of Water Research and Technology

Congressional Action Needed To Provide a Better Focus on Water-Related Research
(CED-81-87, 6-5-81)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Water Resources Research Act of 1964 (P.L. 88-379). Water Research and Development Act of 1978 (P.L. 95-467). P.L. 94-587.

The Nation faces serious water problems in the West and certain other areas of the country. Developing and implementing technologies that conserve or augment water supplies could help alleviate these problems. These efforts and other water-related research and development activities are fragmented among 28 Federal organizations that plan to spend about $380 million during fiscal year 1981.

Findings/Conclusions: A comparative assessment of conservation and augmentation technologies is needed to establish water research priorities and allocate the research funds. GAO found considerable disagreement as to which technologies have the most potential for solving water supply and quality problems. There appears to be no correlation between the potential of some technologies and their relative level of Federal funding. Before assessing the various technologies, regional and local water problems and potential alternative solutions should be identified. The comparative assessment should also identify and evaluate the impact of technical, environmental, legal, and social obstacles on each technology's potential. Formal plans should be developed based on the results of the comparative assessment. GAO found that some agencies had not prepared formal plans, others had prepared plans that lacked many elements, plans did not provide for periodic independent evaluations, and many plans lacked specific, measurable objectives and estimated completion dates. GAO examined the advantages and disadvantages of various organizations having the responsibility for coordinating water research.

Recommendations to Congress: Congress should amend section 406 of the Water Research and Development Act to require the Federal organization Congress chooses to coordinate research to (1) establish priorities for water conservation and augmentation technologies based upon the results of overall comparative assessments of these technologies; (2) provide leadership and guidance to other agencies in developing formal multi-agency and single-agency plans for the technologies with specific objectives, milestones, technology transfer goals, and provisions for independent, periodic evaluations; (3) make recommendations annually to Congress concerning the adequacy of the funding levels of water research, development, and technology transfer activities; (4) consider the data developed pursuant to section 103 of the act in coordinating research and establishing research priorities.

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

Congress should amend section 406 of the Water Research and Development Act of 1978 to require the Water Resources Council (WRC) to coordinate water-related research provided Congress believes it desirable to have an independent, full-time WRC chairperson and resolves the issue of continued existence of WRC. Otherwise, Congress should amend section 406 to establish a water resources research committee reporting directly to the Office of Science and Technology Policy. This committee should be composed of representatives from the major Federal organizations involved in water resources research.

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

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 concurred with the recommendations. The Commissioner, Bureau of Reclamation, directed his regional offices to implement certain procedures.

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 reve-

nues 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 is reviewing regional water marketing efforts to ascertain which practices should be adopted on a bureau-wide basis. It expects to have an extensive marketing program underway by early 1983. 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.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation

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: No action initiated: Date action planned not known.

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 completed.

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: No action initiated: Date action planned not known.

Agency Comments/Action

Interior also submitted a 236 response on August 23, 1982, indicating 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 to OMB Circular No. 50; Army has not.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR

Procedures Needed To Ensure That Irrigation Operation and Maintenance Costs Are Recovered at a Jointly Managed Facility
(CED-82-107, 7-1-82)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Flood Control Act (43 U.S.C. 390). Reclamation Act (43 U.S.C. 485h(e)).

GAO reviewed operations at the Harlan County, Nebraska, Dam and Reservoir to determine whether all reimbursable operating and maintenance costs are being recovered by the Corps of Engineers and the Bureau of Reclamation.

Findings/Conclusions: For more than two decades, neither the Corps nor the Bureau has collected all the costs due the Federal Government from irrigators using the dam and reservoir water storage space. These unrecovered costs, which now total about $962,000, were incurred by the Corps incident to operation and maintenance of the facility. Federal law, Corps and Bureau policies, and the facility's water sales contracts between the Federal Government and the irrigators all require recovery of these costs. Since the Corps operates and maintains the facility and the Bureau administers the water sales contracts with the irrigators, both agencies are responsible for recovering the costs. However, no procedures exist to require the Corps to inform the Bureau to include these costs in its annual charges to irrigators. While such procedures will help provide for the recovery of future operating and maintenance irrigation costs, they will not effect recovery of past costs incurred and unrecovered. The Bureau and the Corps need to determine the extent to which these past costs can be recovered and take appropriate action. Since joint Corps and Bureau management of Federal water projects is fairly common in the 17 Western States, and no procedures exist on how irrigation costs are to be recovered at such facilities, the agencies have no assurance that such costs are being recovered at other jointly managed facilities.

Recommendations to Agencies: The Secretary of the Army should require the Chief, Corps of Engineers, and the Secretary of the Interior should require the Commissioner of Reclamation to establish procedures specifying how future Harlan County Dam and Reservoir irrigation operating and maintenance costs are to be recovered. Corps procedures should require that reimbursable operating and maintenance cost information be provided to the Bureau of Reclamation, and Bureau procedures should require that the cost information provided by the Corps be included in Harlan County facility irrigator charges.

Status: Action completed.

The Secretary of the Army should require the Chief, Corps of Engineers, and the Secretary of the Interior should require the Commissioner of Reclamation to seek, to the extent permitted under executed Harlan County Dam and Reservoir water sales contracts, payments from irrigators for past unrecovered irrigation operating and maintenance costs.

Status: Action in process.

The Secretary of the Army should require the Chief, Corps of Engineers, and the Secretary of the Interior should require the Commissioner of Reclamation to determine the extent to which situations similar to those at the Harlan County facility exist at other Corps-operated and Bureau of Reclamation-marketed water facilities and adopt procedures to provide for the reimbursement of irrigation operating and maintenance costs at such facilities.

Status: Action in process.

Agency Comments/Action

The agencies agreed with the recommendations and are taking the following actions. The Corps and the Bureau have jointly initiated development of a Memo of Agreement that will contain procedures and responsibilities for determining/collecting annual irrigation operation and maintenance costs. Completion is scheduled for December 1982 with future 1984 billings by the Bureau. Past operation and maintenance costs were supplied by the Corps to the Bureau. The Bureau is undertaking a review to determine a specific recovery method to be used for irrigation operation and maintenance costs. The Corps is conducting a survey to identify situations similar to Harlan County facilities and, with the Bureau, will determine appropriate action. This is scheduled for completion in December 1982. The Bureau found no similar situations but intends to enter into formal agreements with the Corps where revenue collection and accounting is done informally.

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 in process.

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 in process.

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 recommendations 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.

COUNCIL OF ECONOMIC ADVISERS
DEPARTMENT OF THE TREASURY
FEDERAL RESERVE SYSTEM
OFFICE OF MANAGEMENT AND BUDGET

The Congress Should Control Federal Credit Programs To Promote Economic Stabilization
(PAD-82-22, 10-21-81)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)

The amount of federally assisted loans outstanding will exceed $500 billion in fiscal 1981, and the rate of new lending will exceed $70 billion annually. Explicit recognition should be given to the aggregate economic effects of Federal credit assistance programs and to the consistency of their annual volumes with fiscal and monetary policy. GAO raised the following questions: (1) whether Federal credit assistance programs in the aggregate are stabilizing or destabilizing; and (2) if they are, on balance, destabilizing, whether they can be controlled in a way that furthers the economic stabilization goals of the Government and, if so, how.

Findings/Conclusions: GAO found that, in the past 20 years, Federal credit assistance programs have been destabilizing and inconsistent with fiscal and monetary policy. In general, credit assistance flows, to be stabilizing, should oppose movements in the level of economic activity. That is, during rapid economic expansion, credit assistance should flow at a relatively low rate. During economic downturns or periods of relatively slow growth, credit assistance should flow at a relatively high rate. Current and proposed efforts to control Federal credit programs are not intended to promote economic stabilization. Instead they propose a credit budget to establish annual limitations on the amount of guaranteed and direct loan flows that may occur in the forthcoming budget years, and they propose more stringent standards for program choice, design, and administration. A control mechanism that promotes economic stability should cause new annual commitments for loans and loan guarantees to fluctuate counter to the business cycle. Loan activity could be controlled in any given year by placing ceilings on program activity.

Recommendations to Congress: Congress should consider adding to its present efforts to control Federal credit assistance flows a mechanism for controlling Federal loan programs what will support Federal economic stabilization goals.

Status: Recommendation no longer valid/action not intended. *The budget committees are debating methods for controlling Federal credit assistance loan flows. The report suggests that varying the amount of subsidy can be an effective tool for controlling the level of loan flows and contributing to economic stabilization goals.*

Congress should consider using as the point of control the amount of the subsidy, not the ceiling on levels of loan activity. Target on various credit program loans flows and aggregate loan flows should be established but only for the purpose of monitoring results.

Status: Recommendation no longer valid/action not intended. *The budget committees are debating methods for controlling Federal credit assistance loan flows. The report suggests that varying the amount of subsidy can be an effective tool for controlling the level of loan flows and contributing to economic stabilization goals.*

Congress should consider surveying Federal agencies to obtain needed information on the relationship between program levels and the amount of subsidy.

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

Congress should consider monitoring the results of implementing the subsidy control mechanism and requiring that reports be prepared periodically by the Secretary of the Treasury, the Chairman of the Board of Governors of the Federal Reserve System, and the Office of Management and Budget on the success of the operation of the control mechanism, taking into account current economic activity, conditions in financial markets, and fiscal and monetary policy.

Status: Recommendation no longer valid/action not intended. *The budget committees are debating methods for controlling Federal credit assistance loan flows. The report suggests that varying the amount of subsidy can be an effective tool for controlling the level of loan flows and contributing to economic stabilization goals.*

COUNCIL ON ENVIRONMENTAL QUALITY
DEPARTMENT OF THE INTERIOR
DEPARTMENT OF ENERGY
ENVIRONMENTAL PROTECTION AGENCY

The Federal Government Should Encourage Early Public, Regulatory, and Industry Cooperation in Siting Energy Facilities
(EMD-82-18, 11-13-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Environmental Policy Act of 1969 (National). Clean Air Act. 40 C.F.R. 1501.2. 40 C.F.R. 1501.7.

GAO reported on whether open-site planning for energy facilities could help balance energy and environmental concerns and what role, if any, the Federal Government should play in increasing the use of open-site planning processes.

Findings/Conclusions: Planning can be improved, and costly, time-consuming licensing conflicts can be minimized if energy facility sponsors effectively consult with regulators and the public about their concerns early in project plans, while plans are still flexible. The traditional site-selection process involves industry deciding on the site, announcing the site commitment, and defending it before the regulatory agencies. This process often results in extended conflict and controversy because: project sponsors are reluctant to revise plans after applying for licenses, misunderstandings occur between industry and regulators, public hearings require additional time and money, the adversarial nature of regulatory proceedings promotes conflict and polarization, and conflicts may continue through costly and time consuming appeals. Opening the site-planning process to regulators and the public can potentially save time and money and result in more acceptable energy facility planning. GAO reviewed several open-site planning processes where industry initiatives included regulators and the public as early advisors rather than just reactive reviewers or adversaries. In other instances, regulators and the public took major initiatives in finding sites for energy facilities. GAO found that most participants were satisfied that open-site planning improved the siting process and reduced uncertainty regarding the acceptability of industry proposals. In addition, open-site planning can help in balancing domestic energy development with environmental protection and public participation values.

Recommendations to Agencies: The Secretaries of Energy and the Interior, the Administrator of the Environmental Protection Agency, and the Chairman of the Council on Environmental Quality should, where appropriate, cooperate with established open-site planning processes where later Federal involvement is likely. Some industry and State processes that operate independently of and begin well before the environmental impact statement process or permitting process may want early input from Federal agencies.
Status: Action in process.

The Secretaries of Energy and the Interior, the Administrator of the Environmental Protection Agency, and the Chairman of the Council on Environmental Quality (CEQ) should, where appropriate, encourage an early, open environmental impact statement process, as conceived under the CEQ regulation implementing the National Environmental Policy Act, that facilitates more open-site planning for energy facilities. Specifically, early scoping that identifies regulatory and public concerns about alternative facility sites can help all interested parties clarify sites' acceptability and plan early to minimize siting conflicts.
Status: Action in process.

The Secretaries of Energy and the Interior, the Administrator of the Environmental Protection Agency, and the Chairman of the Council on Environmental Quality should, where appropriate, advise siting process participants who are unfamiliar with it about experiences with open-site planning so that they can assess its usefulness and cooperate with efforts to begin using such processes. This should be done in connection with agencies' existing National Environmental Policy Act responsibilities to consult with project sponsors during early planning.
Status: Action in process.

Agency Comments/Action

The agencies expressed agreement with the report recommendations in each of the Section 236 responses. CEQ, however, noted in its earlier comments on the draft report that open-siting may not always be appropriate, "nor is it likely to result in trouble-free siting each time the process is utilized." (CEQ did not submit a Section 236 response). Interior and EPA also reported a number of specific activities, undertaken recently, to promote the concept of open-siting. The CEQ Deputy General Counsel stated that its regulations, which promote open-siting government-wide, have not been nor are expected to be weakened. She did say, however, that they would be interpreted less rigidly.

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 recommendations in the report.

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 in process.

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 in process.

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

All five agencies involved in the recommendations submitted section 236 responses. The responsible agencies are in the process of taking action on the recommendations, except for the two that recommend EPA action. More definitive information will be obtained in the next followup cycle.

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).

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 severeness 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 Department of the Interior submit with each report to the 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 National Environmental Policy Act 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-Engle Act 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 DEFENSE
DEPARTMENT OF THE INTERIOR

Impact of Gasoline Constraints Should Be Considered in Managing Federal Recreation Facilities
(CED-81-111, 6-30-81)

Budget Function: Community and Regional Development (450.0)

During 1979 and 1980, when gasoline was in short supply and prices rose, the public's use of outdoor recreation facilities was significantly affected. People tended to use facilities closer to home. Recreation officials observed: longer stays at campgrounds; less vehicular movement within and between recreation areas; increased use of tents; and use of smaller cars, trucks, and recreational vehicles. The National Park Service experienced heavy declines in visitation at distant facilities. At the same time, the use of facilities in and near cities increased.

Findings/Conclusions: Most Federal agencies have not done enough to respond to indications that people are pursuing recreation closer to home and might want to use less gasoline while doing so. Forest Service policies include encouraging energy efficient transportation systems and locating new facilities near them. In addition, the National Park Service has developed a policy to promote public and nonmotorized transportation. However, neither agency has done much to carry out these policies. The Corps of Engineers and the Water and Power Resources Service (WPRS) have not taken any steps to develop recreation policies which take public gasoline conservation into consideration. Many measures undertaken for environmental protection or public service motives have had incidental gasoline conservation effects, such as shuttle bus service within parks and campground reservation policies. Recreation managers could make greater use of the National Park Service's exchange program by sharing information on gasoline conservation measures. Recreation managers need better forecasts of visitation trends so that they can consider applying their limited resources to facilities where more people are expected to go. Better forecasts will be needed to identify what factors affect recreation patterns and to forecast visitation levels. Forecasting research has been uncoordinated and has focused on determining recreation use at a point in time rather than establishing recreation trends. Statistical forecasting models could help improve recreation planning and management.

Recommendations to Agencies: The Secretary of the Interior should coordinate and monitor research performed by various agencies on the long- and short-term effects that fuel shortages and high fuel costs have on the use of recreation facilities.

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

The Secretaries of the Interior and Defense should require WPRS and the Corps of Engineers to adopt gasoline conservation policies.

Status: Action completed.

The Secretaries of the Interior, Agriculture, and Defense should require their agencies to consider the results of improved forecasts in allocating financial resources to recreational facilities.

Status: Action in process.

Agency Comments/Action

Interior concurred with the recommendations and is pursuing efforts necessary to implement them. The Corps of Engineers is generally in conformance with the recommendations to the Secretary of Defense and has either implemented them or is collecting data to implement them. The Forest Service concurred with the recommendations to the Secretary of Agriculture and is already complying or is updating data to comply.

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.

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

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. It commented that the report was flawed by analytical and conceptual errors. Agriculture stated that a number of changes in Federal food assistance efforts are warranted, and it proposed a number of actions.

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 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.

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: Affected parties intend to act.

Recommendations to Agencies: The Director of the Office of Management and Budget 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 wage data; State wage data; and Internal Revenue Service information return data.
Status: Action in process.

The Director of the Office of Management and Budget 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 should acquire and make Office of Personnel Management 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: No action initiated: Date action planned not known.

The Secretaries of Agriculture and Health and Human Services 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: No action initiated: Date action planned not known.

The Secretary of Housing and Urban Development 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: Recommendation no longer valid/action not intended. *HUD disagrees with the recommendation. Resolution of this dispute will be attempted during the continuing followup work.*

The Secretary of Housing and Urban Development (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: Recommendation no longer valid/action not intended. *HUD disagrees with the recommendation. Resolution of this dispute will be attempted during the continuing follow-up work.*

Agency Comments/Action

OMB concurred and has begun action on the recommendations. HUD disagrees with the recommendations. Although GAO made no recommendation to the Department of 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, from HUD on March 23, 1982, and from HHS on July 22, 1982. Agriculture's response was sent to the committees on May 22, 1982, but GAO has not received it.

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF JUSTICE
DEPARTMENT OF THE TREASURY
OFFICE OF MANAGEMENT AND BUDGET
OFFICE OF PERSONNEL MANAGEMENT

Premium Pay for Federal Inspectors at U.S. Ports-of-Entry
(GGD-74-91, 2-14-75)

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

The U.S. Customs Service, Department of the Treasury; Immigration and Naturalization Service, Department of Justice; the Animal and Plant Health Inspection Service, Department of Agriculture; and the Public Health Service, Department of Health, Education and Welfare (HEW) perform inspectional services at U.S. ports of entry. The premium pay laws and regulations of the four agencies contain different provisions for compensating inspectors. In addition, the amount of premium pay reimbursed to the Government by parties-in-interest (airlines, shipowners, etc.) varies among agencies.

Findings/Conclusions: As a result of the different premium pay laws and regulations, inspectors of different agencies working about the same number of overtime hours are paid for varying numbers of hours. Also, although the Government is reimbursed by parties-in-interest for most of the premium pay for Customs and Agriculture inspectors, the Government is not reimbursed for a large share of such pay for Public Health Service and Immigration inspectors.

Recommendations to Congress: Congress should consider enacting one premium pay law to apply to the four inspection agencies for services at ports-of-entry. To insure uniformity, the responsibility for issuing implementing regulations be given to one agency, such as the Civil Service Commission.

Status: Recommendation no longer valid/action not intended. *Congress has not suggested legislation and believes that it is up to the agencies to propose changes in their overtime laws. None of the agencies were willing to take the lead in initiating proposed legislation.*

Congress should: (1) consider legislation which would require that there be established at each port-of-entry specific days and times during which full cost, including overhead, of inspections performed by any of the four agencies be charged to the parties-in-interest; and (2) enact legislation establishing a uniform policy on the charges to be made to the parties-in-interest for inspections at ports-of-entry.

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

Recommendations to Agencies: The Director, Office of Management and Budget, should help the agencies develop these uniform regulations.

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

The Secretary of the Treasury should review Treasury regulations implementing premium pay laws for inspectors at ports-of-entry and, to the extent permitted by the laws, develop uniform regulations on pay for overtime, Sunday, and holiday work.

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

The Secretary of Agriculture should review Agriculture regulations implementing premium pay laws for inspectors at ports-of-entry and, to the extent permitted by the laws, develop uniform regulations on pay for overtime, Sunday, and holiday work.

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

The Secretary of HEW should review HEW regulations implementing premium pay laws for inspectors at ports-of-entry and, to the extent permitted by the laws, develop uniform regulations on pay for overtime, Sunday, and holiday work.

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

The Attorney General should review Justice regulations implementing premium pay laws for inspectors at ports-of-entry and, to the extent permitted by the laws, develop uniform regulations on pay for overtime, Sunday, and holiday work.

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

The Chairman of the Civil Service Commission should, because of its responsibilities for issuing the regulations governing the pay of most Federal employees, help the agencies develop these uniform regulations.

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

Agency Comments/Action

There will be no further follow up on this report. The subject of premium pay has been included in a General Government Division assignment.

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF THE TREASURY
DEPARTMENT OF TRANSPORTATION
ENVIRONMENTAL PROTECTION AGENCY

Enforcement of U.S. Import Admissibility Requirements: Better Management Could Save Work, Reduce Delays, and Improve Service and Importers' Compliance
(GGD-82-12, 1-25-82)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Tariff Act of 1930.

GAO conducted a review to evaluate the role of the U.S. Customs Service in enforcing import admissibility requirements otherwise administered by over 40 other Federal agencies. Specifically, GAO was concerned with the effectiveness of current procedures for obtaining compliance with admissibility requirements.

Findings/Conclusions: The review showed that enforcement practices are resulting in lengthy delays, excessive paper transactions, duplicative work, and confusion. GAO found that Federal agencies do not effectively use monetary penalties to encourage importers to fully and promptly comply with the admissibility laws and regulations. When imports do not meet these requirements, Customs becomes the middleman in the enforcement proceedings between the importers and the other agencies. Additionally, on the advice of the agencies involved, Customs routinely and substantially reduces the penalties. This weakens the effectiveness of this enforcement tool and allows importers to release nonconforming products into commerce with little or no incentive to do otherwise.

Recommendations to Agencies: The Secretary of the Treasury should reach agreement with the Administrator of the Environmental Protection Agency and the Secretaries of the Departments of Agriculture, Transportation, and Health and Human Services on ways to expedite the proceedings against importers who violate the conditions of their performance bonds and reduce the paperwork associated with the role of Customs as middleman in such proceedings.

Status: Action in process.

The Administrator of the Environmental Protection Agency and the Secretaries of the Departments of Agriculture, Transportation, and Health and Human Services should take the actions necessary to ensure that penalties, even if mitigated, are large enough to be an effective enforcement tool.

Status: Action in process.

Agency Comments/Action

The Departments of the Treasury, Agriculture, and Health and Human Services, and the Environmental Protection Agency have taken the necessary actions in response to the GAO recommendations. The agencies are working on agreements to streamline the import admissibility procedures and reduce Customs' rule in the procedures.

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

The Departments of Health and Human Services and Agriculture and the Federal Trade Commission are part of the Network for Better Nutrition to determine improved nutritional strategy.

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 in process.

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: No action initiated: Date action planned not known.

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 in process.

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 in process.

Agency Comments/Action

In response to the primary recommendation to develop a Federal nutrition research plan with specific goals, objectives, and strategies, the Science Advisor to the President has directed the Chairpersons of the OSTP Joint Subcommittee on Human Nutrition Research to develop a strategy and schedule for the timely development of the kind of plan envisioned in the GAO report. In addition to comments from USDA, GAO received comments from HHS (August 16, 1982) and OSTP (July 27, 1982).

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 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 Park and Forest 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 concessionaires 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 Park and Forest 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 concessionaires 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 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.

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 in process.

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

Interior has responded adequately to the recommendations. Agriculture has responded, but adequacy or relevance of response is not certain at this time. Additional followup is required and will be performed as soon as staff time becomes available. The agency has not fully developed a followup system to comply with OMB Circular 50.

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 will review its regulations. The Departmental 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.

DEPARTMENT OF AGRICULTURE
Forest Service
SMALL BUSINESS ADMINISTRATION

Weaknesses Found in Timber Sale Practices on the Plumas National Forest
(CED-82-88, 6-23-82)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)

Pursuant to a congressional request, GAO reviewed certain aspects of Forest Service timber operations in northern California. The request was made due to complaints made by small loggers and mill operators alleging mismanagement of timber sales at the Plumas National Forest.

Findings/Conclusions: GAO found that some problems existed regarding: (1) preparation and administration of timber sales, (2) accountability over Government logs stored at purchasers' mills, and (3) treatment of small companies purchasing Forest Service timber. Experienced timber staff were not detailed to Plumas to handle an increased timber sale workload caused by an epidemic insect infestation and droughts in 1976 and 1977. In the absence of effective sales supervision and clear instructions on marking trees for harvest, some questionable tree-marking (designation) and cutting occurred. There was also some question as to whether the proper logging systems were used on some sales as specified in the sales contracts. Some purchasers of Plumas timber have special arrangements whereby the Forest Service retains ownership and incurs the financial risks and losses for logs it stores at the purchaser's mill until it is measured for final payment. GAO believes that the Forest Service should use alternative measuring methods that will provide uniform treatment to all purchasers of Forest Service timber. Finally, purchasers of small timber sales at Plumas were required to provide higher percentages of their contract prices as performance deposits than were purchasers of large sales. GAO concluded that all performance deposit requirements need to be adjusted to ensure consistent and equitable treatment of all purchasers.

Recommendations to Agencies: The Secretary of Agriculture should require the Forest Service to improve its timber sale preparation and administration program in its Pacific Southwest Region by developing formal contingency plans to deal with future insect-infestation epidemics. The plans should provide for timely detailing of experienced timber staff to national forests facing insect epidemic conditions. Also, formal written emergency procedures should be developed for preparing and administering insect salvage timber sales.

Status: Action in process.

The Secretary of Agriculture should require the Forest Service to improve its timber sale preparation and administration by developing specific procedures for administering timber sales with multiple logging systems. These procedures should provide for closer monitoring of the timber volume harvested under various logging systems to facilitate price adjustments where appropriate. Unless special controls are provided, tractor logging should not generally be allowed until helicopter logging requirements on a sale are satisfied.

Status: Action in process.

The Secretary of Agriculture should require the Forest Service to improve its timber sale preparation and administration program in its Pacific Southwest Region by reemphasizing the need to closely monitor timber harvest operations to ensure that only designated trees are harvested on salvage sales and violations can be identified more timely.

Status: Action in process.

The Secretary of Agriculture should require the Forest Service to discontinue mill-deck-deferred-scaling arrangements on future Forest Service timber sales.

Status: Recommendation no longer valid/action not intended. *Agriculture does not agree with this recommendation applied to existing sites. It plans to revise the Forest Service Manual by January 1983 to prohibit approval of new mill-deck scaling sites and to stress log accountability and scaling quality control. Notwithstanding these actions, GAO continues to believe the recommendation has merit and should remain open.*

The Secretary of Agriculture and the Administrator of the Small Business Administration should take the following actions to strengthen the Forest Service's small business timber sale programs: (1) explore the feasibility, including whether legislation is necessary, of establishing goals for timber sales to the smaller logging and mill operations within the present 500-employee set-aside criterion; and (2) strengthen the special salvage timber sale program regulations to prevent small timber companies from acting as brokers or agents for large companies.

Status: Action in process.

The Secretary of Agriculture should require the Forest Service to revise its timber sale performance deposit/bond procedures on Plumas to provide equitable and consistent treatment to all sized purchasers of Federal timber, giving consideration to the financial capability of the buyer and the potential loss to the Government from nonperformance. The Forest Service should ensure through its internal reviews that equitable and consistent treatment in this area and in regard to incorporating incremental stumpage deposits in small timber sale provisions is provided on all forests.

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

Agency Comments/Action

The Department of Agriculture agrees in principle with the

findings regarding improvements needed in its timber sale preparation and administration, and it is taking or plans to take certain actions which address the thrust of the recommendations. Agriculture also shares the GAO concern about the problems associated with mill-deck scaling; however, it does not plan to discontinue its use as recommended. With regard to the recommendations dealing with the Forest Service's small business timber programs, Agriculture and the Small Business Administration (SBA) are currently engaged in an indepth joint review and analysis of the Small Business Set-Aside Program. In addition, SBA has issued a proposed rule change in the Federal Register amending the Special Salvage Timber Sale Program size standard.

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: No action initiated: Date action planned not known.

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

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 in process.

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 has recommended to the President that all of the recommendations be adopted. In response, the Export Administration has made a new proposal to its NATO partners and Japan that would effectively implement the major recommendations to reduce export licensing requirements.

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: No action initiated: Date action planned not known.

DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
DEPARTMENT OF STATE
DEPARTMENT OF THE INTERIOR
Bureau of Mines

Impediments to U.S. Involvement in Deep Ocean Mining Can Be Overcome
(EMD-82-31, 2-3-82)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Deep Seabed Hard Mineral Resources Act (P.L. 96-283). Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.). National Material and Minerals Policy, Research and Development Act of 1980. S. 2801 (92nd Cong.). H.R. 13904 (92nd Cong.). H.R. 13076 (92nd Cong.). H.R. 14918 (92nd Cong.). S. 1134 (93rd Cong.). H.R. 9 (93rd Cong.). S. 2878 (93rd Cong.). H.R. 12233 (93rd Cong.). H.R. 7732 (93rd Cong.). H.R. 1270 (94th Cong.). H.R. 6017 (94th Cong.). S. 713 (94th Cong.). H.R. 11879 (94th Cong.). S. 2053 (95th Cong.). H.R. 3350 (95th Cong.). H.R. 3652 (95th Cong.). S. 2085 (95th Cong.). S. 2168 (95th Cong.). H.R. 12988 (95th Cong.). S. 493 (96th Cong.). H.R. 2759 (96th Cong.).

The United States is heavily dependent on imports for certain metals which have been identified as critical and strategic materials. The world's deep seabeds contain enormous quantities of metal-bearing nodules which contain potentially valuable deposits of these minerals. Because of increasing concern about the future availability of minerals essential to the U.S. economy and national defense, Congress passed the Deep Seabed Hard Mineral Resources Act of 1980 to facilitate orderly development of the deep ocean resources by U.S. companies pending the satisfactory conclusion of the United Nations' sponsored Law of the Sea Treaty. GAO reviewed the implementation of the Act and analyzed the major impediments to U.S. involvement in deep seabed mining, particularly as they relate to the the draft Treaty.

Findings/Conclusions: Full implementation of the Act is inextricably tied to the status of the Treaty negotiations. The first stated objective of the Act is to encourage successful conclusion of the Treaty. The Act also provides for continued seabed mining operations pending conclusion of the Treaty. Therefore, the status of the Treaty and full implementation of the Act are uncertain. GAO believes that the goals of the Act are important and worth striving for and that the Nation's interests in augmenting reliable mineral supply sources can best be served if it is a party to a comprehensive Law of the Sea Treaty, but only an amended Treaty that properly addresses U.S. interests. Opposition to the draft Treaty has focused principally on access to mine sites, long-term investment protection, interim investment protection, production controls, technology transfer, and dispute settlement. After analyzing each of these areas, GAO found that, in some cases, the industry concerns are valid and that their interests are not being adequately protected. However, in other cases, GAO believes that the concerns either are not as serious as portrayed or are premature in that they have not yet been fully negotiated. With respect to the environmental provisions of the Act, GAO found that the National Oceanic and Atmospheric Administration has done considerable work on the required environmental assessments. The role of Congress has been critical to seabed mining activities in the United States, and Congress will continue to play a major role in developing policy guidelines for ocean mineral development.

Recommendations to Congress: Congress should accept reasonably assured access to mine sites. It should accept the fact that guarantees for access to mine sites are unrealistic in the absence of sovereign rights to mineral resources; that the absence of such absolute rights is not in itself a fundamental shortcoming of the draft Treaty; and that reasonable access can be provided under provisions of the draft Treaty subsequent to Preparatory Commission deliberations.

Status: Action in process.

Congress should insist on long-term investment protection. The overall viability of seabed mining is contingent upon access to mine sites beyond first generation mining, and reasonable assurances for that access must be pursued. Congress should insist that changes to the basic nature of the parallel system in the review conference proceedings not be acceptable. Fundamental changes which could alter terms of access must be assured against by either (1) restricting the procedures in which the assembly might change the mining system, either requiring a consensus in the assembly or providing that the assembly cannot bring about changes without council concurrence; or (2) seeking limits to review conference authority to changes that do not alter the basic operational structure under which mining is currently taking place.

Status: Action in process.

Congress should reassert the need to protect interim investments. Congress has agreed, through the Deep Seabed Hard Mineral Resources Act of 1980, to the need to assure that investments made prior to entry into force of a treaty should be protected.

Status: Action in process.

Congress should insist on alternative means of protecting developing countries' economies. The objective of protecting these economies, sought with inclusion of production controls in the draft Treaty, warrants congressional support. However, because the current production control provisions

would be cumbersome to apply and perhaps counterproductive to investment, and certainly not the only means by which the objectives of protecting developing country incomes might be achieved, Congress should insist on the careful development of alternatives for achieving income protection objectives while minimizing disincentives.
Status: Action in process.

Congress should ensure that compensation for transferred technology is adequate to protect the developers' investments and ensure that recipients of proprietary technology safeguard it against unauthorized disclosure.
Status: Action in process.

Congress should concentrate now on getting the above recommendations implemented which will minimize issues potentially subject to dispute settlement procedures. GAO does not believe that acceptability and feasibility of dispute settlement mechanisms can be realistically divorced from the nature and number of issues which night have to be subject to formal dispute settlement procedures.
Status: Action in process.

Congress should, on the assumption that the United States proceeds with the Law of the Sea Treaty process, make sure that industry plans for mining and disposing of all four primary nodule minerals are evaluated and monitored for consistency with the conservation goals of the Deep Seabed Hard Mineral Resources Act of 1980. Efforts to continue or to expand Federal research and development into new markets for manganese should be considered.
Status: Action in process.

Congress should, on the assumption that the United States proceeds with the Law of the Sea Treaty process and to assure the protection of the quality of the environment, make sure that appropriate support for environmental research is available for the National Oceanic and Atmospheric Administration's Office of Ocean Minerals and Energy, consonant with environmental assessment activity mandated by the Deep Seabed Hard Mineral Resources Act of 1980 and necessary prior to commercial recovery operations.
Status: Action in process.

Congress should, on the assumption that the United States proceeds with the Law of the Sea Treaty and to assure the protection of the quality of the environment, direct that the National Oceanic and Atmospheric Administration carry out assessments of industry mining activities. Of particular concern should be activities which evaluate the impacts of new engineering and equipment.
Status: Action in process.

DEPARTMENT OF COMMERCE
ENVIRONMENTAL PROTECTION AGENCY
UNITED STATES COURT OF CLAIMS

Industrial Wastes: An Unexplored Source of Valuable Minerals
(EMD-80-45, 5-15-80)

Budget Function: Natural Resources and Environment (300.0)
Legislative Authority: Resource Conservation and Recovery Act of 1976.

Industrial wastes often contain valuable metals, and are often disposed of in ways that preclude the future recovery of mineral values. While Congress passed the Resource Conservation and Recovery Act of 1976 to improve the recovery of usable materials from waste, the executive branch has done little to enhance mineral recovery, especially from industrial wastes. GAO reviewed this situation to determine: (1) the extent to which mineral values are recovered from industrial wastestreams; (2) the potential for greater recovery; (3) impediments to further recovery; and (4) actions to be taken by the Federal Government to accelerate and increase mineral recovery.

Findings/Conclusions: Identification, evaluation, and promotion of resource recovery programs for all types of waste are required by the Act. However, little has taken place for industrial wastes for the following reasons: the Environmental Protection Agency (EPA) has received limited funding under the Act, and the appropriated funds have been largely directed toward hazardous waste regulation; information is lacking on the nature, location, and recoverable contents of industrial wastestreams; the Department of Commerce, which has critical responsibilities under the Act, has been unable to obtain funding; the interagency Resource Conservation Committee, established by the Act to evaluate resource recovery strategies, was not effective; agencies involved have conducted little research on recovering minerals from industrial wastes. Recently, EPA has initiated plans for a new interagency committee to coordinate resource recovery objectives. Because EPA is primarily a regulatory agency with its experience lying in environmental protection, GAO believed that EPA should remain the lead agency for resource recovery. However, GAO attributed the lack of progress toward the resource recovery objectives to assigning EPA responsibilities that could be more appropriately pursued elsewhere.

Recommendations to Agencies: The Administrator of EPA should continue to vigorously pursue the establishment of the new interagency committee to coordinate executive branch actions toward legislated resource recovery objectives.

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

The Secretary of Commerce should work with the Department of Justice to develop guidelines to industry, for the establishment of joint resource recovery ventures that will be compatible with the Department of Justice antitrust concerns.

Status: Action completed.

The Secretary of the Interior should explore ways to enhance its industrial waste recovery research. Specifically, the Bureau of Mines should work closely with the Department of Commerce and EPA to support resource-recovery opportunities that require technical research. The Bureau of Mines also needs to do more to assure the potential application of specific projects by demonstrating to industry through pilot plants or other means, the economic worth of developed technologies.

Status: Recommendation no longer valid/action not intended. *The Bureau of Mines has redirected its research to strategic and critical mineral development. Resource recovery is now the responsibility of EPA and the Department of Energy.*

Agency Comments/Action

Since 1980, budget constraints have grown increasingly tight on EPA; the agency has had to focus available resources on regulatory controls rather than lower priority resource recovery activities. Almost no resources have been directed at resource recovery since the issuance of this report.

DEPARTMENT OF DEFENSE
DEPARTMENT OF ENERGY

DOD Should Give More Consideration to Passive Solar Systems for New Military Family Housing
(EMD-82-74, 5-17-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Military Construction Authorization Act, 1979 (P.L. 95-356). Military Construction Authorization Act, 1980 (P.L. 96-125). P.L. 96-418. P.L. 97-99. H. Rept. 96-595. S. Rept. 95-847. 10 U.S.C. 2688.

Since 1979, the Department of Defense (DOD) has been required to consider using solar energy systems in all new units constructed under its military family housing construction program. GAO conducted a review to determine the extent to which DOD was considering the use of such systems for new military family housing.

Findings/Conclusions: For fiscal years 1981 and 1982, GAO found that DOD had planned to use very few active or passive solar energy systems in its military family housing. The reasons for not using more of these systems varied. DOD has established a policy, issued guidance, and the military services are routinely making detailed evaluations of the potential for using various configurations of active solar systems. DOD generally found such systems uneconomical and a GAO review showed that the DOD evaluations appeared to be reasonable. With respect to passive systems, DOD had not established a policy or provided detailed guidance to the military services. Consequently, passive solar systems were not evaluated to the same extent as active systems, and the consideration that each service gave to including passive solar systems in newly constructed military housing units differed. The Department of Energy (DOE) has funded numerous studies and demonstrations showing that passive solar features are currently economical for residential structures in various regions of the country. However, since the economics of some of these features have not been fully demonstrated using DOD life-cycle cost criteria, DOD has remained unconvinced that they would be economical for military family projects. DOE can provide guidance to help the military services determine which passive solar features are likely to be economical for military family housing.

Recommendations to Agencies: The Secretary of Defense should establish a policy requiring the military services to consider, evaluate, and install passive solar systems when economical. DOD should also develop, with assistance from DOE, guidance for the services to implement this policy. The guidance should identify which passive solar features should be considered, and under what circumstances or conditions, such as location and type of conventional fuel displaced, these features are likely to be economical.

Status: Action in process.

The Secretary of Energy should analyze information from DOE ongoing and completed passive solar projects to determine the economics of passive solar features using the life-cycle costing criteria DOD must use in its military family housing program. The Secretary of Energy should also provide the results of these analyses to DOD and assist in developing appropriate guidance for using passive solar energy in military family housing. The results should be in sufficient detail to determine the conditions and extent to which the different passive solar features are likely to be economical.

Status: Action in process.

Agency Comments/Action

In its Section 236 response of July 19, 1982, DOD concurred with the GAO recommendations and stated that: (1) it has initiated action to require the military services to consider, evaluate, and install solar systems when economical; and (2) it is working with the military services to develop definite guidance identifying which passive solar energy features are likely to be economical. In its Section 236 response of August 4, 1982, DOE concurred with the GAO recommendations and stated that it will provide DOD with the statistically reliable data required by the DOD life-cycle costing method.

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: 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.). 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 in process.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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

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: No action initiated: Date action planned not known.

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 agreed with the recommendations concerning the timely establishment of standards to govern the decommissioning activities of other Federal 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 agrees with DOD, but "will not 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. These actions are of a continuous nature with no completion date as such.

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 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.

DEPARTMENT OF DEFENSE
DEPARTMENT OF STATE

Forging a New Defense Relationship With Egypt
(ID-82-15, 2-5-82)

Budget Function: International Affairs: Military Assistance (152.0)
Legislative Authority: Arms Export Control Act. Military Construction Authorization Act, 1981 (P.L. 96-418).

GAO reported on U.S. military relations with Egypt. After three decades of cool relations, the United States and Egypt entered the 1980's with a new and expanding relationship. Egypt has established itself as a valuable strategic asset to the United States in seeking Middle East peace and in protecting U.S. interests in the Persian Gulf region. Egypt is the second-largest recipient of U.S. military aid and is slated for Foreign Military Sales (FMS) financing in fiscal year 1982 totaling $900 million. Besides this security assistance, the United States has established numerous other ties with Egypt. These new developments in the U.S.-Egyptian relationship and the attendant congressional interest that surrounds them led GAO to review progress in military cooperation and areas in which the relationship can be enhanced.
Findings/Conclusions: Although the FMS program has gone a long way toward assisting Egypt, GAO found that some of the equipment acquired with U.S. credit has served more of a political purpose than a military one. In some cases, Egypt is having technical difficulty operating some of the more sophisticated aircraft and is able to keep only some of them flying. However, Egypt sought the aircraft as a symbol of U.S.-Egyptian relations. GAO also found that the executive branch has authorized Egypt to purchase equipment costing more than the allocated loan guarantees. The additional purchases have been made under a so-called "cash flow" system, whereby Egypt depends on future U.S. authorizations to pay bills that come due in future years. GAO stated that this type of financing limits the prerogatives of Congress in authorizing the U.S. security assistance program.
Recommendations to Congress: Congress should enact legislation requiring the executive branch to provide advance notification for "cash flow" financing commitments to be given to allied countries. This would help ensure adequate oversight and control.
Status: No action initiated: Affected parties intend to act.

Recommendations to Agencies: The Secretaries of State and Defense should fully disclose to Congress the details of the "cash flow" financing authorization given to Egypt and Israel so it can assess the desirability of continuing such a commitment.
Status: Recommendation no longer valid/action not intended. *The State Department believes that information it provided in 1980 is sufficient for Congress. The House Foreign Affairs Committee, Subcommittee on Europe and the Middle East, questioned the State Department and DOD extensively in hearings in 1982 on "cash flow" in Egypt. This, in effect, achieved the goals of the recommendations.*

The Secretaries of State and Defense should establish a joint consultative group with Egypt to study procurement priorities and help ensure that Egypt has the capability and resources to effectively use and maintain the equipment.
Status: Action completed.

Agency Comments/Action

The DOD response did not address the specific recommendations. DOD officials believe that the establishment of a new Military Coordinating Committee satisfies the recommendation for better joint consultation.

DEPARTMENT OF DEFENSE
DEPARTMENT OF STATE

U.S. Overpays for Suez Canal Transits
(ID-82-19, 2-10-82)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)

Review of U.S. defense cooperation with Egypt has uncovered apparent inconsistencies in the tolls U.S. warships are being assessed by the Egyptian Government for transiting the Suez Canal. GAO initiated a review to examine these findings, to assess the magnitude of the overcharges, and to identify what steps can be taken to eliminate them.

Findings/Conclusions: Since the U.S. Embassy in Cairo began retaining records of Canal transits in 1979, overcharges have amounted to over 18 percent of the total payments. These overcharges primarily stem from inaccurate computations by the Suez Canal Authority and the absence of any verification of bills received by the U.S. Embassy. The tolls for some classes of U.S. ships which transit the Canal have been overstated, because the ships did not have Suez Canal Special Tonnage Certificates which attest to the net weight of a ship for Canal toll purposes. Sufficient controls would reduce the unnecessary expenditure of Government funds and ensure that, in the future, an objective standard is used to compute toll costs.

Recommendations to Agencies: The Secretary of Defense should work with the Coast Guard to accelerate the preparation and dissemination of Suez Canal Special Tonnage Certificates for all classes of U.S. warships and vessels in the Military Sealift Command to introduce greater objectivity into the computation of tolls.

Status: Action in process.

The Secretaries of State and Defense should establish a routine verification procedure, within the office of the Defense Attache, for all bills forwarded by the Egyptian Government for Suez Canal toll collection.

Status: Action in process.

Agency Comments/Action

The Navy is taking steps to find an appropriate method to verify charges and work with Egypt to assure that only proper amounts are paid.

DEPARTMENT OF DEFENSE
OFFICE OF FEDERAL PROCUREMENT POLICY
SMALL BUSINESS ADMINISTRATION

Establishing Goals for and Subcontracting With Small and Disadvantaged Businesses Under Public Law 95-507
(PLRD-82-95, 6-30-82)

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)
Legislative Authority: P.L. 95-507.

In response to a congressional request, GAO reviewed the small and disadvantaged business subcontracting program under Public Law 95-507, which essentially requires that all Government contracts in excess of $500,000, or $1 million for construction contracts, contain a contractor's plan for subcontracting with small and disadvantaged businesses. In addition, GAO reviewed agency procedures for establishing small business prime contracting and subcontracting goals.

Findings/Conclusions: GAO found that contracting officers are generally obtaining subcontracting plans. However, Department of Defense (DOD) contracting officers did not require 18 prime contractors to submit such plans. Of these, two contractors were granted exemptions because of longstanding contractual relationships with their suppliers. This exemption is allowed by Defense Acquisition Regulations (DAR). Small Business Administration (SBA) determinations that subcontracting plans were not acceptable were questionable for 23 of the 161 cases reviewed. In addition, cases which SBA considered unacceptable are acceptable when reviewed using DAR guidance. SBA determinations that some prime contractors did not comply with subcontracting plans were valid. However, SBA did not always send contract administrators its determination reports. Because SBA did not attribute contractors' failure to achieve plans to a lack of good faith, contracting officers took no adverse actions against the contractors. DOD and the General Services Administration (GSA) used sound estimating procedures and methodology in establishing small business prime contracting goals. Likewise, the DOD small and disadvantaged business subcontracting goals were soundly based. However, because of unclear guidance, the GSA small and disadvantaged business subcontracting goals for fiscal years 1981 and 1982 did not consider subcontracting opportunities for prime contractors under $500,000.

Recommendations to Agencies: The Secretary of Defense and the Administrator of the Office of Federal Procurement Policy (OFPP) should resolve the differences between OFPP policy and the DAR on prime contractors' responsibilities when subcontractors are required to submit plans for contracting with small and disadvantaged businesses.

Status: Recommendation no longer valid/action not intended. *DOD states that (1) there is no statutory requirement for subcontractors to submit their subcontracting plans for a prime contractor's approval nor for the prime contractor to approve the subcontractor's subcontracting plans, and (2) both the DAR and law require that the prime must give assurances that the subcontractor will adopt a plan.*

The Administrator of OFPP and the Secretary of Defense should resolve the differences between OFPP policy and the DAR on prime contractors' responsibilities when subcontractors are required to submit plans for contracting with small and disadvantaged businesses.

Status: Action in process.

The Secretary of Defense and the Administrator of OFPP should resolve the differences between OFPP and the DAR on whether contractors can be exempted from submitting plans when they have longstanding contractual relationships with their suppliers.

Status: Recommendation no longer valid/action not intended. *DOD states that this report did not identify the procurements in question; it is unable to determine if the guidance provided in DAR 1-707.3(d) was properly applied in those procurements. In view of these circumstances, DOD does not intend to take action. GAO feels that this response is inadequate and is contacting DOD on this matter.*

The Administrator, SBA, should clarify guidelines on the dollar value of prime contracts that should be included in establishing small and disadvantaged business subcontracting goals.

Status: Action in process.

The Administrator of OFPP and the Secretary of Defense should resolve the differences between OFPP policy and the DAR on whether contractors can be exempted from submitting plans when they have longstanding contractual relationships with their suppliers.

Status: Action in process.

The Administrator, SBA, should make certain that final noncompliance reports are sent to contract administration officers.

Status: Action in process.

Agency Comments/Action

SBA prepared SOP 60-03, Subcontract Assistance Program, requiring that notification of findings of noncompliance be addressed and forwarded to the administrative contracting officer of the agency that awarded the contract(s) concerned. SBA has not yet clarified its guidelines on the dollar value of prime contracts that should be included in establishing subcontracting goals to GAO satisfaction. OFPP requested that DOD delete DAR 1-707.3(d) which stipulates that the existence of subcontracting possibilities may be affected by potential contractors' longstand-

ing contractual relationships with suppliers. OFPP stated that P.L. 95-507 and OFPP Policy Letter 80-2 do not address this exemption; it is currently in the process of discussing the problem with DOD in order to resolve this issue. OFPP and DOD have not yet resolved the difference in coverage regarding prime contractors' responsibilities when subcontractors must submit plans. DOD does not intend to take action in either case.

DEPARTMENT OF DEFENSE
OFFICE OF MANAGEMENT AND BUDGET

Analysis of Department of Defense Unobligated Budget Authority
(PAD-78-34, 1-13-78)

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2).
Legislative Authority: Department of Defense Appropriation Act of 1978. P.L. 95-111.

Budget authority is the authority provided by law to enter into obligations which will result in outlays of Government funds. In the Department of Defense (DOD), budget authority is used to enter into contracts with defense contractors. DOD unobligated balances of budget authority for military activities grew from $12.8 billion to $34.5 billion during fiscal years 1972-76.

Findings/Conclusions: There was no evidence that the buildup in unobligated balances for DOD procurements represented an inability to perform functions. Excess obligational authority in DOD procurement programs could possibly be reprogrammed or used to fund future requirements. Despite the existence of excess funds, DOD has not implemented a process for systematic and regular reporting on the availability of excess funds. Over 90 percent of the $5.5 billion increase in the unobligated total was due to program growth rather than an obligation rate decline. Among the reasons for the decline in obligation rates were: delays in awarding contracts, planning and production problems, reserves, funds withheld from program managers, congressional actions, better contract prices than budgeted for, staffing deficiencies, and invalid obligations. Through the 1972-76 period, the executive branch consistently underestimated DOD unobligated balances.

Recommendations to Congress: Congress should: (1) require that DOD provide historical and projected obligation rates and analyses of variances between estimated and actual rates in its budget requests; (2) give greater attention to the significant balances of budget authority carried over from year to year; (3) review the Office of Management and Budget's plan to strengthen analysis of DOD obligations; and (4) monitor the implementation of the practice of treating extensions of unobligated balances as new budget authority.

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

Recommendations to Agencies: The Director of the Office of Management and Budget should monitor the obligation rates reflected in the DOD obligation projections with a view toward identifying possible misestimates, getting changes made, and developing guidelines concerning estimating procedures.

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

The Secretary of Defense should make certain that improvements in internal reporting provide for the systematic identification of amounts which have become excess to program funding requirements and that new policies and procedures provide for closer monitoring of obligation projections.

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

DEPARTMENT OF DEFENSE
OFFICE OF MANAGEMENT AND BUDGET

Agreement Needed on DOD Guidelines for Exempting Certain ADP Equipment and Service Procurements From the Brooks Act

(GGD-82-52, 3-17-82)

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511; 44 U.S.C. 3501 et seq.). Automatic Data Processing Equipment Act (P.L. 89-306). Budget and Accounting Act. Property and Administrative Services Act. Department of Defense Authorization Act, 1982 (P.L. 97-86; 10 U.S.C. 2315).

GAO was asked to provide a complete and comprehensive list of activities within the Department of Defense (DOD) that would remain covered by the Paperwork Reduction Act and the Brooks Act in view of the language exempting certain procurements of automatic data processing (ADP) equipment and services contained in the fiscal year 1982 DOD Authorization Act.

Findings/Conclusions: GAO found that the DOD Authorization Act modifies the coverage of other legislation by exempting certain DOD procurements of ADP equipment and services. In addition to the general exemption concerning equipment and services critical to direct fulfillment of military or intelligence missions, the Authorization Act exempts DOD procurements of ADP equipment or services if the function, operation, or use of the equipment or services involves: (1) intelligence activities; (2) cryptologic activities related to national security; (3) the command and control of military forces; and (4) equipment that is an integral part of a weapon or weapons system. Further analysis is needed to identify those command and control applications which should be exempt and those which are relatively routine and should be included under the Brooks Act. A general exemption for the Brooks Act provides for procurement of ADP equipment and services which is critical to the direct fulfillment of military intelligence missions. The Brooks Act coverage was not affected by the Paperwork Reduction Act. GAO reviewed the guidelines for applying the exemptions in the Authorization Act. The guidelines emphasize the need for competition in the procurement process. They provide a broad exemption for command and control systems. Also, the guidelines for determining the category labeled critical to the direct fulfillment of military or intelligence missions appear to be too broad and need to be described in precise terms. GAO believes that DOD should obtain formal agreement from other agencies on the guidelines.

Recommendations to Agencies: The Secretary of Defense should obtain formal agreement from the Office of Management and Budget (OMB) and the General Services Administration (GSA) on the guidelines for determining which proposed DOD automatic data processing equipment and service procurements are exempt under the 1982 DOD Authorization Act and those which remain subject to the Brooks Act.

Status: Action in process.

The Director of OMB should monitor and oversee DOD implementation of the guidelines in conjunction with OMB budget review and the related review of all agencies' 5-year ADP acquisition plans and the Five-Year Defense Plan; and OMB, with the advice and assistance of GSA, should monitor implementation of the guidelines through its triennial reviews under the Paperwork Reduction Act.

Status: Action in process.

Agency Comments/Action

DOD issued an interim direction on February 1, 1982, and established a working group of senior DOD personnel to develop revised DOD-wide guidelines. DOD also initiated informal discussions with OMB and GSA to obtain their advice and assistance regarding the revised implementation guidelines. OMB officials told GAO that the guidelines had not been finalized as of December 9, 1982, although it believed an agreement had been reached on the guidelines content.

DEPARTMENT OF DEFENSE
VETERANS ADMINISTRATION

Stronger VA and DOD Actions Needed To Recover Costs of Medical Services to Persons With Work-Related Injuries or Illnesses
(HRD-82-49, 6-4-82)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)
Legislative Authority: Claims Collection Act (31 U.S.C. 951). Medical Care Recovery Act (42 U.S.C. 2651). Small Business Loan Act of 1981 (P.L. 97-72). 4 C.F.R. 102. Lab. Cal. 4903. Lab. Cal. 4903.1.

In response to a congressional request, GAO reviewed Veterans Administration (VA) and Department of Defense (DOD) efforts to recover the costs of medical services from workers compensation insurance in cases involving work-related injury or illness. Sample claims were traced to the facilities that provided the medical care to determine whether VA and DOD officials were aware of the claims and had sought reimbursement from workers compensation carriers or employers for the treatment provided.

Findings/Conclusions: GAO found that VA and DOD failed to recover the costs of most health care services provided to beneficiaries covered by workers compensation because: (1) liens were not filed in approximately two-thirds of the cases reviewed in which the facility should have been aware that a work-related injury had occurred; and (2) VA and DOD attorneys did not actively pursue recoveries after a lien had been filed. The agencies recovered less than 12 percent of the cost of care provided in the cases for which such costs could be estimated. In most of the cases reviewed, the facility was put on notice of the claim through a request for the individual's medical records by an attorney, an insurance company, a Workers' Compensation Appeals Board, or the individual. However, medical facilities frequently failed to notify the recovery unit of the potential claim. As a result, VA and DOD attempted to recover the costs of care provided in only slightly more than one-third of the nearly 150 cases in which the facility should have been aware that the injury was work related.

Recommendations to Agencies: The Administrator of Veterans Affairs and the Secretary of Defense should reemphasize the need for medical facilities to refer potential work-related cases to the recovery office and issue instructions requiring that all requests for medical records from an attorney, the Workers' Compensation Appeals Board, or an insurance company be referred to the recovery office for possible recovery action.

Status: Action in process.

The Administrator of Veterans Affairs and the Secretary of Defense should revise regulations or written procedures to emphasize that Government representatives should actively participate in workers compensation settlements.

Status: Action in process.

The Administrator of Veterans Affairs and the Secretary of Defense should monitor the progress of the Medi-Cal pilot project in California to determine whether a similar contract could improve VA and DOD recoveries.

Status: Action in process.

The Administrator of Veterans Affairs and the Secretary of Defense should direct recovery offices in California to object to the application of the Gregory formula to VA and DOD liens.

Status: Action in process.

Agency Comments/Action

Both VA and DOD have challenged the use of the "Gregory Formula" to reduce workers' compensation liens in California. In addition, both agencies are monitoring the progress of the Medi-Cal pilot project with a private lien service company and indicated that additional actions will be taken to emphasize the need to actively pursue claims. DOD responded to the committee on September 20, 1982, and VA on September 26, 1982.

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 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 intended. *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.*

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: Action completed.

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.

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 in process.

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 in process.

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 in process.

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 in process.

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 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 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 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 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 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: Action in process.

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.*

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 in process.

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.*

DEPARTMENT OF EDUCATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF MANAGEMENT AND BUDGET
VETERANS ADMINISTRATION

Students Receiving Federal Aid Are Not Making Satisfactory Academic Progress: Tougher Standards Are Needed
(HRD-82-15, 12-3-81)

Budget Function: Education, Training, Employment, and Social Services: Higher Education (502.0)
Legislative Authority: Education Amendments of 1976. Omnibus Budget Reconciliation Act of 1981. Social Security Act. Higher Education Act of 1965 (20 U.S.C. 1070 et seq.). P.L. 96-466. DOE Student Aid Handbook, 1979-80. 38 U.S.C. 1674. 38 U.S.C. 1724. 38 U.S.C. 1780.

Each year, the Government provides billions of dollars in financial aid to students seeking a postsecondary education. GAO visited 20 institutions of higher education and reviewed more than 5,800 randomly selected student transcripts to report on the academic progress requirements of federally funded student aid programs.

Findings/Conclusions: There are no uniform requirements among the three Federal agencies who administer the major higher education programs regarding the satisfactory academic progress of students receiving financial aid. GAO found that many students receiving financial aid were not making satisfactory progress. This resulted mainly from school standards that allowed students to remain eligible for aid without proving that they were moving toward a definite goal, with adequate grades, and at a reasonable rate. In general, fewer instances of poor progress were noted among Veterans Administration (VA) aid recipients than Department of Education or Social Security Administration recipients due to the more stringent requirements set by VA. Nonenforcement of academic progress standards is a major problem. Nine of the schools visited were not enforcing their published standards. GAO estimated overpayments of about $1.28 million for schools which had not enforced their standards for Education aid recipients. Weak and nonspecific Federal requirements have led to abuse of the student aid programs. Tighter academic progress standards would save Federal funds now being paid to students not making satisfactory progress. With a uniform Federal policy, schools would encounter fewer differences in the requirements for administering the agencies' programs, and Federal agencies would be better able to coordinate their efforts in setting requirements and monitoring their enforcement. Also, students might be encouraged to enroll in programs which are more suited to their abilities.

Recommendations to Congress: Congress should amend the Social Security Act to require students receiving postsecondary education benefits to maintain satisfactory progress in the course of study pursued according to the standards and practices of the school attended. Congress should also amend the Social Security Act and the Higher Education Act of 1965 to authorize the Departments of Health and Human Services and Education to issue regulations setting forth general requirements for institutions of higher education to follow in establishing progress standards.

Status: Action in process.

Recommendations to Agencies: The Secretaries of Health and Human Services and Education should issue regulations setting forth general requirements that institutions must meet in establishing academic progress standards for postsecondary students receiving Education and Social Security Administration financial aid. These regulations should specify that an institution establish, publish, and enforce academic progress standards for students receiving the aid. The institutions should also be required to show how the academic progress standards relate to the schools' probation/suspension policies and what a student has to do to have financial aid reinstated.
Status: Action in process.

The Administrator of the Veterans Administration should issue regulations, supplementing those now in effect, to require institutions of higher education to include provisions in their academic progress standards which would require students to move toward graduation or program completion at a reasonable rate.
Status: Recommendation no longer valid/action not intended. *No action will be taken at this time because VA does not agree that action is needed. The action will be discussed with VA again when Education issues regulations.*

The Director of the Office of Management and Budget should ensure that the Department of Education, the Social Security Administration, and the Veterans Administration coordinate their efforts in setting and enforcing requirements for academic progress standards under student financial aid programs in an effort to improve administration at both the Federal and institutional levels.
Status: No action initiated: Date action planned not known.

Agency Comments/Action

The Department of Education has proposed changes to regulations to resolve the problems (May 2, 1982). SSA responded that it intends to take no action unless mandated by Congress (February 17, 1982); Congress has not yet acted. VA responded that it intends to take no action (February 4, 1982). OMB did not respond. Followup at these agencies will be initiated after action on the Education regulations is complete.

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: Recommendation no longer valid/action not intended. *Department of Health and Human Services actions have stimulated the private sector to begin development of a national policy regarding the status of foreign medical school graduates.*

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: Action completed.

Agency Comments/Action

Several private sector organizations relative to the medical professions are in the process of developing a national policy on foreign medical school graduates. A final conference is scheduled for July 1983. Health and Human Services intends to evaluate the policies resulting from this conference by August 1983. 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 the 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: Action in process.

Agency Comments/Action

The Department of Health and Human Services and VA agree with the recommendations and are in the process of implementing them. The Department of Education decided to submit a notice of proposed rulemaking regarding the recommended change. GAO received the agency responses from VA on August 25, 1982, and from the Department of Education on November 4, 1982.

DEPARTMENT OF EDUCATION
OFFICE OF MANAGEMENT AND BUDGET

Education Paperwork Requirements Are Burdensome: Better Federal Controls Needed
(GGD-82-28, 5-26-82)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Comprehensive Employment and Training Act of 1973. Paperwork Reduction Act of 1980. Paperwork Control Amendments of 1978. Elementary and Secondary Education Act of 1965. Higher Education Act of 1965. School Lunch Act. Department of Education Organization Act. Reports Act. OMB Circular A-40.

GAO reviewed the Department of Education and the Office of Management and Budget (OMB) implemention of specific legislation designed to reduce the education-related Federal paperwork burden.

Findings/Conclusions: Education needs to better control Federal education-related paperwork by improving the effectiveness and efficiency of its review process and by fully implementing legislation designed to reduce such paperwork. OMB needs to more effectively carry out its paperwork control oversight responsibilities by coordinating closely with Education and providing appropriate guidance. The Secretary of Education needs to reactivate the Federal Education Data Acquisition Council. Routine education-related information requests have been imposed on the public which have not been approved and publicly announced as required by law. Education has not developed the required automated indexing system for cataloging information and identifying redundant collection requests. Current actions to reactivate and update the existing system should be deferred until feasibility and cost studies of alternative approaches have been conducted. By allowing both OMB and other agencies to determine if specific requests were subject to the education amendments' review and approval provisions, inconsistencies have occurred and some education-related requests have not been identified and reviewed by Education. Further, Education has not provided adequate oversight information to Congress on its activities, and the agency's paperwork review process should be more efficient and effective. Education's authority to review other agencies' education-related information requests is unnecessary and should be eliminated.

Recommendations to Congress: Congress should amend the Control of Paperwork Amendments of 1978 to limit Education's review and coordination authority to Education information collection requests.

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

Recommendations to Agencies: The Secretary of Education should take steps to implement the education amendments' requirements including such provisions as reports to Congress, procedures for submitting required information to a single agency, and establishment of uniform reporting dates.

Status: Action in process.

The Secretary of Education should strengthen and streamline Education's review operations by consolidating the forms required to process information collection requests and formalize guidelines for conducting information collection request reviews.

Status: Action in process.

The Secretary of Education should achieve further burden reduction by ensuring that, except under urgent or very unusual circumstances, education-related requests are not imposed on respondents unless they have been approved and publicly announced by February 15 preceding the new school year and by identifying and eliminating unauthorized forms.

Status: Action completed.

The Secretary of Education should work with OMB in developing efficient coordinating procedures for reviewing education-related requests and ensuring that Education has the major role of identifying such requests as directed by the education amendments of 1978.

Status: Action completed.

The Director of OMB should provide direction for the review and approval of education-related information collection requests, as required by the Paperwork Reduction Act of 1980, by issuing official guidance on proper coordinating procedures between Education and OMB.

Status: Action in process.

The Secretary of Education should coordinate with OMB its development of the Federal Information Locator System to ensure that Education and OMB do not develop redundant systems and consider the OMB system as one alternative for meeting Education's legal requirement for an automated indexing system.

Status: Action in process.

The Secretary of Education should conduct feasibility and cost analyses of various automated indexing system alternatives before updating and expanding the existing system or converting it to another computer language.

Status: Action in process.

The Secretary of Education should analyze the completed studies to select the best alternative, comprehensively plan for implementing this alternative, and then develop and use an effective automated indexing system.

Status: Action in process.

The Secretary of Education should reactivate the Federal Data Acquisition Council and ensure that it meets regularly and performs its duties as required by law.

Status: Recommendation no longer valid/action not intended. *Education does not plan to reactivate the Council because it anticipates that legislation will soon be introduced to abolish it along with a number of other minor*

government instrumentalities. Education also believes it can meet the intent of the law regarding the Council by conferring regularly with education interest groups on data collection policy issues.

Agency Comments/Action

The Department of Education is implementing all of the recommendations with one exception; it does not plan to reactivate the Federal Education Data Acquisition Council. Education did not renew the Council's charter in light of an administration-sponsored legislative proposal to abolish it. To date, however, the proposal has not been introduced. Education met the legal requirement to approve and publicly announce all education-related information collection requests for the coming school year. It has also improved coordination with OMB for identifying and reviewing these requests. Education plans to complete other actions required to comply fully with the applicable statutes by March 1983 and include them in a report to Congress. OMB has addressed the recommendation for issuing guidance on coordination procedures between it and Education in a September 8, 1982, proposed rule revising Circular A-40. However, the recommendation remains officially open until the rule is finalized.

DEPARTMENT OF ENERGY
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Greater Energy Efficiency Can Be Achieved Through Land Use Management
(EMD-82-1, 12-21-81)

Budget Function: Energy: Energy Conservation (272.0)
Legislative Authority: Energy Tax Act of 1978 (P.L. 95-618). Omnibus Budget Reconciliation Act of 1981. Internal Revenue Code (IRC). Executive Order 12185. H.R. 1960 (97th Cong.). H.R. 1963 (97th Cong.). S. 498 (97th Cong.). IRS Instruction 903.

Today's energy situation is prompting a growing interest in planning, designing, and building communities that are energy-efficient. This includes: (1) minimizing the amount of energy needed to heat and cool buildings; (2) reducing energy intensive infrastructure construction, such as highways and sewer and water lines; and (3) reducing automobile travel.

Findings/Conclusions: The Federal Government is in an influential position to encourage greater use of these concepts and in the past has had programs designed for this purpose. However, the Government's emphasis on decreasing the number of Federal programs has curtailed some activities. Many local officials, builders and developers, financial institutions, and the public believe that energy can be saved through better land use. However, they are reluctant to accept these concepts because of implementation costs, the lack of cost savings data, and a strong community resistance to higher densities. The Department of Energy (DOE) does not recognize land use as an element in achieving energy efficiency. However, it did have several research and development programs directed toward developing energy-efficient communities, but these programs were terminated because of budget cuts. Due to the uncertainty over whether the new Administration will support its energy-efficient community development policies, the Department of Housing and Urban Development has taken limited action to implement them. Unless States and local communities choose to purchase areawide planning services, many of their planning efforts will be curtailed. Federal income tax credits for investments in passive solar systems would be an excellent means of providing incentives for builders to use energy-efficient concepts. However, the Internal Revenue Service has restrictive eligibility criteria for the credits. A number of other existing mechanisms could be used to channel information on energy-efficient land use concepts.

Recommendations to Congress: The House Committee on Ways and Means and the Senate Committee on Finance should, if they wish to provide a maximum incentive, clarify proposed legislation to provide that components which serve a dual purpose of being a structural and passive solar system component are eligible for the tax credit.

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

Recommendations to Agencies: The Secretary of Energy should, when evaluating and analyzing funding priorities for long-term research and development programs for fiscal year 1983, determine what, if any, supporting efforts should be undertaken to address the feasibility, advantages, and barriers of applying energy-efficient land use concepts in communities.

Status: Recommendation no longer valid/action not intended. *Since the fiscal year 1983 budget proposes further reductions in conservation activities and does not suggest supporting efforts for energy efficient land use, this recommendation is no longer valid.*

The Secretary of Housing and Urban Development should determine the extent, if any, to which it needs to emphasize the importance of areawide planning to State and local governments in increasing energy efficiency through the land use decisionmaking process.

Status: Action completed.

The Secretary of Energy, in consultation and cooperation with the Secretary of Housing and Urban Development, should provide guidance and assistance to Federal agencies on how energy considerations can be included in programs that affect land use. This guidance can be given through existing mechanisms such as Executive Order 12185 and the Interagency Coordination Council.

Status: Recommendation no longer valid/action not intended. *This recommendation is inconsistent with the administration's position on Federal involvement in energy conservation activities.*

The Secretary of Energy should work with the secondary mortgage market to help it develop criteria for primary lenders to use in assessing the energy cost impact of energy-efficient land use concepts and explore additional means of providing incentives for using these concepts.

Status: Recommendation no longer valid/action not intended. *This recommendation is inconsistent with the administration's position on Federal involvement in energy conservation activities.*

Agency Comments/Action

While DOE agrees that land use management offers opportunities for increased energy efficiency and that related research and demonstration work should be widely disseminated, it did not concur with the recommendations. DOE believes land use management is not a Federal function and research and demonstration activities to address the benefits of energy efficient land use are, for the most part, complete. HUD also did not concur with the recommendation. However, HUD cited several activities underway to encourage and advance the concept of land use manage-

ment. HUD stated that it will continue to emphasize the importance of areawide energy planning within its framework of providing technical assistance training and information.

DEPARTMENT OF ENERGY
DEPARTMENT OF STATE

The United States Remains Unprepared for Oil Import Disruptions
(EMD-81-117, 9-29-81)

Budget Function: Energy: Emergency Energy Preparedness (274.0)
Legislative Authority: Naval Petroleum Reserve Act (P.L. 94-258). Emergency Petroleum Allocation Act of 1973. Clean Air Act. Energy Policy and Conservation Act (P.L. 94-663). Federal Aid Highway Amendments of 1974. Surface Transportation Assistance of 1978. Emergency Energy Conservation Act of 1979 (P.L. 96-102). Powerplant and Industrial Fuel Use Act of 1978. Power Act (Water). Natural Gas Policy Act of 1978. Emergency Highway Energy Conservation Act. Executive Order 12287.

GAO examined the Federal Government's ability to cope with oil import disruptions, reported on the adequacy of the Department of Energy's (DOE) current contingency programs and organization for dealing with oil shortages, and suggested ways to strengthen the Nation's energy emergency preparedness. In order to examine present emergency preparedness, GAO examined emergency programs for quickly increasing oil supplies, substituting other fuels for oil, restraining oil demand, and allocating short supplies both nationally and internationally. GAO also analyzed the contingency programs provided by the Emergency Petroleum Allocation Act since Congress might choose to renew or otherwise extend the authority of one or more of those programs.

Findings/Conclusions: With the exception of the recent buildup of the Strategic Petroleum Reserve (SPR), the United States is no better prepared to deal with significant disruptions in oil imports than it was during the 1973 oil embargo. The Nation's almost total lack of emergency preparedness requires immediate attention. GAO found that the Nation is grossly unprepared to cope with a large shortfall because: (1) no plan has been prepared for emergency surge oil production; (2) there is no adequate plan for using SPR; (3) the Government has no plans for managing private oil stock drawdown; (4) both crude oil and petroleum product allocation programs are in disarray; (5) Federal and State plans for restraining oil demand are totally inadequate; (6) emergency oil reserves both here and in other industrialized countries are not adequate; and (7) the international oil sharing mechanism is too narrowly focused and may not work effectively. Government energy supply programs should be developed before any shortages occur so that government at all levels will not have to enact measures in the confusion and political pressures generated by a disruption of supplies. Programs are needed which: will yield significant benefits when applied, are fully developed and kept ready for use, can be implemented in a timely manner, can coordinate the actions of the public and private sectors, can be enforced, and are fully tested before use.

Recommendations to Congress: Congress should authorize production at Elk Hills above current maximum efficient rates during oil supply emergencies when there is minimum risk of damage to the oil field.

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

Congress should amend the Emergency Energy Conservation Act to require that State plans be submitted for approval to DOE within nine months.

Status: Recommendation no longer valid/action not intended. *Congress will probably not take action because the administration believes that its new free market approach obviates the need for the amendment and, therefore, would probably oppose action.*

Congress should provide for the Secretary of Energy to maintain, after expiration of the Emergency Petroleum Allocation Act, the authority to require companies to adjust stock levels in times of an energy emergency.

Status: Recommendation no longer valid/action not intended. *Congress will probably not take action because the administration believes that its new free market approach to energy emergency preparedness obviates the need for action and, therefore, would oppose action.*

Congress should continue the DOE authority to require refiners to contribute oil to the Strategic Petroleum Reserve as a backup in case other acquisition strategies fail, since this authority expires with the Emergency Petroleum Allocation Act after September 30, 1981.

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

Congress should require the Secretary of the Treasury, with the assistance of the Secretary of Energy, to review tax and rebate alternatives for use in oil supply emergencies, and recommend legislation if it is appropriate.

Status: Action in process.

Congress should replace the expiring Emergency Petroleum Allocation Act authorities with a standby system to help assure oil availability during disruptions. Whatever system is chosen should not embody overall domestic oil price control and should be fully developed, tested, and maintained in readiness or future disruptions.

Status: Action completed.

Congress should amend the Emergency Energy Conservation Act to require that DOE within 60 days provide States with criteria by which their plans will be reviewed. These should include how much reduction in energy consumption State demand restraint programs should be capable of realizing within specific time periods.

Status: Recommendation no longer valid/action not intended. *Congress will probably not take action because the administration believes that its new free market approach obviates the need for the amendment and, therefore, would oppose it.*

Congress should amend the Emergency Energy Conservation Act to provide for implementation of the Federal plan in any State (1) if, 60 days after the Governor has been notified of an emergency conservation target, the President determines the State plan is not working effectively, or (2) immediately if a State plan has not been approved.
Status: Recommendation no longer valid/action not intended. *Congress will probably not act because the administration believes that its new free market approach obviates the need for an amendment and, therefore, would oppose it.*

Recommendations to Agencies: The Secretary of Energy should prepare public information materials and programs in advance for use during disruptions to promote demand restraint.
Status: Action in process.

The Secretary of Energy should complete a plan for Elk Hills surge oil production and examine the prospects for surge production on other Federal lands.
Status: Action in process.

The Secretary of Energy should expand the current Federal Standby Plan to include a set of measures with potential for achieving substantial oil savings.
Status: Recommendation no longer valid/action not intended. *DOE indicated that it believes that the administration's new free market approach obviates the need for a mandatory restraint program.*

The Secretary of Energy should design appropriate information systems to effectively monitor supply availability, transport capacity, and end-user switching capability.
Status: Recommendation no longer valid/action not intended. *DOE indicated that it would not pursue development of the information GAO believes is necessary to accomplish the recommendation.*

The Secretary of Energy should ensure that comprehensive contingency plans clearly specify options considered for Strategic Petroleum Reserve use, including rate, amount, and timing of drawdown, and method of oil distribution.
Status: Recommendation no longer valid/action not intended. *DOE indicated that it does not believe the proposed action is practicable or desirable.*

The Secretary of Energy should prepare, if it proves to be cost-effective, an information system for monitoring State energy use that can be used for demand restraint programs in concert with State governments.
Status: Recommendation no longer valid/action not intended. *DOE indicated that it believes that the administration's new free market approach obviates the need for mandatory demand restraint programs.*

The Secretary of Energy should seek cooperation from governing authorities in States with significant potential for surge oil production, to allow increased production where feasible, in the event of a national oil supply emergency and to prepare standby programs for this purpose.
Status: Action in process.

The Secretary of Energy should ensure that the timely completion of an inventory drawdown plan so that the Government can effectively manage drawdown of industry stocks. Design of data systems should not be held up while other DOE data needs are being assessed. Most important is receiving industry-wide input on the draft plan and Office of Management and Budget approval for required data collection systems.
Status: Recommendation no longer valid/action not intended. *DOE indicated that the proposal is directly opposed to the administration's new free market approach to dealing with energy emergencies.*

The Secretary of Energy should evaluate the constraints to fuel switching, and identify options to deal with the constraints so as to effectively implement an emergency fuel switching program.
Status: Recommendation no longer valid/action not intended. *DOE indicated that it would not pursue development of the information GAO believes is necessary to accomplish the recommendation.*

The Secretary of Energy should acquire the information needed on end-user multifuel use capabilities and complete in a timely manner on-going studies of gas transportation and emergency oil and gas production.
Status: Recommendation no longer valid/action not intended. *DOE indicated that it would not pursue development of new data systems.*

The Secretaries of Energy and State should seek International Energy Agency members' agreement to maintain 90 days of true emergency reserves and evaluate desirability of amending the present requirement to 120 days.
Status: Action in process.

The Secretaries of Energy and State should seek International Energy Agency members' agreement to consider creation of a spot market stabilization fund.
Status: Recommendation no longer valid/action not intended. *DOE and State opposed the recommendation for various technical reasons.*

The Secretary of Energy should improve Strategic Petroleum Reserve (SPR) oil acquisition strategy to provide a greater proportion of secure supplies. With due regard for existing contractual arrangements and SPR storage capacity, the Secretary should obtain, at a minimum, all Federal offshore royalty oil from leases which produce 100 barrels a day or more of royalty oil, and continue to seek to obtain Alaskan royalty oil.
Status: No action initiated: Date action planned not known.

The Secretaries of Energy and State should seek International Energy Agency members' agreement to set aside a portion of emergency reserves for possible drawdown in periods of market instability or disruptions not large enough to trigger the Emergency Sharing System.
Status: Recommendation no longer valid/action not intended. *DOE and State indicated that the administration believes that its new free market approach obviates the need for such a mechanism.*

The Secretaries of Energy and State should seek International Energy Agency members' agreement to provide for thorough and frequent review of the effectiveness of member nation demand restraint programs, and emergency reserves and fair sharing programs.
Status: No action initiated: Date action planned not known.

The Secretaries of Energy and State should seek International Energy Agency members' agreement to upgrade or revise the Emergency Sharing System information system to ensure resolution of discrepancies about the flow of oil into and among member countries during a disruption.
Status: Action completed.

The Secretaries of Energy and State should seek International Energy Agency members' agreement to provide a binding mechanism for resolving price disputes among member counties under emergency sharing.
Status: Recommendation no longer valid/action not intended. *DOE and State opposed the recommendation on the grounds that companies would no longer voluntarily participate in the emergency sharing program.*

The Secretaries of Energy and State should seek International Energy Agency members' agreement to consider enactment by each of the members of legislation authorizing establishment of an emergency tax on oil products or a crude oil disruption tariff for use in severe disruptions.
Status: Recommendation no longer valid/action not intended. *DOE and State opposed this recommendation. They doubted that the agreement of other countries could be secured.*

The Secretary of Energy should prepare plans to establish a private petroleum reserve to ensure that high levels of industry stocks are available for emergency purposes and to promote building of industry reserves. In this connection, the Secretary should review and analyze the various options to achieve this objective, including: (1) requiring companies to set aside, as present law permits, three percent of the previous year's imports or throughput; (2) providing financial incentives for holding oil stocks above a certain level; and (3) establishing a quasi-public corporation to build and maintain stocks so as to remove their costs from company books and to assure some Government control and management of them. The Secretary should decide which option(s) will best assure the establishment of the private petroleum reserve and, if necessary, seek legislative authority to carry out such option(s).
Status: Recommendation no longer valid/action not intended. *DOE indicated that it would not pursue this recommendation because of its commitment to the new free market approach.*

Agency Comments/Action

The agencies do not intend to take action on 12 of 20 recommendations. The agencies believe that the administration's new free market approach to energy emergency preparedness obviates the need for most of the recommendations. In five cases, action is still in process and, in two cases, action has either not been taken or is insufficient. In one case, action has been completed, but has not been verified.

DEPARTMENT OF ENERGY
EXECUTIVE OFFICE OF THE PRESIDENT

The Federal Government Needs a Comprehensive Program To Curb Its Energy Use
(EMD-80-11, 12-12-79)

Budget Function: Energy (270.0)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Energy Conservation Policy Act (P.L. 95-619). P.L. 93-409. P.L. 94-385.

In the face of the Nation's growing dependency on foreign oil imports and the undesirable economic consequences, and despite legislative and executive directives, a comprehensive energy conservation program has not yet been developed. The Federal Government has not made a sufficient commitment to curb Federal energy consumption and needs a new perspective for reducing its energy use. In assessing the current status of the Federal energy conservation program, Federal energy conservation efforts were discussed with Federal agencies, field locations were visited, and reports and studies were reviewed and analyzed.

Findings/Conclusions: It was found that the Department of Energy (DOE) has not developed energy conservation plans for buildings, as required by legislation and Executive Orders. It has not issued guidance for Federal agencies to use in developing overall energy conservation plans. Because it does not have sufficient resources and organizational status, the DOE Federal Energy Management Program is not capable of managing a comprehensive program. Most energy use reductions have resulted from quick-fix changes that occurred between 1973 and 1974. According to Federal energy consumption data, the Government's energy use has increased in 2 of the last 3 years. Federal consumption of gasoline has increased 18 percent since 1974, while the use of coal, which is plentiful, has decreased 27 percent. DOE has taken the position that no comprehensive program is needed, and it does not intend to take any action to establish such a program.

Recommendations to Congress: Congress should require the President to develop and implement through DOE an aggressive and comprehensive Federal Energy Management Program (FEMP) and clearly define the roles, authority and responsibilities that DOE and other executive branch agencies are to fulfill in the program.

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

Congress should require under FEMP purview the development and implementation of specific plans and programs.

Status: Action in process.

Congress should provide to DOE central funding and control over energy conservation funds, and earmark and restrict all funds provided for energy conservation so they cannot be used for other purposes.

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

Congress should require the President to complete action on the specific plans and programs within 18 months after legislation is enacted and submit 6-month progress reports to Congress following the date of the legislation. The President should also be required to submit reports each fiscal year Congress on the overall implementation and effectiveness of FEMP and include suggestions or recommendations for congressional consideration to strengthen and improve the program.

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

Recommendations to Agencies: The President should not wait for congressional actions specified in this report. He should use his existing Presidential authority to develop and issue a new Executive order which incorporates a Federal energy management policy statement and provides for an aggressive and comprehensive FEMP. Upon enactment of new legislation by Congress, the President should revise the Executive order as appropriate for legislative compliance.

Status: Action completed.

The Secretary of Energy should assist the President in the effort to establish an aggressive and comprehensive program by establishing within DOE a high-ranking office, reporting directly to the Under Secretary, which will be solely responsible for FEMP.

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

The Secretary of Energy should assist the President in the effort to establish an aggressive and comprehensive program by providing adequate funding and personnel resources to the new office.

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

The Secretary of Energy should assist the President in the effort to establish an aggressive and comprehensive program by assigning to the new office, broad responsibility for all aspects of Federal sector energy conservation plans and programs currently assigned to DOE, including the integration of solar and cogeneration applications with buildings conservation plans.

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

The Secretary of Energy should assist the President in the effort to establish an aggressive and comprehensive program by directing that the new office develop and submit for his approval a management plan for carrying out its assigned responsibilities and, subsequent to his approval, monthly reports on the status and progress of carrying out the plan.

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

The Secretary of Energy should assist the President in the effort to establish an aggressive and comprehensive program by directing appropriate DOE officials to implement expeditiously adequate energy conservation plans and guidelines as intended under energy legislation and Executive orders. Buildings plans should thoroughly address

such areas as leased space, and building operations and maintenance.
Status: Action in process.

Agency Comments/Action

The DOE position toward Federal conservation has changed with the new administration. Its section 236 comments generally supported the intentions of the report if not the actual recommendation. For example, the "656 Committee" will provide top level support, FEMP will receive more staff and funds, and DOE recognized that additional guidelines and mandates were necessary. After the elections, the "656 Committee" did not meet until pressured to do so by Congress, FEMP staffing and funding was cut, and more stringent Government guidelines for lighting and thermal efficiency standards were dropped for existing private standards.

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
DEPARTMENT OF JUSTICE
DEPARTMENT OF STATE

Improved Overseas Medical Examinations Can Reduce Diseases in Indochinese Refugees Entering the United States
(HRD-82-65, 8-5-82)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: Immigration and Nationality Act. Refugee Act of 1980 (8 U.S.C. 1101). 42 C.F.R. 34.2.

GAO was asked to evaluate both the medical procedures which were used to screen Indochinese refugees overseas and the followup procedures which were practiced in the United States to determine if those procedures were adequate for protecting the public health.

Findings/Conclusions: GAO found that many refugees were detained in overseas camps because they did not meet medical eligibility requirements. These requirements were relaxed in 1980 and refugees were routinely granted medical waivers; however, they were to receive followup care by health departments once in the United States. The incidence of serious and contagious diseases in the refugee population, including tuberculosis, hepatitis B, malaria, and leprosy, greatly exceeds that found in the general U.S. population. Although the Department of Health and Human Services (HHS) maintains that there is no public health problem, it has encouraged health departments to make special efforts to monitor refugees. State and local health departments have said that the refugees' health problems could be controlled if there were adequate funding; but they have also stated that providing services to the refugees hindered services to the general population. The refugees' medical examinations that were conducted overseas were not adequate to detect and treat certain health conditions and did not conform with standard American medical procedures. As a result, serious contagious diseases and other medical problems were not detected. These problems become difficult to handle once the refugees are dispersed into the general U.S. population. Further, the decisions to admit refugees were made before the medical examinations were performed. GAO believes that the overseas examinations and treatment procedures should be improved to preclude many of the difficulties in dealing with the refugees' health problems.

Recommendations to Agencies: The Attorney General should: (1) not admit refugees into the United States until they have received a thorough medical examination to diagnose health conditions specified in the Immigration and Nationality Act; (2) require that the results of medical examinations be used in making final determinations concerning the eligibility of refugees for admission; (3) not admit refugees with active tuberculosis, infectious leprosy, amebiasis, giardiasis, and malaria until treatment for these diseases has been completed, unless compelling reasons exist to justify a medical waiver.

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

The Secretary, HHS, and the Secretary of State should require that the results of overseas medical examinations be provided to Immigration and Naturalization Service (INS) officials for use in the final INS determinations of eligibility of refugees for entry into the United States.

Status: Action completed.

The Secretary, HHS, and the Secretary of State should ensure that medical records are developed and maintained while refugees in overseas camps are under the care of the United Nations High Commissioner for Refugees and are transferred to the overseas physicians before they perform the medical admissions examinations.

Status: Action completed.

The Secretary, HHS, should transmit to the State or local health department at the refugee's destination all pertinent medical information available on the refugee.

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

The Secretary, HHS, should require that treatment be initiated and completed in Southeast Asia for refugees with active tuberculosis, malaria, amebiasis, or giardiasis before they are cleared to enter the United States. In the case of leprosy, the treatment should be sufficient to render the patient noninfectious.

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

The Secretary, HHS, should require that all refugees under age 15 be tested for tuberculosis because of the high incidence of tuberculosis in refugees under age 15 and the significant number of cases undetected overseas in this group.

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

The Secretary, HHS, should arrange with the Secretary of State to change the procedures for giving overseas medical examinations to Indochinese refugees destined for the United States and request that a medical history and examination for each refugee be performed by a physician using medical procedures commonly used in the United States. This examination should include: (1) an examination for diseases commonly found in Southeast Asia, including tuberculosis, leprosy, parasites, hepatitis B, and malaria; the examination for tuberculosis should include analyses of sputum cultures to further verify the presence or absence of the disease; (2) an evaluation for mental illness; and (3) an examination of body systems to help the physician determine if the refugee is suffering from a health problem which may affect his or her ability to earn a living in the United States.

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

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF LABOR

An Overview of the WIN Program: Its Objectives, Accomplishments, and Problems
(HRD-82-55, 6-21-82)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: Comprehensive Employment and Training Act of 1973. Social Security Act (42 U.S.C. 630). Revenue Act of 1971 (26 U.S.C. 40). Social Security Disability Amendments of 1980 (P.L. 96-265). Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

In response to a congressional request, GAO assessed the Work Incentive Program (WIN) to determine: (1) what portion of the Aid to Families with Dependent Children (AFDC) population receives assistance from WIN; (2) what percentage of WIN participants achieve self-support; (3) whether other WIN performance goals are being achieved; and (4) what mix of services is being provided to WIN participants and to what extent those services and other factors are associated with participant outcomes.

Findings/Conclusions: Because of budget limitations and legal exemptions from the WIN program, less than 20 percent of adult AFDC recipients participated in the program in 1980. Over 60 percent of adult AFDC recipients were legally exempt from registering for WIN because they were caring for children under 6 years of age. Because of limited funding and a premium put on the number of recipients obtaining jobs, regardless of the help provided, WIN assisted those AFDC recipients who were easiest to place. Other recipients who registered generally did not get help. For fiscal year 1980, about 70 percent of the WIN registrants who entered employment said that they found their own work. Half of those who entered employment said that the program contributed to their finding a job. Slightly more than one-third of the AFDC recipients who were also WIN participants entered employment during 1980, and less than half of those were able to go off AFDC on the strength of their earnings. Because of the practice of counting twice individuals entering more than one job in a year and the use of unrealistic retention levels, GAO estimated that the reported fiscal year 1980 saving from AFDC grant reductions of $632 million was overstated by $319 million. In addition, reported savings did not separate savings resulting from self-placements from those resulting from WIN placements.

Recommendations to Agencies: The Secretary of Labor and the Secretary of Health and Human Services should direct WIN program officials to modify the process used by WIN officials for calculating welfare grant reductions to eliminate the double counting of participants who enter into more than one job in a year.

Status: Action in process.

The Secretary of Labor and the Secretary of Health and Human Services should direct WIN program officials to modify the process used by WIN officials for calculating welfare grant reductions to use a more realistic retention level, such as the 6-month level, in annualizing savings.

Status: Action in process.

The Secretary of Labor and the Secretary of Health and Human Services should direct WIN program officials to modify the process used by WIN officials for calculating welfare grant reductions to identify the welfare savings related to WIN placements separately from the savings resulting from participants' self-placements.

Status: Action in process.

Agency Comments/Action

The Department of Health and Human Services deferred comments to the Department of Labor, which concurred with the recommendations for modifying the WIN welfare grant reduction calculation process. However, Labor stated that the recommendations would be implemented only if WIN was continued as a separate categorical program beyond fiscal year 1982. On October 2, 1982, the President approved H.J. Res. 599, making continuing appropriations for fiscal year 1983 (P.L. 97-276), which provides for the continued funding of WIN and certain other Federal programs through December 17, 1982. Accordingly, Labor is in the process of taking actions to implement the recommendations.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
DEPARTMENT OF STATE

Guyana Tragedy Points to a Need for Better Care and Protection of Guardianship Children
(HRD-81-7, 12-30-80)

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

GAO was requested to review the placement of foster children with members of the Peoples Temple. After finding that some of the children had guardians, GAO examined guardianship children in California.

Findings/Conclusions: GAO found that no children in foster care died in Guyana. A few of the victims of the tragedy were wards of Peoples Temple members and were taken to Guyana without court approval. California guardianship children frequently did not receive of all the protection intended for them by State law. California received Federal foster care maintenance payments for guardianship children who did not meet Federal eligibility criteria. Federal overpayments occurred in three California counties, because the counties obtained Federal reimbursement for guardianship children whose care and placement were not the responsibility of the Department of Health and Human Services (HHS). The health and safety of some children may have been jeopardized by placing them in small foster family homes which housed children in excess of capacity.

Recommendations to Agencies: The Secretary of HHS should direct the Office of Human Development Services to encourage California to reissue regulations governing guardianship situations and require compliance by county social services agencies.

Status: Action completed.

The Secretary of HHS should direct the Office of Human Development Services to determine whether other States are erroneously including guardianship children as federally eligible for foster care. If so, it should act to identify and recover the overpayments.

Status: Action in process.

The Secretary of HHS should direct the Office of Human Development Services to work with California to see that Federal funding is provided only for children placed in licensed facilities that fully meet State health and welfare licensing requirements.

Status: Action in process.

The Secretary of State should require the U.S. Passport Office to adopt policies and procedures to verify, before issuance of passports, that where required by State law, guardians have obtained court approval to take their wards outside the country for travel and/or residence abroad.

Status: Action in process.

The Secretary of HHS should direct the Office of Human Development Services to encourage California to reiterate to the probate court judges the importance of county social workers' preparing suitability reports on petitioners for nonrelative guardianship children.

Status: Action in process.

The Secretary of HHS should direct the Office of Human Development Services to encourage California to help the county social services agencies expand criteria on suitability reports to cover more fully the physical well-being of children, such as criminal checks and health certificates for petitioners and fire clearances for petitioners' homes.

Status: Action completed.

The Secretary of HHS should direct the Office of Human Development Services to follow up on Federal overpayments for ineligible guardianship children and work with California to identify and make retroactive adjustments for the overpayments in the three counties reviewed and the counties not reviewed.

Status: Action in process.

The Secretary of HHS should direct the Office of Human Development Services to issue instructions to all of the States notifying them that guardianship children are not eligible for Federal reimbursement for foster care maintenance payments when responsibility for such children is removed from the State title IV-A agency.

Status: Recommendation no longer valid/action not intended. *Recent legislation has satisfied GAO concern over this recommendation.*

Agency Comments/Action

HHS has completed or has underway actions which satisfactorily implement the recommendations except for one which HHS believed was adequately covered by existing regulations. Recent legislation has satisfied the GAO concern and has made the recommendation no longer necessary.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
ENVIRONMENTAL PROTECTION AGENCY

Stronger Enforcement Needed Against Misuse of Pesticides
(CED-82-5, 10-15-81)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Insecticide, Fungicide and Rodenticide Act (7 U.S.C. 136 et seq.). Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.).

GAO reviewed Environmental Protection Agency (EPA) and State pesticide programs to enforce pesticide laws and suggested ways to improve program activities. GAO also reviewed special pesticide registrations to determine if some of the problems identified in an earlier GAO report had been corrected.

Findings/Conclusions: Although improvements have been made in recent years, GAO found that the public may not always be protected from pesticide misuse because EPA and the States: sometimes take questionable enforcement actions against violators, have not implemented adequate program administration and monitoring, and are approving the use of pesticides for special local and emergency needs which may be circumventing the normal pesticide registration procedures of EPA. Enforcement programs do not always protect the public and the environment because many enforcement actions are questionable or inconsistent, some cases are poorly investigated, State agencies often do not share the EPA enforcement philosophy, and most States lack the ability to impose civil penalties. The majority of States have improved their pesticide laws, purchased new equipment to upgrade laboratories, hired additional staff, and conducted more inspections. However, EPA and the States have not developed adequate management information to document pesticide enforcement activities. EPA monitoring of State programs has been limited and directed at administrative aspects rather than evaluations of the adequacy of enforcement actions. There is a lack of quick and effective processing of misuse cases referred between EPA and the States and between EPA and the Food and Drug Administration because of inadequate recordkeeping systems, lack of followup actions by the referring agency, and untimely enforcement actions. New EPA reporting requirements are a first step in providing a basis for evaluating the quality of enforcement actions.

Recommendations to Agencies: The Administrator of EPA should direct EPA regional office inspectors to emphasize the importance of conducting proper investigations and taking appropriate enforcement actions.
Status: Action completed.

The Administrator of EPA should take action to help the States improve the quality of investigations and enforcement actions. This could include providing additional inspection and enforcement guidelines.
Status: Action completed.

The Administrator of EPA should encourage the passage of State laws which provide authority for assessing civil penalties. This could include an outreach effort through the EPA regions with letters to State Governors and key legislators.
Status: Recommendation no longer valid/action not intended. *EPA disagrees with the recommendation.*

The EPA Administrator should require EPA regional offices and States to improve recordkeeping and reporting systems so that accurate, complete, and timely data are generated and information on program results is provided.
Status: Action completed.

The EPA Administrator should establish standards for increasing the frequency and scope of onsite monitoring to assure State compliance with regulations and to evaluate the quality of investigations and enforcement action.
Status: Action completed.

The EPA Administrator should strengthen coordination with the Food and Drug Administration and improve management controls over referrals to assure appropriate and expeditious investigations and enforcement actions.
Status: Action completed.

The Secretary of Health and Human Services, through the Commissioner of the Food and Drug Administration (FDA), should improve management controls over referrals and strengthen coordination with EPA to help assure that investigations and enforcement actions are properly carried out. This could include requiring FDA to document pesticide misuse cases that it refers to EPA and establishing a system to monitor the status of cases referred.
Status: Action completed.

The Administrator of EPA should review each similar special local need registration to ensure that products or additional uses are being properly registered by the States.
Status: Action in process.

The Administrator of EPA should develop an information system which identifies emergency exemptions by State so that repetitive requests can be analyzed and reviewed for conformance with Federal Insecticide, Fungicide and Rodenticide Act guidelines.
Status: Action in process.

The Administrator of EPA should notify States that repetitive emergency exemptions will not be approved unless their justifications are fully documented.
Status: Action in process.

The Administrator of EPA should require the EPA Registration Division, regional offices, and State offices to better coordinate experimental-use monitoring. This could include a requirement that requesters of experimental-use permits notify EPA regional and State officials when they actually plan to conduct their experiments.

Status: Action in process.

Agency Comments/Action

EPA and HHS have indicated general agreement with GAO recommendations. Actions to implement most of the recommendations are in process. EPA does not agree that it should encourage the passage of State laws. It believes that each State should decide for itself whether it needs such authority. The EPA liaison to GAO said that EPA was not aware of the OMB A-50 requirement revision. As a result, the second report required by OMB on each GAO report has not been prepared by EPA.

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 exhanges. 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 estimate $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: Action in process.

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 in process.

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: No action initiated: Affected parties intend to act.

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 benefits 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.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
NATIONAL INSTITUTE OF BUILDING SCIENCES

Greater Use of Innovative Building Materials and Construction Techniques Could Reduce Housing Costs
(CED-82-35, 2-18-82)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Housing Act of 1949 (42 U.S.C. 1441). Housing and Urban Development Act of 1970. Housing and Community Development Act of 1974 (P.L. 93-383). Solar Heating and Cooling Demonstration Act of 1974 (P.L. 93-409).

Because housing affordability has become an increasingly serious national problem during the last decade, GAO undertook a review to assess the role which innovative technology might play in reducing the cost of new single-family detached houses and to evaluate the Federal role in developing and encouraging its use.

Findings/Conclusions: Innovative building materials and construction techniques are not being used to the extent that they could be to reduce homebuilding costs. Certain items could each save between $300 and $700 in the cost of a median-priced, single-family detached house. Many problems exist at different levels of government and within the homebuilding industry that impede the use of available technological innovations and the development and introduction of new ones. These include: (1) a low level of effort by the Department of Housing and Urban Development (HUD) and the National Institute of Building Sciences to encourage the development and use of innovative technology, except for that related to reducing energy costs; (2) builders' reluctance to accept risks associated with the use of technology with unproven long-term performance; (3) restrictive and inconsistently administered local building codes; and (4) builder's lack of technical information on the results of using innovative technology. HUD has moved slowly toward identifying, evaluating, and disseminating information on cost-saving innovations; encouraging the acceptance of innovations by model building code groups; and encouraging local compliance with model codes and consistent administration of local building codes.

Recommendations to Agencies: The Secretary of Housing and Urban Development and the President of the National Institute of Building Sciences should reexamine recommendations made in prior reports which call for a more vigorous and effective Federal role in encouraging the use of innovative cost-saving technology in homebuilding. They should also: (1) determine whether some revision of internal priorities might be possible and desirable in order to direct more resources to encouraging greater use of innovative technology in homebuilding; and (2) explore other alternatives for reducing housing costs through greater use of innovative technology.

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

Agency Comments/Action

No HUD actions have been taken on any of the recommendations as of May 20, 1982.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
VETERANS ADMINISTRATION

VA and HUD Can Improve Service and Reduce Processing Costs in Insuring Home Mortgage Loans
(AFMD-82-15, 6-11-82)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (371.0)
Legislative Authority: Housing Act (12 U.S.C. 1707 et seq.). 38 U.S.C. 37.

GAO reviewed the underwriting activities used by the Veterans Administration (VA) and the Department of Housing and Urban Development (HUD) to grant and insure mortgage loans.

Findings/Conclusions: A large portion of the processing costs incurred by VA and HUD in insuring loans involves underwriting. VA and HUD rely mostly on their own staffs for underwriting rather than on lenders. By relying more on approved lenders, when practical, to perform the required underwriting activities, VA and HUD could save several million dollars annually and improve service to their borrowers without increasing their insurance risk. Approximately 40 percent of insured loans could be processed under delegated authority procedures. GAO believes that the agencies' control systems over lender underwriting activities, if properly adhered to, are adequate to minimize the risk of relying on approved lenders to perform the entire underwriting function. By having the agencies select the appraisers and make a field review of a sample of appraisals, protection would be provided against overvaluation of property.

Recommendations to Agencies: The Administrator of Veterans Affairs should obtain participation from more lenders in its automatic lender procedure.

Status: Action in process.

The Secretary of HUD should extend HUD-delegated processing authority nationwide and encourage qualified lenders to participate by eliminating the outreach requirement.

Status: Action in process.

The Secretary of HUD should establish a system for assessing and reporting on the quality of lender performance.

Status: Action in process.

The Administrator of Veterans Affairs should apply appropriate quality control procedures to the expanded delegated activity. VA should seek those amendments to VA statutory authority that are required for extension of coverage of automatic lender procedures.

Status: Recommendation no longer valid/action not intended. *VA disagrees with the recommendation to have property values determined by lenders.*

The Administrator of Veterans Affairs should extend coverage of its automatic lender procedures to include determination of property values based on appraisals by VA approved appraisers.

Status: Recommendation no longer valid/action not intended. *VA disagrees with the recommendation to have property values determined by lenders.*

Agency Comments/Action

VA agrees with obtaining more participation in the automatic lender program and disagrees with the recommendation to have VA-certified appraisers provide appraisals directly to lenders. HUD, responding on September 2, 1982, agrees with all of the recommendations and has started action to implement them.

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 in process.

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 was to expire on October 2, 1982, and generally follows the recommendations on what needs to be done to protect the Fund's $2.5 billion in assets and to assure the Fund is managed prudently and solely for the benefit of the plan's participants and beneficiaries as intended by the act. Comments were received from Labor August 4, 1982; and from IRS on June 29, 1982.

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 employment opportunity (EEO). 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: Date action planned not known.

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: No action initiated: Date action planned not known.

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 the EEOC headquarters staff. He said that he intends to give the matter serious attention as soon as the 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.

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.

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

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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

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

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: No action initiated: Affected parties intend to act.

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 No. 50. The system will be used department-wide with first priority going to the GAO recommendations. The agency has 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
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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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 in process.

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 begun to take action varies within and among them. For example, GAO recommended that the three Federal bank regulators work together with Justice to formulate a method for considering the effects of future completion on a merger. At this point in time, the Office of the Comptroller of the Currency and FDIC have not decided to address this issue; the Federal Reserve Board is working with Justice to formulate such guidelines. Also, the Federal Reserve Board has a task force discussing the possibility of developing a more consistent method of defining the relevant market area for such a merger. The Office of the Comptroller of the Currency and FDIC have not made any attempts to begin such action. The results of the efforts of the Federal Reserve Board will be essential in determining how to approach the actions of the other agencies.

DEPARTMENT OF JUSTICE
JUDICIAL CONFERENCE OF THE UNITED STATES

More Guidance and Supervision Needed Over Federal Grand Jury Proceedings
(GGD-81-18, 10-16-80)

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (752.0)
Legislative Authority: Jury System Improvements Act of 1978 (28 U.S.C. 1863 et seq.). Jencks Act (Witnesses' Statements and Reports) (18 U.S.C. 3500). Gannet Co. v. De Pasquale County Judge of Seneca County, New York, 47 U.S.L.W. 4902 (1979). Richmond Newspapers, Inc. v. Virginia, 48 U.S.L.W. 5008 (1980). Levine v. United States, 362 U.S. 611 (1960). Fed. R. Crim. P. 6(e). U.S. Const. amend. V. U.S. Const. amend. VI.

GAO reviewed the procedural and secrecy rules related to grand jury matters and the supervision of grand jury proceedings to determine how well the criminal justice system was accomplishing the purposes of grand jury secrecy and to identify areas needing improvement. By improving the security of grand jury proceedings, the effectiveness of one of the Government's more important tools to combat organized crime, drug trafficking, and white-collar crime will be improved.

Findings/Conclusions: Information about grand jury proceedings has been disclosed with the result that: either witnesses had their identities revealed before any indictments were returned; reputations of persons never indicted were damaged; persons under investigations were identified before indictment; or grand jury investigations were dropped or delayed. These disclosures are often allowable, or even required, under existing laws and procedures. District courts and prosecutors should receive more definitive guidance and direction on what specific information and documents must be kept secret and on procedures for secrecy protection. Transcripts of grand jury proceedings and the deliberations and vote of the grand jury cannot be disclosed. However, opinions vary as to whether the following should be kept secret: court proceedings ancillary to grand jury proceedings that deal with and discuss ongoing grand jury activities; grand jury subpoenas; evidence developed independently of, but later introduced to, the grand jury; copies of documentary materials presented to the grand jury; internal Government memorandums and other documents that tend to reveal what transpires before the grand jury; and grand juror identities while the grand jury is sitting. The Federal judiciary does not have a consistent program to assure that Federal prosecutors properly secure grand jury materials and information to: limit access to, store, and dispose of grand jury information; identify grand jurors who have connections with persons under investigation; insure that grand jury rooms are secure; and audit existing security procedures and practices.

Recommendations to Agencies: The Attorney General should improve the security practices of U.S. attorneys, organized crime strike forces, U.S. marshals, and court reporter personnel by developing and issuing interim security guidelines until the Federal judiciary establishes official security requirements.
Status: Action completed.

The Judicial Conference of the United States should (1) review Jury System Improvement plans so that the courts and the Department of Justice are in a position to react appropriately whenever situations calling for maintaining the confidentiality of grand juror names arises; (2) establish guidelines setting forth the minimum physical security requirements needed to protect the secrecy of grand jury materials; (3) require each custodian of grand jury materials, including court appointed reporters, to establish procedures consistent with security guidelines and document them in a security plan to be approved by the appropriate district court; (4) provide for periodic audits by the Administrative Office of the U.S. Courts of all custodians of grand jury materials to determine whether they are complying with approved security plans and whether security procedures need to be improved; and (6) evaluate the physical security around grand jury rooms and develop an appropriate plan to upgrade and modify deficient facilities to insure that the secrecy of grand jury proceedings will not be compromised.
Status: Action completed.

The Judicial Conference of the United States should develop a proposed amendment to rule 6(e) of the Federal Rules of Criminal Procedure which more clearly defines what must be kept secret during the duration of grand jury proceedings, including specific guidance for handling (1) pre-indictment proceedings, (2) grand jury subpoenas, (3) evidence developed independently of a grand jury, but later introduced to it, (4) duplicates and copies of original documents presented to a grand jury, and (5) internal Government memorandums and other documents that tend to disclose what transpires before a grand jury.
Status: Action in process.

Agency Comments/Action

The Department of Justice issued a departmental order concerning the subject of safeguarding grand jury information. It has undertaken a compliance program to ensure that security standards are being followed. The Judicial Conference of the United States has forwarded to the Supreme Court major revisions to Rule 6(e) which governs grand jury secrecy. The Supreme Court has until May 1, 1983, to review the amendments and forward them to Congress. The Rules become effective if no action is taken by Congress within 90 days or as modified by law.

DEPARTMENT OF JUSTICE
JUDICIAL CONFERENCE OF THE UNITED STATES

U.S. Marshals' Dilemma: Serving Two Branches of Government
(GGD-82-3, 4-19-82)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Judiciary Act (1 Stat. 73; 1 Stat. 89). Alien Act. Organized Crime Control Act of 1970. Reorg. Plan No. 2 of 1950. S. 951 (97th Cong.). H.R. 3580 (97th Cong.). 28 U.S.C. 569(a). 28 U.S.C. 569(b). 12 Stat. 285. 16 Stat. 162. 28 U.S.C. 569(c).

Pursuant to a congressional request, GAO reviewed the various functions performed by the U.S. marshals. This report, the first in a series of three, concerns the organizational relationship of U.S. marshals to the Department of Justice and the Federal Judiciary, which is comprised of Federal judges, the Judicial Conference of the United States, and the Administrative Office of the U.S. Courts.

Findings/Conclusions: U.S. Marshals are responsible, under separate legislation, for accomplishing missions and objectives of both the executive and judicial branches of the Government. GAO believes that, as currently implemented, this is a difficult and unworkable management condition; the Director of the U.S. Marshals Service cannot properly manage law enforcement responsibilities assigned by the Attorney General, and the operation of the Federal judicial process suffers. GAO stated that adding more resources could conceivably reduce, in the short term, the operating problems being encountered. However, the basic cause of the problems, the manner in which dual authority over U.S. marshals is exercised, would remain. Both branches of the Government would still have authority to take actions which would hinder the ability of the other branch to accomplish its mission.

Recommendations to Congress: Congress should, if the agencies concerned do not implement the GAO recommendations, take legislative action to eliminate the Attorney General's authority to supervise, direct, and control the operations of U.S. marshals.

Status: Recommendation no longer valid/action not intended. *The recommendation is contingent on inaction by the agencies. Both have acted and supported administrative and legislative efforts to solve the reported problems. An approach to provide more resources has been developed and agreed to in principle. This approach should at least mitigate, if not fully resolve, the problem.*

Recommendations to Agencies: The Attorney General should develop, with the assistance of the Administrative Office of the U.S. Courts, the base-level marshal personnel resource needs for each Federal district court. This information should then be used as a major factor to prepare the U.S. Marshals Service's budget.

Status: Action completed.

The Attorney General should establish a policy that the provision of court security and the execution of all lawful court orders are the top priority of each U.S. marshal. U.S. marshals should be supervised to ensure each is properly fulfilling the needs of their respective district courts.

Status: Action completed.

The Attorney General should assign law enforcement tasks to marshals only on the basis of those residual resources remaining after fulfillment of court-related duties. Because this will probably further hinder the Department's ability to use marshals to perform centralized law enforcement programs, responsibility for conducting these law enforcement duties should be reassigned from the Marshals Service to other Justice Department organizations.

Status: Recommendation no longer valid/action not intended. *A mechanism to meet court needs through the provision of new resources has been developed and agreed to in principle. This should at least mitigate, if not fully resolve, the operating problem.*

The Attorney General should apprise Congress, during the appropriation and authorization process, about the nature and status of any problems related to the use of marshals' resources and actions taken to resolve these problems.

Status: Action in process.

The Judicial Conference should require the Director of the Administrative Office of the U.S. Courts to cooperate with and assist the Attorney General in defining and obtaining pertinent information needed to determine each district court's base-level resource needs for U.S. marshal personnel.

Status: Action in process.

The Judicial Conference should require the Director of the Administrative Office of the U.S. Courts to apprise Congress, during the appropriation and authorization process, about the nature and status of any problems related to the use of marshals' resources and actions taken to resolve these problems.

Status: Action in process.

Agency Comments/Action

On July 16, 1982, the Judiciary's 236 response stated that it and Justice are developing a comprehensive security system that will address the court security problems discussed in the report. It expects the system will lead to significant improvements in the current level of security. On September 3, 1982, Justice stated that it concurred with three of four recommendations. Regarding the fourth one, the new court security plan would shift a large burden for security from marshal resources to contract guards (133 staff years). This would ease problems the Marshals Service experiences in controlling law enforcement duties performed by

deputies. The new system is an attempt to get more resources to solve court security problems by shifting the burden of obtaining resources away from Justice to the Judiciary. This system is a solution that will mitigate, if not resolve, the reported problems because it will provide additional resources for the specific purpose of providing court security.

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 marshal's 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 in process.

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 in process.

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: Action in process.

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 stated it supported the recommendations to improve its prisoner transportation procedures. GAO is in the process of verifying the specifics of Justice's implementation of the recommendations.

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 in process.

The Commissioner of IRS should implement procedures to assure that information items needed for the annual report are obtained, including invoking penalties when plans fail to provide the information.
Status: Action in process.

The Executive Director of the Pension Benefit Guaranty Corporation and the Commissioner of 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.

DEPARTMENT OF LABOR
DEPARTMENT OF TRANSPORTATION

Further Examination of the East Chicago, Indiana, Highway Ramp Collapse Could Help Prevent Similar Accidents

(CED-82-120, 9-2-82)

Budget Function: Transportation: Ground Transportation (401.0)

In response to a congressional request, GAO reviewed the adequacy of the Federal Government's investigation of the collapse of a highway ramp under construction in East Chicago, Indiana, to determine whether the investigation is employing all available resources. The project is 90-percent funded by the Department of Transportation. On April 15, 1982, three sections of the ramp collapsed, killing 13 workers and injuring 17 others.

Findings/Conclusions: The Occupational Safety and Health Administration (OSHA), the National Bureau of Standards (NBS), and the Federal Highway Administration (FHWA) are involved in the investigation. NBS and FHWA are seeking to determine the technical cause of the accident at the request of OSHA. Indiana OSHA will use the results of the investigation as a basis for determining the need to issue appropriate citations and penalties for violations of occupational safety standards. The major objectives of the accident investigation are to determine the accident's cause and prevent further occurrences. Federal officials acted promptly in the aftermath of the collapse, and the agencies are coordinating their efforts to determine the technical cause. NBS appears to be well qualified to determine the most probable technical cause. However, NBS and the other agencies are not examining and have no plans to examine aspects of the project such as safety standards and monitoring requirements that may have contributed to the collapse. The NBS investigation may help pinpoint weaknesses, but its purpose is not to evaluate systemic aspects. No single Federal agency or group has the responsibility for directing and coordinating the total Federal investigative efforts for this accident or similar ones. If a Federal agency is given the responsibility for investigating structural failures, that agency also needs to have specific responsibility for directing and coordinating the total Federal investigative effort for major accidents on Federal construction projects.

Recommendations to Congress: Congress should, in its current deliberations on the need to authorize an existing Federal agency to investigate structural failures, provide that such an agency have the specific responsibility for the total Federal investigative effort whenever a major accident occurs on Federal and federally assisted construction projects. This authority should provide for the agency to conduct independent investigations of both the technical causes and systemic aspects of accidents.

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

Recommendations to Agencies: The Secretaries of Labor and Transportation should review appropriate Federal and State responsibilities, standards, requirements, control and monitoring procedures, and other appropriate systemic aspects of the Riley Road-Cline Avenue ramp's construction. The objectives of this review should be to determine if improvements are needed for similar projects in Indiana and in other States. To have a more comprehensive review, the Secretaries should seek the cooperation of Indiana OSHA and the Indiana Department of Highways in examining systemic aspects of the ramp collapse.

Status: Action in process.

Agency Comments/Action

DOT stated that FHWA will take whatever actions are necessary to prevent further occurrences of the accident as soon as the NBS investigation of the cause has been completed and it can study the report. Labor stated that the report on the NBS investigation of the cause of the ramp's collapse has been disseminated to all interested parties; Indiana OSHA has issued citations against the parties involved, including the State highway department. Labor does not believe that its involvement in a review of systemic aspects of the accident or an independent Federal agency to investigate similar future actions would be helpful. Sufficient legislation exists for OSHA to investigate these accidents, and this particular accident does not lend itself to a review of systemic aspects.

DEPARTMENT OF LABOR
OFFICE OF MANAGEMENT AND BUDGET

A CPI for Retirees Is Not Needed Now but Could Be in the Future
(GGD-82-41, 6-1-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Economic Recovery Tax Act of 1981.

GAO reviewed the need for a retirees' Consumer Price Index (CPI) to aid Congress and others in deliberations regarding possible actions to maintain the financial stability of retirement programs.

Findings/Conclusions: GAO found that the use of a workers' index to trigger cost-of-living adjustments for the beneficiaries of the four major Federal retirement programs had placed an extra financial strain on those programs. That strain can be attributed to the fact that existing indexes are based on underlying expenditure data that do not reflect how retirees spend their money. Compared to others, retirees devote a larger share of their total expenditures to food, fuel, and medical care and a lesser share to transportation, house purchases, and mortgage interest. The Bureau of Labor Statistics (BLS) plans to use a new approach called rental equivalence to construct the CPI, which should bring the existing indexes more in line with retiree consumption patterns. However, significant differences will still exist. The use of CPI-U would be more appropriate than the use of CPI-W, since it covers a larger target population. BLS should compute and publish a hybrid retirees' index once the homeownership component is revised and at least annually thereafter. The monitoring for divergencies should be centralized in one agency; the Office of Management and Budget seems the most logical choice to fill that role.

Recommendations to Congress: Congress should enact legislation requiring that CPI-U be used instead of CPI-W to compute the cost-of-living adjustments for federally administered retirement programs. Any such legislation should be enacted in time to coincide with the BLS decision to revise the homeownership component of CPI-U starting in January 1983.

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

Recommendations to Agencies: The Secretary of Labor should direct BLS to compute a retirees' index using that revised measure of homeownership costs and to recompute that index periodically thereafter, but at least annually, once the methodology for computing homeownership costs has been revised in the index used to escalate retirement programs. To compute that index, BLS should apply retiree expenditure weights to the price information already being collected in support of CPI-U.

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

OMB should, once BLS starts computing a retirees' index: (1) monitor the relationship of that index to the index being used to calculate cost-of-living adjustments for federally administered retirement programs; and (2) determine, with input from the Social Security Administration and other agencies responsible for administering those programs, whether differences between the indexes are significant enough to warrant proposing changes to the mechanism for computing cost-of-living adjustments.

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

Agency Comments/Action

BLS believes that producing a version of the current CPI reweighted to represent retirees, as GAO recommended, would be of little value. According to BLS, answering the question of how a CPI for retirees would differ from existing CPI's requires more definitive information on the detailed composition of retirees' spending patterns, on where they shop, and on the price structure they face. BLS says if it were to work on a CPI for retirees, it would focus on those issues rather than reweight the current CPI to represent retirees. BLS has requested funds to conduct further research in the area. The position of OMB on the recommendation is not known because it has not yet responded to the requirements of the Legislative Reorganization Act. The position may be of little consequence because the recommendation to OMB cannot be implemented unless the recommendation to BLS is implemented.

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. Because of the complexities surrounding forest destruction and the financial resources needed to reverse this accelerating trend, the Secretaries of State and the Treasury should request that, in designing their projects, the international organizations give greater consideration to subsistence farmers residing in and around forested and watershed areas.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

DEPARTMENT OF THE INTERIOR
DISTRICT OF COLUMBIA

Police Forces in the District of Columbia Can Improve Operations and Save Money
(GGD-79-16, 7-12-79)

Budget Function: Administration of Justice (750.0)

Four District police forces were reviewed, the Metropolitan Police Department, the U.S. Park Police, the Capitol Police, and the Metro Transit Police. The forces need to improve their patrol practices and certain inefficient and costly practices.

Findings/Conclusions: Park and Metropolitan police officers patrol the same areas in some District locations because of overlapping jurisdictions. In addition, because Metropolitan and Park forces each maintain their own photography and fingerprinting facilities, they sometimes unnecessarily repeat identification processing of arrestees. Police officers perform clerical, administrative, technical, and protective duties, which lower cost civilians and guards could do. The forces could save as much as $3.1 million annually if civilians and guards were used instead of sworn officers. Finally, sometimes the police forces buy weapons which are being stockpiled by other forces or purchase items which could have been bought at reduced prices from the General Services Administration (GSA).

Recommendations to Agencies: The Mayor, District of Columbia; the Secretary of the Interior; the Chairman, Capitol Police Board; and the Washington Metropolitan Area Transit Authority should, with respect to police activities, adopt a policy to acquire goods and services from GSA when economically beneficial.

Status: Action in process.

The Chairman, Capitol Police Board, should implement a program to use guards insead of police officers where possible.

Status: Action in process.

The Secretary of the Interior should direct his force to coordinate the photographing and fingerprinting of arrestees with the Metropolitan Police Department.

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

The Secretary of the Interior should, as appropriate, transfer the police control of small parcels of land such as circles and triangles to the District of Columbia.

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

The Mayor, District of Columbia; the Secretary of the Interior; the Chairman, Capitol Police Board; and the General Manager, Washington Metropolitan Area Transit Authority, should, with respect to police activities, use civilians to replace, when economically advantageous and technically feasible, police officers in administrative support, clerical and technical positions.

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

The Mayor, District of Columbia, and the Secretary of the Interior should evaluate the feasibility of authorizing the Metropolitan Police Department the patrol responsibility for Federal parks and monument grounds in the District. The evaluation should consider the need to coordinate police efforts during emergencies, demonstrations, parades, and other events.

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

Agency Comments/Action

The D.C. Government is required to respond to GAO reports under Section 236 of the Home Rule Act. GAO has not received a response to date. Of the remaining agencies, only Interior is covered by Section 236, and the response was provided on September 4, 1979. Although not required, the Washington Metropolitan Area Transit Authority responded on July 30, 1979. The police forces' reactions to the recommendations were mixed although all agreed that seeking more efficient and economical operations is a worthwhile goal. Interior did not agree with the recommendations to achieve this goal.

DEPARTMENT OF THE INTERIOR
OFFICE OF MANAGEMENT AND BUDGET

Budget Formulation: Many Approaches Work but Some Improvements Are Needed
(PAD-80-31, 2-29-80)

Budget Function: Congressional Budget and Impoundment Control Act of 1974 (990.2)

GAO conducted a series of case studies of the budget formulation process in 10 Federal programs in the Departments of Defense, the Interior, and Health, Education, and Welfare.

Findings/Conclusions: The case studies revealed a variety of budget formulation styles. In some cases, budget requests were developed through "bottom-up" methods that involved field offices and no prior guidance or fixed request amounts from higher levels. In other cases, budgets were developed through "top-down" methods in which the request amount was set in advance at top levels and which entailed little or no field office work. Often, the approach followed related to the type of program, and no one approach appeared the best for all programs. Formulation weaknesses and potential problems requiring action were identified in the planning process, zero-base budgeting (ZBB) procedures, and in agencies' methods of reporting to Congress.

Recommendations to Congress: Congress should direct the Secretary of the Interior, in consultation with the Department of Agriculture, to develop for executive branch and congressional budget use an overall "Federal" program land acquisition plan for executive branch and congressional budget use that identifies priorities on the geographic areas and kinds of land to be acquired.

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

Congress should appropriate initial funding each year for the Bureau of Land Management's emergency fire program that covers the total estimated funding requirement of the program for the year.

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

Recommendations to Agencies: The Secretary of the Interior should direct Bureau of Land Management officials, as they develop a comprehensive multiyear plan for use in budget formulation, to consult with cognizant congressional committees to achieve agreement on a common set of planning and budgeting categories for use in both authorizing and appropriating processes. Efforts should be devoted to develop a single set of categories as the principal ones of authorizing and appropriations control.

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

The Director of the Office of Management and Budget should monitor and review agency plans for ZBB and provide guidance on: (1) the programs and activities which agencies should perform full analyses of minimum levels, as opposed to using percentage-based minimums; and (2) the programs and activities that should be pulled from zero-based budgeting ranking "core" treatment and subjected to detailed analyses.

Status: Recommendation no longer valid/action not intended. *ZBB has been discontinued by the executive branch.*

The Director of the Office of Management and Budget should improve budget reporting by including in the budget, in a single table and discussion, a comprehensive reporting by agency and account of the budget authority and outlay increases/decreases, with subtotals for each, associated with executive proposed legislation.

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

The Director of the Office of Management and Budget should improve budget reporting by including in the Budget Appendix and related justifications provided to appropriations committees a Medicare summary table that would fully disclose the key funding and legislative proposals.

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

The Director of the Office of Management and Budget should improve budget reporting by revising budget request procedures for the Bureau of Land Management's emergency fire program to provide for initial appropriation requests that fully reflect the total estimated yearly funding requirements of the program.

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

The Director of the Office of Management and Budget should consider establishing with individual agencies rotating schedules for full ZBB analyses of selected programs and activities. The schedules could be linked to cycles of executive branch or congressional reviews.

Status: Recommendation no longer valid/action not intended. *ZBB has been discontinued by the executive branch.*

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 long standing 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: No action initiated: Date action planned not known.

The Director, OMB, 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: Recommendation no longer valid/action not intended. *GAO is conducting a review at the request of the Chairman, Senate Committee on Energy and Natural Resources, that will include coverage of this issue. Interior is assisting GAO with this review.*

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

In its Section 236 response, 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 in the 236 response with GAO recommendations to the agency and outlined the corrective actions taken or to be taken on each recommendation. Section 236 applies neither to the Office of Micronesian Status Negotiations nor the Territorial Governments.

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: No action initiated: Date action planned not known.

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 has not responded to the recommendation regarding a fuller disclosure of how offshore revenue estimates are developed and the factors that could adversely impact on their achievement.

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 office 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 (3) 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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

Agency Comments/Action

The agencies planned no action on the GAO recommendations.

DEPARTMENT OF THE TREASURY
Office of the Comptroller of the Currency
FEDERAL DEPOSIT INSURANCE CORPORATION
FEDERAL RESERVE SYSTEM
INTERAGENCY COMMITTEE ON COUNTRY EXPOSURE REVIEW

Bank Examination for Country Risk and International Lending
(ID-82-52, 9-2-82)

Budget Function: General Government: Executive Direction and Management (802.0)

GAO assessed major aspects of the U.S. bank regulatory authorities' uniform examination system for evaluating and commenting on country risk to U.S. banks with relatively large foreign lendings. The system consists of identifying countries with actual or potential loan repayment problems, calling these loans to the attention of bank management, and evaluating bank internal country exposure management systems.

Findings/Conclusions: GAO found that the system's special comments concerning bank exposure and repayment problems have not been clearly communicated to bankers. The system has been effective in identifying countries with actual or imminent payments arrearages. However, many other countries are needlessly identified as having potential debt-servicing problems. If this continues, it could unduly inhibit international lending or increase its costs. Furthermore, although the system's examining practices are generally uniform, there are areas where inconsistencies are evident. The Office of the Comptroller of the Currency and Federal Reserve examiners address the key elements of bank country exposure management systems for most of the banks which they review, but the Federal Deposit Insurance Corporation examiners do so less frequently. GAO also found that documentation could be much improved. It appears that most banks with larger exposures have adequate bank country exposure management systems. However, for most banks with smaller exposures, lack of information in examination materials precludes an adequate evaluation system. It appears that special comments by bank examiners have had little impact on restraining the growth of bank exposures. GAO could not gauge the impact of the program on improving the systems of individual banks because of incomplete information. However, it is likely that bank systems would be enhanced if they were reviewed more often.

Recommendations to Agencies: The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should require their examiners to use the same universe of banks (all banks reporting under the country exposure reporting system) for making comparisons. This would not preclude the agencies from establishing different categories for separately analyzing banks of different sizes.

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

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should require their examiners to include such items as internal control questionnaires, memorandums of discussions with bank officials, sample country studies, and country limit and reporting documentation in supporting workpapers. When such items exist, it should be noted in the workpapers.

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

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should ask their representatives to better and more clearly communicate the objectives of special comments to bankers.

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

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should ask their representatives to the Interagency Committee on Country Exposure Review to request the Federal Reserve Bank of New York to experiment with alternative models to the present screens.

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

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should ask their representatives to the Interagency Committee on Country Exposure Review to improve country studies by providing: (1) more discussion, analysis, and projections of key economic variables for the near future; (2) more intensive analysis of monetary and fiscal policies; (3) routine discussion of performance under the most recent International Monetary Fund loans; and (4) a consistent framework for evaluating political and social developments, including the assessment of internal stability, succession, external security threats, relations with the United States, and relations with other countries.

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

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should have their examiners group countries together in the same way in examination reports.

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

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the

Chairman of the Federal Deposit Insurance Corporation should require their examiners to include analysis beyond country writeups and portfolio compositions in special comments. Such analysis might include comparisons of present exposures, with country limits established by bank management, and with exposures of other banks.
Status: No action initiated: Date action planned not known.

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should ask their representatives to the Interagency Committee on Country Exposure Review to establish criteria for when specially commented exposures require highlighting.
Status: No action initiated: Date action planned not known.

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should require their examiners to routinely review bank country exposure management systems fully when they make country risk examinations.
Status: No action initiated: Date action planned not known.

The Comptroller of the Currency, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Federal Deposit Insurance Corporation should require that examiners routinely follow up on all outstanding recommendations and criticisms with notations in subsequent examination reports.
Status: No action initiated: Date action planned not known.

DEPARTMENT OF THE TREASURY
OFFICE OF MANAGEMENT AND BUDGET

Actions To Improve Timeliness of Bill Paying by the Federal Government Could Save Hundreds of Millions of Dollars
(AFMD-82-1, 10-8-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: S. 1131 (97th Cong.).

GAO assessed proposed legislation which would require that Federal agencies pay interest on overdue payments made to private contractors and determined if previous GAO recommendations for monitoring the Government's bill payment performance, for developing payment due-date standards, and for including specific payment terms in contracts and purchase orders have been implemented.

Findings/Conclusions: Although GAO made specific recommendations more than 3 years ago for bill payment monitoring and changes in procurement regulations, little has been done in these areas. GAO noted continued ineffective monitoring of Federal bill payment practices and failure to provide appropriate guidance to Federal agencies on bill paying requirements. Contractors continue to complain that the Government is not paying its debts when due, a situation that has been made more critical by high interest rates. Furthermore, GAO saw indications that Government agencies, while paying some bills late, are still paying others too early. Both late payments and early payments are costly. Together, late payments cost contractors and early payments cost the Government possibly hundreds of millions of dollars annually. Early bill payment costs the Government interest and causes some contractors to stop offering discounts. The Treasury monitoring of Federal bill payment practices has been ineffective, and responsible agency headquarters offices apparently do little payment performance monitoring themselves. Payment due-date standards for the major types of goods and services have not yet been developed, and contract documents generally still do not include specific payment due dates. As a result, the Office of Management and Budget, the Treasury, and responsible agency headquarters do not know how good the Government's current bill payment performance is. More specific guidance for agency monitoring and reporting is needed.

Recommendations to Agencies: The Secretary of the Treasury should revise cash management regulations to require each agency to submit, as part of the already mandated annual report on cash management practices, information on: (1) actions completed, underway, or planned to strengthen bill payment procedures; (2) the number and dollar total of bills paid on time, bills paid late, and bills paid early; (3) the range of time for payments made early and late; and (4) the reasons for early and late payments. The Secretary should establish and implement monitoring and evaluating procedures to ensure that agencies comply with the above annual reporting and that agencies not paying bills when due are identified continually. As part of its monitoring effort, Treasury should facilitate the exchange of information among Federal payment centers to promote efficient payment procedures and techniques.

Status: Action completed.

The Director of the Office of Management and Budget (OMB) should direct the Administrator of the Office of Federal Procurement Policy to: (1) develop payment due-date standards for the major types of goods and services procured by Federal agencies; (2) incorporate these payment due-date standards in the Federal Acquisition Regulation that is currently being developed; and (3) include in the Federal Acquisition Regulation a provision requiring agencies to specify, when possible, in each contract and purchase order the date when payment is due. If implementation of the Federal Acquisition Regulation is delayed, the Director of OMB should ensure that, in the interim, the applicable Defense Acquisition Regulation and the Federal Procurement Regulations are revised accordingly.

Status: Action in process.

Agency Comments/Action

Treasury assumed a stricter oversight role to review agency cash management regulations and assist in the development of agency internal monitoring systems. Monitoring includes summaries of agency operations indicating improvements and irregularities in the systems which make payments. Treasury is planning to establish guidelines for agency internal monitoring and reporting responsibilities. The Office of Management and Budget has issued a memorandum to Executive Departments on the subject of timely payment. The memorandum directed that agencies include specific payment terms in each contract or purchase order using a standard 30-day payment term as a norm.

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 the Pension Benefit Guaranty Corporation, should use the automated records of both agencies to identify nonreporters of plan terminations.
Status: Action completed.

The Executive Director of Pension Benefit Guaranty Corporation, 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 followup with potential nonreporters to ensure participants in terminated plans, entitled to retirement benefit insurance, are afforded the protection intended by Congress under the Employee Retirement Income Security Act.
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 planned to implement them.

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.

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 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.*

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 in process.

The Acting Chairman of EEOC should direct the Executive Director to discontinue negotiating settlements on charges lacking reasonable cause and to a close them with a no-cause decision or advise charging parties to withdraw them.

Status: Action completed.

Agency Comments/Action

EEOC generally agreed with the recommendations and has taken or planned action to implement them.

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: No action initiated: Date action planned not known.

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: Action in process.

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: Action in process.

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: Action in process.

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: Action in process.

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: Action in process.

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: Action in process.

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: Action in process.

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.

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 the Small Business Administration (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 the Small Business Administration 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 the Small Business Administration 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

GSA and SBA agree with the recommendations and have taken or promise to take prompt action to correct problems. DOD (Army and Navy) has also taken action on two very large contracts.

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: No action initiated: Date action planned not known.

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 staff believes the commissioners will vote on the issue in February 1983. ICC coordinates deferred maintenance information with the Department of Transportation and SEC monitors ICC/SEC actions. SEC does not intend to act until ICC completes the Advance Notice of Proposed Rulemaking.

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 the National Science Foundation 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 the National Science Foundation 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 the National Science Foundation 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 the National Science Foundation should require that peer review comments be automatically sent to researchers.
Status: Action completed.

The Director of the National Science Foundation should require that proposals identify the research objectives to be undertaken during the grant period.
Status: Action completed.

The Directors of the National Science Foundation and the National Institutes of Health should require that proposals for new projects include evidence of progress from prior grants.
Status: Action completed.

The Directors of the National Science Foundation and the National Institutes of Health 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 the National Science Foundation and the National Institutes of Health 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 the National Science Foundation and the National Institutes of Health 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.

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. As of January 1983, the results of these test sales had not been completed. No new funds have been allocated for test sales in fiscal year 1983. Because of varying views of the Senate and House Appropriations Committees, the Forest Service plans to develop a National Forest Tree Measurement Handbook by the end of 1983 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 effectiveness 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 assess-

ments 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 assure 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 insure 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.*

DEPARTMENT OF AGRICULTURE

Federal Export Grain Inspection and Weighing Programs: Improvements Can Make Them More Effective and Less Costly
(CED-80-15, 11-30-79)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Agricultural Marketing Act. Grain Standards Act (7 U.S.C. 71-87(h)).

An evaluation was made of the official inspection and weighing systems for U.S. grain being exported to foreign buyers as they are implemented at U.S. export locations. The systems are required by the Grain Standards Act of 1976 and are administered by the Federal Grain Inspection Service (FGIS).

Findings/Conclusions: Foreign buyers perceived some improvements in the quality and weights of U.S. grain shipments since the Act was passed. However, further improvements in the inspection and weighing programs are needed. The factors causing quality problems included: (1) a lack of standardization in the proportions of grain tested and the allowable amount of infestation; (2) a lack of procedures to assure that all grain in a shipment was within grade requirements; (3) actual amounts of dockage in excess of the certified amount due to rounding procedures; and (4) grain standards that are too lenient. While the Act requires that all grain transferred into and out of an export elevator be officially weighed, grain companies oppose paying for the high cost of inbound weight supervision, particularly when the elevator already owns the arriving grain. However, GAO felt that weight supervision for the smaller truck and rail shipments could be reduced, with reasonable control over the accuracy of the weights being maintained. Many instances were noted where personnel were not performing their duties properly, and many deficiencies in the program can be attributed to the lack of proper training. The Department of Agriculture's formal complaint system is inadequate and a program which would provide systematic feedback of destination quality and weight data is needed for improved monitoring of shipments.

Recommendations to Congress: Congress should amend the Grain Standards Act to provide the FGIS Administrator with the authority to reduce the amount of weight monitoring required on truck and rail shipments arriving at export elevators. This could be accomplished by amending section 5(a)(2) of the United States Grain Standards Act (7 U.S.C. 77(a)(2)) to read as follows: "except as the Administrator may provide in emergency or other circumstances which would not impair the objectives of this Act, all other grain transferred out of and all grain transferred other than from a truck or railcar into an export elevator at an export port location shall be officially weighed in accordance with such standards or procedures; where grain is delivered to an export elevator at an export location by truck or railcar, the Administrator shall provide for supervision of weighing as defined in section 3(y) of this Act; and ..."
Status: Action completed.

Recommendations to Agencies: The Secretary of Agriculture should direct the Administrator, FGIS, to establish procedures to standardize the proportion of grain tested for infestation and require that all grain in which insects are found either be certified as infested or fumigated before shipment.
Status: Action in process.

The Secretary of Agriculture should direct the Administrator, FGIS, to revise shiploading instructions to prohibit the loading of offgrade grain as part of a shipment destined for multiple buyers.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to revise instructions to prohibit combining grain samples from multiple belts to determine sublot quality unless the grain represented by the samples is mixed properly during loading.
Status: Recommendation no longer valid/action not intended. *The agency study concluded that it would not be economically practical to adopt this recommendation.*

The Secretary of Agriculture should direct the Administrator, FGIS, to develop dockage certification instructions which assure uniform shipment quality and revise the grain standards to require that dockage grading results be certified to the nearest one-tenth percent.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to modify the grain inspection monitoring system to define and maintain an adequate level of inspector monitoring and develop monitoring system products which better meet the needs of field office officials responsible for identifying and correcting grading problems.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to require that inspection certificates issued in Canada be annotated, similar to those in the United States, when samples are obtained by means other than a diverter-type sampler.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to develop and implement detailed procedures and instructions for: (1) those weight monitoring activities not covered adequately by current FGIS instructions; and (2) supervising the weight monitoring activities performed by FGIS personnel and delegated State agencies at export locations.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to require that personnel be adequately trained before they are assigned weight monitoring duties and that they clearly understand what they are supposed to do and how they are to do it.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to strengthen the program for developing supervisors and emphasize to them their responsibility to ensure that weight monitoring activities are properly carried out.
Status: Action completed.

If Congress amends the Grain Standards Act as recommended, the Secretary of Agriculture should direct the Administrator, FGIS, to revise the inbound weight monitoring program at export locations to make it more cost effective by: (1) reducing the level of weight monitoring to a minimum of 25 percent on truck and rail shipments, particularly where closed-circuit television or other monitoring devices can be used to observe conveyance unloading and scale operations; and (2) possibly substituting observations by truck drivers for those of weight monitoring personnel where such actions are possible.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to use scientific work measurement techniques to determine staffing and skill levels required to perform essential inspection and weighing tasks and duties at export elevators and staff each elevator at the most efficient and effective level required to get the job done.
Status: Action in process.

The Secretary of Agriculture should direct FGIS to revise its inspection procedures to require that protein content be computed and reported on a standard moisture basis.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should direct the Administrator, FGIS, to exercise greater care in determining equipment requirements before large purchases are made, particularly when new technology is involved.
Status: Action completed.

The Secretary of Agriculture should direct FGIS to research the need for restricting certain blending practices, such as adding grain screenings or different types of grains to good quality grain, blending wheat with known sprout damage with wheat that does not contain such damage, or blending high- and low-moisture corn.
Status: Recommendation no longer valid/action not intended. *After studying these proposed changes, the agency decided not to implement them.*

The Secretary of Agriculture should direct FGIS and the Foreign Agricultural Service to develop a program for contacting major end-users on a regular basis to obtain their views as to the quality of U.S. grain and which quality factors are of greatest use to them for consideration in making future revisions to grain standards.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to develop equipment performance standards for closed-circuit television systems and such other criteria as would be needed to make a commitment on the number of official personnel that would be replaced if an elevator operator installs a closed-circuit television system meeting the specified equipment performance standards.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to revise the inventory monitoring program by discontinuing the maintenance of an independent set of elevator inventory records by FGIS personnel, requiring export elevators to maintain those records and data which FGIS needs, and developing and maintaining a capability within the headquarters staff to check the elevators' records and inventories when a problem is suspected.
Status: Action completed.

The Secretary of Agriculture should direct the Administrator, FGIS, to continue efforts to revise U.S. grain standards to better meet end-user requirements. The Administrator should consider: (1) reducing the maximum limitations of foreign material in soybeans and moisture in corn; (2) treating sprout damage either as a separate grading factor, as a subfactor similar to heat damage, or as a special quality determination item similar to protein content; and (3) adding a program for official testing of wheat for quality (gluten strength).
Status: Recommendation no longer valid/action not intended. *After studying the proposed changes, the agency decided not to implement them.*

The Secretary of Agriculture should direct the Foreign Agricultural Service and FGIS to use existing export monitoring programs to monitor the efforts of the U.S. grain trade to improve the quality of exports of grain and grain products, primarily soybean meal, flour, and rice, not covered by the Grain Standards Act. If problems sufficient to affect U.S. foreign markets are found, FGIS should develop: (1) a voluntary inspection program for grain products and inform foreign buyers that such a service is available on request; or (2) a legislative proposal to make rice export shipments subject to the inspection and weighing requirements of the Grain Standards Act.
Status: Action completed.

The Secretary of Agriculture should direct FGIS to give priority attention to further developing the system for collecting and analyzing quality and weight data obtained from foreign buyers. For the system to be effective, the data should be submitted on a regular schedule and all submissions should include comparable information. FGIS should also work with the cooperating foreign buyers to improve the buyers' sampling techniques and grain analyses capabilities so that FGIS can place greater reliance on the data submitted.
Status: Action completed.

Agency Comments/Action

The agency has either completed action or is in the process of taking action on most of the recommendations. After further study, the agency decided not to implement several recommendations. The agency has not initiated action on one recommendation, but has not definitely ruled out taking action on it in the future. An accomplishment report was approved on September 30, 1981, covering the significant completed agency actions.

Shall Full Funding Be Applied to the Rental Assistance and Family Planning Programs?
(PAD-80-16, 2-12-80)

Budget Function: Commerce and Housing Credit: Mortgage Credit and Thrift Insurance (371.0)
Legislative Authority: Housing Act of 1949.

A Federal program is considered to be a fully funded program if the budget authority requested and made available is for the total cost of that program to be initiated in the budget year. Full funding has been traditionally associated with major procurement and construction activities. However, GAO believes it has potential for application to subsidy and social programs and some research and development. At the request of the House Budget Process Task Force, GAO did a review of further implementation of full funding which included case studies of two programs with full funding potential.

Findings/Conclusions: The main problem with the current method of funding the Farmers Home Administration's Rental Assistance Program was inadequate disclosure of funding requirements. The requirement to make appropriations in the future for commitments entered in the past was not clear in the budget information presented to Congress. Because of this, Congress had little control over future appropriations of budget authority. Full funding would improve disclosure of the program's total funding requirements and increase the Congress' control over appropriations of budget authority by allowing the Congress to act on the full program level and cost at a time when it has some discretion to make changes, rather than on a piecemeal basis. Congress would see the total funding requirement before the commitment was made and would not have to provide future budget authority for the same budget year program. The disadvantages of full funding included a possible increase of unobligated balances which would have to be monitored. GAO felt that the disadvantages would be minimal. Full funding the Family Planning Program would affect Congress in several ways. However, the effect would be minimal on disclosure of total costs and future control of spending, the two usual advantages of full funding. In addition, some of the current annual program control by Congress would be lost. Therefore, GAO did not believe that Family Planning was a prime candidate for full funding.

Recommendations to Agencies: The Secretary of Agriculture should draft legislation to establish a fully funded separate general fund appropriation account to fund the Rental Assistance Program.

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

Agency Comments/Action

The agency has not as yet taken any action.

Rural Electrification Administration Loans to Electric Distribution Systems: Policy Changes Needed
(CED-80-52, 5-30-80)

Budget Function: Community and Regional Development: Area and Regional Development (452.0)
Legislative Authority: Rural Electrification Act of 1936 (7 U.S.C. 901-902). Emergency Relief Appropriation Act of 1935 (49 Stat. 115). Executive Order 7037. P.L. 93-32. S. Res. 21 (86th Cong.). REA Bull. 2-1. 87 Stat. 65.

Rural Electrification Administration (REA) loans and other assistance have played a major role in bringing electric service to rural America since 1935. Although some electric distribution systems continue to need loan subsidies, others could qualify for and obtain long-term credit from other sources at reasonable rates and terms and still have comparable costs and charge comparable electric rates. Changes are needed in REA loan policies and procedures to identify these borrowers and to better match loan subsidies with individual borrower needs.

Findings/Conclusions: Under its policies and procedures, REA has made limited progress in encouraging systems to become financially self-sufficient. About 42 percent of the borrowers GAO reviewed could probably qualify for non-REA loans at reasonable rates and terms. Some of these have high costs which would be passed on through charging relatively high electric rates. However, others have low costs and could absorb increased interest costs without increasing electric rates. REA loan-making criteria do not adequately correlate the type and/or amount of subsidized loan REA will provide with the borrower's needs. Thus, borrowers with high costs can receive the same subsidy or even less than those with low costs. The REA administrator advised GAO that using rate comparability criteria for determining need for assistance would be difficult because of such matters as differences in geographic energy use and supply and in State rate-setting agencies. Recognizing these difficulties, GAO concluded that, since the most important factor in establishing electric rates is borrowers' costs, cost comparability should be used as a substitute for rate comparability.

Recommendations to Agencies: The Secretary of Agriculture should direct the Administrator of REA to develop a legislative plan for revising the policies for making insured loans to rural electric distribution systems. As a part of the plan, new criteria should be developed, based on cost comparisons with urban electric systems, for determining the subsidized loans needed, if any, by the systems to help enable them to charge comparable electric rates. The criteria should be applied on a 2-year cycle to all borrowers requesting loans. Borrowers that can qualify for non-REA loans at reasonable rates and terms, and are not in need of a subsidized loan to charge comparable electric rates, should be ineligible for REA assistance.

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

The Secretary of Agriculture should direct the Administrator of REA to develop criteria for determining which rural electric distribution system borrowers qualify for long-term loans from the private credit sector at reasonable rates and terms.

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

Farmer-Owned Grain Reserve Program Needs Modification To Improve Effectiveness
(CED-81-70, 6-26-81)

Budget Function: Agriculture (350.0)
Legislative Authority: Food and Agriculture Act of 1977 (P.L. 95-113; 91 Stat. 913). Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). Grain Standards Act (7 U.S.C. 71 et seq.).

The farmer-owned grain reserve, authorized by the Food and Agriculture Act of 1977, is to encourage producers to store wheat and feed grains when they are in abundant supply and extend the time for their orderly marketing.

Findings/Conclusions: GAO and its consultants found that, during its first 2 to 3 years, the farmer-owned reserve (FOR) only partially met its objectives of increasing grain inventories in times of abundant supply, removing the Government from the role of grain storekeeper and reducing price variability. Some reserve grain is of questionable quality, and storage payments have exceeded storage costs. As of March 18, 1981, the reserve contained about 1.22 billion bushels of wheat, corn, and other grains. The value of outstanding loans on these reserve grains was about $2.9 billion. The reserve grain cannot be sold without penalty until predetermined market price levels are reached. At release, producers may, but do not have to, remove the grain from the reserve. At call, producers must repay their loans or forfeit the grain. Most reserve grain would have been held in private stocks without the reserve. Although the reserve initially succeeded in ensuring producer ownership of reserve stocks, the Government now holds grain purchased in reaction to the Russian grain embargo. Program modifications are needed to improve the program's effectiveness. Producers had been allowed to retain unearned storage payments for an unreasonable period of time when the redemption period was extended. Program regulations have been amended to provide that interest be charged immediately following the maturity date or the originally required settlement date.

Recommendations to Agencies: The Secretary of Agriculture should evaluate the effectiveness of the farmer-owned reserve to serve as a basis for Congress to use in making future grain policy decisions.
Status: Action in process.

The Secretary of Agriculture should study the feasibility of other farmer-owned reserve program modifications and, if they provide remedies to the problems that were found, incorporate them into the program.
Status: Action in process.

The Secretary of Agriculture should require the Agricultural Stabilization and Conservation Service to obtain official grade determinations, on a sample basis, as grain enters the farmer-owned reserve (FOR) and on the same grain each subsequent year (where possible), to develop a profile of FOR grain and determine what characteristics are predictors of storability.
Status: Action in process.

The Secretary of Agriculture should require the to improve its guidelines and the Agricultural Stabilization and Conservation Service procedures for identifying grain with quality problems serving as loan collateral and correcting or eliminating quality problems identified.
Status: Action in process.

The Secretary of Agriculture should amend program regulations to make them consistent with Agricultural Stabilization and Conservation Service procedures which provide that storage earnings stop in all cases when a grain reaches call status.
Status: Action in process.

The Secretary of Agriculture should determine the average cost of farmer-owned reserve (FOR) grain storage and limit producer storage payments to this amount. In determining the average cost of FOR grain storage, both on farm and warehouse storage costs should be considered.
Status: Recommendation no longer valid/action not intended. *The law was changed in 1981; Agriculture is no longer required to set storage payments based on the average cost to store the commodities.*

The Secretary of Agriculture should provide for methodical program adjustments in response to a broad range of potential market and political developments to allow decisionmakers in grain and related industries to anticipate such changes and adjustments, while still allowing for some flexibility.
Status: Action in process.

Agency Comments/Action

Agriculture generally agreed with the GAO conclusions and said that it was reviewing all aspects of the farmer-owned reserve. It stated that it would work with Congress to provide a workable and cost-effective program.

DEPARTMENT OF AGRICULTURE

More Can Be Done To Improve the Department of Agriculture's Commodity Donation Program
(CED-81-83, 7-9-81)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Agricultural Adjustment Act. Agricultural Act of 1949 (7 U.S.C. 1431). School Lunch Act (42 U.S.C. 1755). 7 C.F.R. 210. 7 C.F.R. 250.2. 7 C.F.R. 250.4(h). P.L. 95-166. P.L. 96-528. Food and Nutrition Service Handbook 501. 7 U.S.C. 612c. 42 U.S.C. 1762a.

In fiscal year 1980, State and local programs to feed students, the elderly, needy families, and others received over $900 million worth of food through the Department of Agriculture's (USDA) commodity donation program. About 90 percent of the donated food was for the school lunch program administered by the Food and Nutrition Service (FNS). Two other USDA agencies provide the commodities.
Findings/Conclusions: USDA has not fully and accurately determined users' commodity needs, and States order commodities without determining user needs or preferences. GAO recognizes the difficulty of balancing the program objective of purchasing commodities for surplus removal and price support with the objective of purchasing commodities that user agencies prefer and need. However, GAO believes that improvements can be made. At times, commodities are received too late for use or without advance notice. Occasionally, recipients have to purchase food items locally which they would normally receive through the program. USDA allows States to restrict the mode of transportation to truck or rail, which can result in excessive transportation charges. The Department should consider increased use of the free-on-board (FOB) destination basis for procurement. It has been suggested that the commodity donation program be replaced with a cash or letter-of-credit voucher system. This would allow recipient agencies to purchase desired food items locally using cash or credit vouchers provided by the Department. Opponents fear a possible increase in opportunities for fraud and abuse, an increase in program costs, and a lessening of market surplus response capability. GAO believes that testing should provide Congress with needed data on the pros and cons of the alternative systems.
Recommendations to Agencies: The Secretary of Agriculture should evaluate the potential and actual effects of the USDA section 32 commodity purchases on the market prices and quantities available.
Status: Action completed.

The Secretary of Agriculture should establish specific procedures and a required reporting format to ensure that school districts' views on commodity preferences and needs are fully, accurately, and uniformly reflected in reports sent to State educational agencies by the State food distribution advisory councils.
Status: Action completed.

The Secretary of Agriculture should specifically show in the annual purchase plan how user needs and preferences affect the amount of funds that may be spent on commodity purchases. Analyses should be included showing the weights given such factors as commodity availability, market prices, and fund availability.
Status: Action completed.

The Secretary of Agriculture should require State distributing agencies to order commodities for recipient agencies based on demonstrated use and need rather than judgment and personal opinion.
Status: Action completed: Implementing action was verified.

The Secretary of Agriculture should revise appropriate program regulations to require the Food and Nutrition Service to develop a formal monitoring system setting forth data to be maintained by State distributing and recipient agencies, how the data should be analyzed, and who is responsible for the analyses.
Status: Recommendation no longer valid/action not intended. *The agency has revised its monitoring handbook to provide better guidance on proper monitoring of recipient agencies, inventory levels, and processes. Because of this change, program regulations do not need to be revised.*

The Secretary of Agriculture should require that all recipient agencies maintain perpetual book inventories; take periodic physical inventories and submit the results to the State along with copies of the source documents used; explain any differences between physical inventory counts and perpetual inventory balances; and develop and report monthly to State distributing agencies data showing, at a minimum, (1) beginning inventory, (2) commodities received during the month, (3) commodities used during the month, (4) ending inventory, and (5) the value of commodities used per meal prepared.
Status: Action completed.

The Secretary of Agriculture should direct the Food and Nutrition Service to develop a monitoring plan to be followed by State distributing agencies in monitoring commodity inventory levels at recipient agencies. The plan should require that, at a minimum, the State agencies: (1) analyze monthly inventory reports submitted by the recipient agencies to identify excess and/or low inventory levels, poor inventory controls, and ineffective use of commodities; (2) identify causes of the problems, recommend positive action to alleviate them, and follow up to determine that corrective action is taken; and (3) visit a specified number of recipient agencies each year to take a physical inventory and review inventory control procedures.
Status: Action completed.

The Secretary of Agriculture should direct the Food and Nutrition Service to fully evaluate commodity inventory levels at the State distributing agencies by developing a monitoring plan that (1) requires States to continue to report commodity inventory levels as well as inventory levels in State-owned or -leased storage facilities, and to report in-

ventory levels by program; (2) identifies the monitoring responsibilities of FNS headquarters and its regional offices; (3) specifies how those involved in monitoring should analyze the State inventory data and establishes reasonable timeframes for completing the analyses; and (4) specifies actions to be taken when FNS identifies problems with untimely, inaccurate, or incomplete reporting, excessive inventories, or lack of adequate inventory controls.
Status: Action in process.

The Secretary of Agriculture should direct the Food and Nutrition Service to require that States develop procedures for distributing commodities to recipient agencies based on reported needs rather than allocating commodities based on the number of meals served.
Status: Action completed.

The Secretary of Agriculture should (1) revise USDA procedures to require that shippers provide specific written documentation regarding their inability to supply needed transportation and dates when the vendor requested transportation; (2) emphasize to the Agricultural Stabilization and Conservation Service the need to completely review vendor appeal cases and to sufficiently document its actions; (3) monitor FNS regional office efforts in getting States to adopt greater flexibility in the way they take delivery on commodities and, if necessary, require States to annually update their delivery capabilities; and (4) monitor the FOB-destination procurement of fruits and vegetables for the needy family program and, where cost-justified, expand such procurement of fruits and vegetables to other programs receiving donated commodities.
Status: Action in process.

Agency Comments/Action

USDA is working with State agencies to ensure that, not only is reporting more formalized, but that an understanding is reached as to the importance of recordkeeping. It is developing a computerized inventory control system for use at the State agency level. The agency is working on the problems associated with monitoring FOB-destination procurement of fruits and vegetables for needy people and inventory problems. GAO will follow up to determine if the action was completed by the end of the next followup cycle.

DEPARTMENT OF AGRICULTURE

Long-Range Planning Can Improve the Efficiency of Agricultural Research and Development
(CED-81-141, 7-24-81)

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). P.L. 96-362. H.R. 2561 (97th Cong.).

GAO reviewed the long-range planning for agricultural research and development which is being conducted by the Department of Agriculture, other affected agencies, and the States.

Findings/Conclusions: GAO found that the U.S. agricultural research and development system does not perform national long-range planning which would meet generally accepted definitions of such planning. The key participants in the system engage in long-range planning only to a very limited extent. No rationale for long-range planning has been developed, and past planning efforts have not resulted in long-range plans. Currently some planning, but not long-range planning, is occurring. Many of the parties in the agricultural research and development system support the concept of national long-range planning, but a number of factors inhibit such planning. The States and the Department of Agriculture work together, coordinate research, and exchange extensive amounts of information. These efforts are independently managed and planned. The challenge of potential food shortages in the future make long-range planning more and more essential. The long-range planning that does occur is done almost exclusively by Agriculture and focuses on inhouse research. Current planning efforts deal primarily with short-term or operational planning. The authority and management for individual research projects is split among Federal, State, local, and private authorities. This fact, frequent changes in departmental leadership, and limited executive interest and guidance make long-range planning extremely difficult. Current agricultural research is not directed or influenced by a long-range plan.

Recommendations to Agencies: The Secretary of Agriculture should develop an agencywide long-range plan for agriculture research and development.

Status: Action in process.

Agency Comments/Action

Agriculture agreed that long-range planning is one of the ways to maintain and improve agricultural research and development, and it agreed to conduct a food and agriculture needs assessment as a first step. The assessment is being performed for Agriculture by the Joint Council on Food and Agriculture Services.

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 proc ss.

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.

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, in response to the Legislative Reorganization Act, section 236, 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 to its RC&D Program Handbook in accord with the recommendations.

Better Collection and Maintenance Procedures Needed To Help Protect Agriculture's Germplasm Resources
(CED-82-7, 12-4-81)

Budget Function: Agriculture: Agricultural Research and Services (352.0)
Legislative Authority: Research and Marketing Act.

GAO reviewed the Department of Agriculture's (USDA) storage, collection, and maintenance of germplasm, the genetic base of U.S. crops, to determine if the germplasm system adequately protects against catastrophic loss.

Findings/Conclusions: GAO found that the system has numerous operational problems, primarily due to a lack of departmental attention and a low priority given to improving the system. Specific areas which contributed to the problems in collection, storage, and maintenance include: (1) insufficient information on who all of the germplasm curators are and what germplasm exists in storage or in its native environment; (2) insufficient planning to determine what genetic material for crops important to U.S. agriculture should be collected and stored; (3) curators who were supposed to provide permanent backup storage for the germplasm system had sent samples of only about 51 percent of the germplasm they held to the National Seed Storage Laboratory; (4) most of the storage conditions for the working collections were inadequate; (5) particular seeds were in short supply or very old, and this diminished their germination capabilities; (6) the small grains curator and some of the other working collection curators do not have testing equipment to identify when a sudden loss of viability occurs so that germplasm can be replenished; and (7) some curators are behind in replenishing germplasm that is in danger of losing its viability. GAO concluded that insufficient management attention by USDA to germplasm collection, storage, and maintenance has endangered germplasm preservation within the United States.

Recommendations to Agencies: The Secretary of Agriculture should initiate action to assure that germplasm in the United States is stored adequately. This should include contacting all curators, both Federal and non-Federal, who store germplasm and determining whether or not they store the germplasm under adequate temperature and humidity controls and are using moisture-resistant containers. Those Federal curators who do not have adequate storage facilities should be required to improve their facilities to meet minimal acceptable conditions or move a sufficient amount of germplasm to storage facilities that can protect germplasm viability. Non-Federal curators should be encouraged to take similar action.

Status: Action in process.

The Secretary of Agriculture should initiate projects to implement backup storage. This should include identifying all curators and their germplasm and comparing those results with the germplasm stored at the National Seed Storage Laboratory (NSSL). USDA should require Federal curators to provide germplasm for backup storage to NSSL and should require NSSL to assure that its germplasm is also being stored with other curators. It should encourage similar action for non-Federal curators.

Status: Action in process.

The Secretary of Agriculture should take an accurate inventory of the small grains collection. This should include a physical comparison of germplasm in storage and on inventory records, taking appropriate actions to acquire missing germplasm.

Status: Action in process.

The Secretary of Agriculture should verify the need for germination testing equipment at all curator storage facilities. Because some of the curators do not work for USDA, the agency cannot require corrective actions by all curators. If such equipment is not available at non-Federal locations, USDA should encourage the curator to move some of the seed, enough to ensure its continued preservation, to a storage facility with germination testing equipment or arrange for periodic testing at a testing facility.

Status: Action in process.

The Secretary of Agriculture should determine the extent to which curators are behind in their germplasm grow-out programs. Following this assessment, needs should be ranked so that available assistance can be provided to assure that germplasm most in danger of losing its viability is preserved.

Status: Action in process.

Agency Comments/Action

USDA is in the process of reviewing/revamping the germplasm system.

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.

Changes Are Needed in the Proposed Departmental Review and Evaluation of the Puerto Rico Block Grant *(CED-82-50, 2-24-82)*

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Omnibus Budget and Reconciliation Act of 1981 (P.L. 97-35; 95 Stat. 357; 95 Stat. 364). H. Rept. 97-208.

GAO reviewed the Department of Agriculture (USDA) Food and Nutrition Service's (FNS) proposed study of Puerto Rico's transition from the Food Stamp Program to the Puerto Rico Block Grant which is part of the USDA Nutritional Assistance Grant.

Findings/Conclusions: GAO believes that the limited objectives of the preliminary study plans do not fully address the grant's primary objective to provide nutritional assistance to the needy and could therefore restrict the usefulness of the data gathered. FNS proposes to: (1) develop a case study to describe the conversion from the Food Stamp Program to the grant; and (2) estimate the impact of the grant on the participation rates, benefits, and program costs. Also, GAO believes that a complete and timely impact assessment of the new program is important to measure the grant's impact on recipient benefits and participation within Puerto Rico and to assist other States in designing and implementing a nutritional assistance program if the Food Stamp Program is turned back to the States. The second area of concern for GAO is that the methodology section of the proposed plan needs additional development. However, nothing more will be done to develop the study until Puerto Rico releases its operational plan. Some of the methodology for program assessment is independent of program specifics. For example, the preliminary study plan indicates that an abbreviated time-series design will be used to estimate cost impact. Since the time-series analysis is based upon data that are already available, the design detail could be developed to show that it will provide answers to questions of interest and concern and that the study can be operable when the new program is initiated.

Recommendations to Agencies: The Secretary of the Department of Agriculture should direct the Acting Administrator of the Food and Nutrition Service (FNS) to expand and modify the FNS preliminary evaluation plan along the lines discussed in this report to fully address the legislative objectives of the Nutritional Assistance Grant and to provide for a more comprehensive plan of data collection and analysis.

Status: Action in process.

Agency Comments/Action

FNS has decided not to attempt to assess the impact of the grant on the nutritional status of participants in Puerto Rico. It said that the lack of suitable baseline data and the resulting problems in attributing observed changes to the implementation of the grant argue against including this objective in the study plan. Also, the high cost of data collection supports this decision. FNS will evaluate operations, costs, and outcome of agriculture projects funded under the grant. It is developing the study, design, and analysis plan for the impact evaluation. Objectives of the study have been defined on judgments of significance, feasibility, data availability, technical merit, and costs. It will implement a case study to document the events during the conversion from the Food Stamp Program to the Nutrition Assistance Grant. In line with a congressional mandate, FNS plans to issue an interim report by March 1983 with final results being published later.

Assistance to Beginning Farmers
(CED, 5-14-82)

Budget Function: Agriculture (350.0)
Legislative Authority: Farm Credit Act Amendments of 1980 (P.L. 96-592).

Because of concerns raised about the obstacles faced by beginning farmers in obtaining financing to enter agriculture and the declining number of farms in the United States, GAO reviewed Federal and State efforts to help beginning farmers.

Findings/Conclusions: Federal assistance programs for people entering farming consist primarily of loans and loan guarantees. Eleven bills were introduced in the 96th and 97th Congresses to target Federal programs to beginning farmers. Although most of the programs in 14 States that assist beginning farmers are also loan and loan guarantee programs, two State programs provide land for new farmers. The current Department of Agriculture (USDA) analysis of farm trends describes net changes in farm numbers, but it does not provide data on numbers of farmers entering or leaving farming, and there are little data on the impact of existing farm programs on beginning farmers or the farm sector. Without an understanding of the changes in the farmer population and the impact of existing programs on beginning farmers, it is difficult for Congress to consider changes to farm programs that would successfully assist the beginning farmer. Raw data are available nationwide at county agricultural offices that can be used to determine the numbers of farmers entering and leaving farming and to obtain information about the numbers of people wishing to enter farming. USDA could collect and tabulate this data within existing resources and provide farmer demographic information, a profile of the beginning farmer situation, a basis for evaluating the existing programs' impact on beginning farmers, and data for evaluating proposed legislation.
Recommendations to Agencies: The Secretary of Agriculture should direct USDA to analyze trends in farmer numbers and target Government programs to the desired group of farmers.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should direct USDA to evaluate the impact of existing programs which help farmers enter the agricultural sector.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should direct USDA to tabulate data on qualified persons applying for loans to enter farming through Federal programs and the number actually receiving loans.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should direct USDA to revise the Agricultural Stabilization and Conservation Service recordkeeping system to tabulate available data on farmers entering and leaving the agricultural sector.
Status: No action initiated: Date action planned not known.

Agency Comments/Action

USDA stated that it recognizes and shares the concerns expressed in this report regarding assistance to beginning farmers and the need to have better information, regarding trends on persons entering and exiting farming operations, to develop policy decisions. It stated that such data would be useful in determining whether or not there was a need for special programs to assist beginning farmers. However, it believes that there are a number of factors which complicate the collection of the type of data suggested in this report. USDA mentioned the inavailability of the information, the difficulties in getting it, and the substantial additional cost of collecting it.

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

USDA 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 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 crossutilization of AMS personnel on contract compliance inspection work.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should instruct the Administrator of the Federal Grain Inspection Service (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

The Assistant Secretary of Agriculture for Marketing and Inspection Services opposed the recommendations in commenting on the draft report. While acknowledging the existence of many of the problems found, he said that he preferred to deal with these problems within the existing organizational structure. USDA has not yet officially responded to the final report, nor has it acted on the recommendations.

What Can Be Done To Improve Nutrition Education Efforts in the Schools
(CED-82-65, 5-25-82)

Budget Function: Education, Training, Employment, and Social Services: Elementary, Secondary, and Vocational Education (501.0)
Legislative Authority: School Lunch Act (P.L. 91-248). Child Nutrition Act. Economic Opportunity Act of 1964. Elementary and Secondary Education Act of 1965. Vocational Education Act. P.L. 97-35.

GAO reviewed the importance of nutrition education in the schools as it relates to: (1) improving eating habits, (2) reducing food waste, and (3) aiding or reducing the need for other federally supported nutrition education activities. GAO also discussed the status of nutrition education in the schools and what the Federal Government can do to help improve it.
Findings/Conclusions: GAO found that neither the Department of Agriculture (USDA) nor the Department of Education have gathered information on federally funded nutrition education projects for assessment and dissemination of the results to State and local education agencies. USDA claimed that it lacked Nutrition Education and Training Program funds to reproduce and disseminate information and that it has no criteria to assess the quality of nutrition education information. Both USDA and Education have systems to gather and disseminate information, so no new mechanism should be needed. USDA requires participating States to evaluate the Nutrition Education and Training Program's effectiveness and specify objectives based on participants' needs. Three of the four States GAO visited did not evaluate their program's effectiveness or specify objectives on participants' knowledge, attitudes, or behavior. This occurred because USDA did not provide adequate guidance or training to States on evaluations and objectives. As a result, States had difficulty identifying evaluation materials. Coordination efforts are weak at all levels: between USDA and Education, and within the USDA Nutrition Education and Training Program and private sector groups such as the dairy council. Many teachers are not prepared to teach nutrition upon entering the teaching profession, because few States require teachers to take nutrition courses.

Recommendations to Agencies: The Secretary of Agriculture should convene a panel of experts to develop guidelines for evaluating the quality of available nutrition education efforts for use in the schools. The panel should include teachers, food service personnel, nutritionists, system design experts, and other appropriate persons.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should share these guidelines with interested State and local education agencies.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should systematically gather and evaluate to the extent possible information on nutrition education projects that meet the established guidelines.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should provide State and local education agencies and other interested parties access to the evaluation results and nutrition education information meeting the guidelines. Department of Agriculture and Department of Education dissemination systems should be adequate for this purpose.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should aid interested States by developing general program goals and comprehensive guidance on how to specify program objectives for students, teachers, and food service personnel in the areas of knowledge, attitude, and behavior.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should aid interested States by developing evaluation guidance for measuring changes in participants' knowledge, attitudes, and behavior.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should convene a panel of experts to help develop the above guidance and establish program goals. These experts should include nutritionists, teachers, school administrators, education evaluators, and other appropriate groups. Once USDA develops the guidance, States would have the option of using it or of developing their own.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should coordinate the USDA nutrition education activities for the schools with the Department of Education's nutrition education activities. This coordination should include, among other things: (1) identifying and sharing with interested State and local education agencies the extent and results of successful nutrition education activities to prevent unnecessary duplication; and (2) developing a unified strategy to reach as many students as possible needing nutrition education and the coordination should occur at the Federal level, be encouraged at the State level, and at all government levels should include the private sector, such as the dairy council.
Status: No action initiated: Date action planned not known.

The Secretary of Agriculture should discuss with State education agencies involved in administering child nutrition programs and in providing nutrition education in the schools what approaches might be taken to help ensure that teachers have the basic skills needed to teach nutrition. One topic that should be included in the discussion is the possibility of establishing for all elementary schoolteachers in such subjects as home economics, health, and science: (1) nutrition education as a prerequiste for certification of new teachers; and (2) competency levels for nutrition education and providing in service training for teachers needing help in achieving these competency levels.
Status: No action initiated: Date action planned not known.

Agency Comments/Action

USDA believes that the recommendations are contrary to directions it has been receiving from both the President and Congress.

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.

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 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 List is being used within the Census Bureau. By using the List for economic surveys, the Bureau has lowered costs and improved the quality of collected data. Although the List 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 List. 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 List 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 List implementation planning by preparing cost estimates, holding technical meetings with future user agencies, exploring monitoring options to ensure List confidentiality, and collaborating with the Department of Agriculture to develop plans for the farm portion of the List.

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 List 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 recommendation and submitted draft legislation for sharing the Standard Statistical Establishment List (SSEL) to OMB for review. As of December 1, 1982, OMB was still 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 the 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 SSEL, including confidentiality requirements.

DEPARTMENT OF COMMERCE

The Bureau of the Census Must Solve ADP Acquisition and Security Problems
(AFMD-82-13, 10-21-81)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: FIPS Pub. 31. OMB Circular A-109. F.P.M.R. 101-36.705.

GAO reported on problems in the acquisition and security of automatic data processing (ADP) at the Bureau of the Census.

Findings/Conclusions: GAO found that the fully competitive computer replacement acquisition is almost 2 years behind the Bureau's initial projections. The Bureau has presented a new revision of the schedule. However, GAO believes that without appropriate top management attention, involvement, and priority, this schedule will probably not be met and the acquisition of essential mission resources will be further delayed. The Bureau must do more to ensure that user applications of the ADP programs are in existing Federal standard languages. Currently, two federally adopted standard programming languages are appropriate for use at the Bureau. However, the Bureau has not been enforcing either as a standard language. The longer it takes to implement standard languages, the greater the number of programs that will be written without standardization as an acceptance criterion. At present, the majority of Bureau user application software remains in nonstandard languages. The Bureau has not performed a risk analysis or developed and implemented a sound security program, contrary to Federal regulations. Numerous potential physical security problems exist in the Bureau, and access systems for the Bureau buildings are flawed. There are instances where address lists and confidential data are not being protected adequately. Addresses and other confidential burn material must be kept in a locked area until the material is collected for disposal.

Recommendations to Agencies: The Secretary of Commerce should direct Commerce and Census Bureau information resources officials to ensure that a fully competitive Office of Management and Budget Circular A-109 acquisition is pursued according to schedule.

Status: Action in process.

The Secretary of Commerce should direct Commerce and Census Bureau information resources officials to ensure that all user applications are prepared for ease of conversion to the equipment selected in the Office of Management and Budget Circular A-109 process.

Status: Action in process.

The Secretary of Commerce should direct Commerce and Census Bureau information resources officials to ensure that a thorough security risk analysis is performed and that the security problems identified by the analysis are resolved expeditiously.

Status: Action in process.

Agency Comments/Action

The agency responded on December 21, 1981, that it was making progress and that quarterly reports would be made. The Department of Commerce's Inspector General's (IG) office told GAO that neither the IG nor anyone else in Commerce is responsible to see that the Census Bureau: (1) adheres to the new A-109 schedule; (2) ensures that all new user applications are prepared for ease of conversion to newer equipment; or (3) performs the risk analysis that is required by OMB in its Circular A-71, Transmittal Memorandum 1. According to the IG office, these are the responsibilities of the ADP group and others at the Census Bureau. The initial response indicated a Census Bureau "Management Responsibility" for the recommendations. No Commerce responsibility was specified. However, Commerce's IG signed the cover letter on the Census Bureau's response.

DEPARTMENT OF COMMERCE

Need for Better Monitoring and Analysis of Foundry Data by the Department of Commerce
(EMD-82-15, 11-10-81)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)

In a prior report, GAO discussed foundry closures and their effect on defense production capacity and Federal data collection problems. GAO reviewed the deficiencies in the organization and the foundry data analysis within the Department of Commerce over and above the data collection problems stressed in the first report.

Findings/Conclusions: The Department of Commerce's Office of Basic Industries (OBI) monitors and analyzes basic industries, the third largest of which is the foundry industry. However, the OBI organizational structure appears to hinder comprehensive analysis of foundry problems. OBI has placed a very low priority, in terms of staffing, on monitoring and analyzing the foundry industry; less than 1 staff year was devoted to foundries in 1980 by OBI and assigned staff had undergone frequent turnover. The OBI data files do not appear consonant with the quantitative importance of the foundry sector; they provide at best an incomplete knowledge of industry trends and their effect on the national industrial base. Further impediments to the analyses of the foundry industry by OBI and others are the classification problem and contradictory information published by the Bureau of Census on the number of active foundries and shipment tonnage. OBI has no formal channels of communication within Commerce and with other Government agencies which could help alert OBI to new foundry data. For example, the OBI ferrous castings specialist was unaware of pertinent Census Bureau data on the industry as well as special foundry studies published by other Government agencies.

Recommendations to Agencies: The Secretary of Commerce should initiate preparation of memorandums of understanding with the Secretary of Labor and the Administrator of the Environmental Protection Agency for the purpose of keeping OBI apprised of planned, ongoing, and completed work related to the foundry industry.

Status: Recommendation no longer valid/action not intended. *Commerce feels a Memo of Understanding is not necessary. It has established a division responsible for collecting information on how the governmental regulations affect the foundry industry. This increased activity should satisfy the recommendation.*

The Secretary of Commerce should ensure that adequate resources are assigned within OBI to ferrous and nonferrous casting and foundry equipment sectors. Also, the Secretary should require OBI to establish continuous contact with the Department of the Interior's Bureau of Mines for beneficial collaboration in the development of the foundries' sector industrial model being sponsored by the Bureau.

Status: Action completed.

Through the Department's designated Chief Economist, the Secretary of Commerce should direct OBI to annually develop a list of foundries closed, reasons for the nature of the closure, and other data necessary to determine the impact of closures on the foundry industry, such as capacity and employment effects.

Status: Action in process.

Through the Department's designated Chief Economist, the Secretary of Commerce should direct the Bureau of the Census to include in the Census of Manufactures or Current Industrial Reports reconciliations or explanations for the discrepancies in foundry shipment data between these two publications.

Status: Action completed.

Agency Comments/Action

Recommendations on ensuring adequate staffing to foundry sectors and reconciling Bureau of the Census publications were implemented by the Department of Commerce. Commerce agreed to the GAO recommendations to have it develop an annual list of closed foundries and related data. It is currently exploring the feasibility of doing this. Commerce does not agree that the recommendation for a Memo of Understanding between the Secretary of Commerce, the Secretary of Labor, and the EPA Administrator is necessary.

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Problems Plague National Weather Service ADP System
(CED-82-6, 11-18-81)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: 5 Fed. Reg. 2421. OMB Circular A-109. 26 Stat. 653. 54 Stat. 1236.

After 7 years of development and expenditures of $100 million, the National Weather Service has implemented an Automation of Field Operations and Services (AFOS) in two of its four principal regions. GAO examined the AFOS project's justification, technical adequacy, and management.
Findings/Conclusions: The Weather Service should halt implementation of AFOS, which is its automated data processing and telecommunications system, until it more completely resolves the system's problems and clearly establishes that the benefits of full operation are worth the substantial costs. GAO found substantial problems in the system's design, operation, maintenance, and management. GAO found that several of the design problems are inherent in the system and cannot be resolved short of a complete redesign. Because of system limitations, the Weather Service has had to freeze the development of AFOS before functions initially planned could be added. To perform these and other added functions, the Weather Service is designing a totally new system which it expects to have in service by 1989 or 1990. Despite the limitations of AFOS, the Weather Service plans to complete national implementation and to use AFOS on an as is basis from 1982 to 1990. AFOS is currently not scheduled to operate until 1984 without backup from the system it replaces, which GAO believes is an unusually long trial period. If AFOS were to be abandoned, it would cost the Weather Service only $28 million to continue using the present system for 8 years. To date, cost overruns of approximately $22 million have been incurred in the development phase. GAO and the Weather Service agree that a new system must be developed. However, GAO doubts that the Weather Service has the staff necessary to simultaneously operate and maintain AFOS and develop the new system.
Recommendations to Agencies: The Secretary of Commerce should direct the National Weather Service to account for all Automation of Field Operations and Services (AFOS) costs, including the full personnel costs attributable to developing and using AFOS.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to follow accounting regulations prescribed in Office of Management and Budget Circular A-109 in accounting for system development costs, including life-cycle costs.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to establish a project management office and assign all development personnel to that office on a full-time basis in completing the automation of Field Operations and Services system.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to appoint a project manager with clear authority for the Automation of Field Operations and Services system and for the planned new system.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to select and enforce standard software development procedures, including documentation and testing for the new system.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to contract out system development activities which exceed in-house development capabilities.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to adhere to standard software development practices in completing the Automation of Field Operations and Services system and in developing a new system.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to fully document the Automation of Field Operations and Services system software to meet the needs of the developing staff and operating personnel.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to replace the current telecommunications system as part of its development of a new system.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to replace the Automation of Field Operations and services system hardware as part of developing a new, more advanced system.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to conduct a detailed cost-benefit analysis before deciding on full implementation.
Status: Action in process.

The Secretary of Commerce should direct the National Weather Service to conduct a test of the untested segments of the Automation of Field Operations and Services system before deciding to implement it nationwide.
Status: Action in process.

Agency Comments/Action

Agency action is in process for all the recommendations contained in the report. However, GAO believes that the agency plans to correct the deficiencies are incomplete.

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).

DEPARTMENT OF COMMERCE

Department of Commerce Could Save $24.6 Million by Modifying Computer Procurement Actions
(CED-82-81, 4-28-82)

Budget Function: Automatic Data Processing (990.1)

GAO was asked to review the computer requirements of the National Bureau of Standards (NBS) and the Environmental Research Laboratories (ERL), both independent agencies within the Department of Commerce, to determine: (1) the feasibility of consolidating the requirements of NBS and ERL and establishing a single data processing center for both organizations; (2) the best location for a single data processing center; (3) the expected cost savings from establishing this center; and (4) the feasibility of a single telecommunications network. Also, GAO was asked to provide information on the workload justification for two requests for proposals (RFP's) for acquiring computer hardware and support services for NBS and ERL.

Findings/Conclusions: GAO found that it is feasible to consolidate the NBS and the ERL computer requirements and establish a single data processing center for both organizations. However, the cost of a single general-purpose facility to meet the requirements of both agencies exceeds the cost of maintaining two separate general-purpose facilities by several million dollars. Further, the quality of service provided by a single facility may not be as high as that provided by two. However, savings could result if certain needs of both agencies for a large-scale, scientifically oriented computer were met through sharing. To permit effective sharing of a computer for large scale scientific work, the NBS or the ERL computer center may be designated as the location for a Commerce scientific data processing center. Either the NBS general-purpose computer, as specified in its RFP, or the ERL current general-purpose computer could provide the technical support for such a departmentwide data processing center. GAO believes that Commerce should decide where such a center could be located after completing a cost-benefit study. Further, the justifications offered by NBS and ERL for their computer requirements contain no significant problems. However, the procurements being planned by these agencies exceed what is needed to meet these requirements. By modifying the NBS and the ERL RFP's, a savings of $25 million could be achieved. NBS and ERL officials concurred with the GAO proposals and plan to modify their RFP's accordingly.

Recommendations to Agencies: The Secretary of Commerce should establish a departmentwide scientific computer center to provide for a large-scale, scientifically oriented computer capability for departmentwide use.

Status: Action in process.

The Secretary of Commerce should proceed with the NBS computer procurement after deleting the requirement for the NBS Boulder computer.

Status: Action in process.

The Secretary of Commerce should cancel the current ERL procurement and develop a new proposal to acquire minicomputers.

Status: Action in process.

Agency Comments/Action

The agency has complied with all the recommendations.

Need To Strengthen Coordination of Ocean Pollution Research
(CED-82-108, 7-14-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Ocean Pollution Planning Act (P.L. 95-273). Acid Precipitation Act of 1980 (P.L. 96-294). H.R. 5401 (97th Cong.).

GAO conducted a review to determine whether the National Oceanic and Atmospheric Administration's (NOAA) implementation of the National Ocean Pollution Planning Act had improved the coordination of Federal ocean pollution research development and monitoring.

Findings/Conclusions: NOAA has made considerable progress toward implementing the Act. It has: (1) issued a plan and one revision containing extensive catalogs of Federal ocean pollution research projects, (2) conducted a detailed review of oil pollution, which contributed to a Department of the Interior decision to intensify research on the long-term effects of off-shore drilling, (3) influenced the distribution of some NOAA research grants, and (4) improved communication among researchers and managers by sponsoring various meetings and forums to exchange information. However, NOAA attempts to implement the Act have been hampered because NOAA has had little authority to influence research conducted by other Federal agencies, and the NOAA plan has not indicated how recommended research should be funded and has not recommended specific roles to agencies which research similar subjects. NOAA must rely on the voluntary cooperation of research agencies to help prepare and implement its 5-year plan, and it has no explicit authority under the Act to review research budgets. These limitations reduce the likelihood that any changes recommended by the plan which are not viewed by the affected research agencies as fully consistent with their interests or missions will be adopted. Agencies concentrating on their own interests to the exclusion of broader Federal concerns could lead to misplaced research emphasis and unnecessarily duplicative research. The plan should provide more direction on the spending of funds and the allocation of responsibilities among agencies which are researching similar issues.

Recommendations to Agencies: The Secretary of Commerce should seek legislation amending the National Ocean Pollution Planning Act of 1978 to more fully realize the congressional purpose of effective coordination of ocean pollution research. The proposed legislation should be drafted after mechanisms or institutional arrangements used in other multiagency coordination programs have been reviewed for their applicability to the coordination of ocean pollution research. At a minimum, the National Ocean Pollution Planning Act should be amended to give NOAA, or an appropriate interagency coordinating committee, explicit authority to review Federal agency research budgets before they are approved by the Office of Management and Budget.

Status: Action in process.

The Secretary of Commerce should direct the NOAA Administrator to prepare future ocean pollution research plan revisions so that they address, in more detail than has been the case in the past: (1) how Federal research money should be allocated so that the most important research gets done and limited research money is not diverted to less important programs; and (2) how responsibilities should be allocated to agencies exploring similar ocean pollution issues to avoid duplication or inefficiently organized research.

Status: Action in process.

Agency Comments/Action

NOAA has begun action to achieve the objectives of both of the report's recommendations to the Secretary of Commerce. It is preparing interagency program budgets for particular ocean pollution research areas to be submitted to OMB in spring 1983. NOAA will issue research plans for individual research areas setting out in detail how research money should be allocated and how research responsibilities should be divided among Federal agencies.

DEPARTMENT OF COMMERCE

Funding Constraints Require a New Approach To Support Tourism Information for Foreign Visitors
(ID-82-41, 9-17-82)

Budget Function: International Affairs: Foreign Information and Exchange Activities (154.0)
Legislative Authority: P.L. 96-85.

GAO reported on how the U.S. Travel and Tourism Administration (USTTA) consumer information program can be refocused to ensure that tourism information will continue to be available for distribution through USTTA foreign field offices.

Findings/Conclusions: The USTTA consumer information program distributes tourism literature to actual and potential foreign visitors and to members of the tourism industry. Because of uncertain funding, the program did not always have enough literature to distribute in 1981-82. The USTTA fiscal year 1983 budget request to Congress provided no funds for the program and USTTA plans to continue the program only if alternative funds can be obtained. However, efforts to obtain contributions from organizations that benefit from tourism have met with little success. If such funds are not obtained, future printing by USTTA of tourism information literature will be curtailed. GAO believes that the purposes of the consumer information program could be sustained by increased support from organizations that benefit from tourism. An alternative would be to increase the program's reliance on tourism literature produced by others. USTTA could encourage the formation of regional tourism promotion groups where none exist and help these groups and others to develop effective tourism literature. GAO believes that assistance in the development and translation of regional literature for USTTA markets can be provided by the present field office staff of USTTA. In addition, the necessary domestic coordination can be accomplished by USTTA headquarters staff incidental to their normal coordinative activities.

Recommendations to Agencies: The Secretary of Commerce should direct the Under Secretary of Commerce for Travel and Tourism to: (1) encourage and coordinate efforts of States, cities, and other appropriate entities not already regionally grouped to join together to develop regionally focused brochures; (2) have USTTA foreign offices provide advice and, where practical, assist regional trade promotion groups in brochure design, translation, and distribution efforts; and (3) work with regional groups to find ways to pay the costs of developing, printing, and shipping their brochures to USTTA regional offices.

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

DEPARTMENT OF COMMERCE

Information Resource Management Problems in the Department of Commerce
(CED-82-113, 9-30-82)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). OMB Bull. 81-21.

Pursuant to a House committee request, GAO reported on the management of computer and information resources at the Department of Commerce. The report focused on Commerce's process for selection of computer contractors, the level of technology used in its automated systems, and the quality of internal controls in financial systems.

Findings/Conclusions: GAO found that Commerce's Office of Information Resource Management (OIRM), which is responsible for the department's overall information resource management, its bureaus, and other subordinate organizations, has been making significant progress toward its goal of paperwork reduction. However, GAO also found that OIRM has not issued, and is not enforcing, department-wide policies for computer operations, software development, and word processing. GAO believes that OIRM needs to continue developing planning mechanisms initiated during 1982 and to separate oversight and operational responsibilities so that short-range projects do not deflect Commerce from long-range goals and policymaking.

Recommendations to Agencies: The Secretary of Commerce should direct the Assistant Secretary for Administration, who is the senior official for information resource management, to place greater emphasis on completing an effective departmentwide planning mechanism, including early completion of an automatic data processing planning process.

Status: Action in process.

The Secretary of Commerce should direct the Assistant Secretary for Administration, who is the senior official for information resource management, to require that OIRM develop a management plan and establish priorities which will place policy and oversight functions in proper balance with operational efforts carried on by OIRM.

Status: Action in process.

The Secretary of Commerce should direct the Assistant Secretary for Administration, who is the senior official for information resource management, to separate the OIRM information resource management policy and oversight responsibilities from the direct management of computer center and related operations.

Status: Action completed.

Agency Comments/Action

The conduct of this review in the early part of fiscal year 1982 did not appear to be altogether timely; the Paperwork Reduction Act of 1980 (P.L. 96-511) did not become effective until April 1, 1981. Nevertheless, GAO reorganized to effectively implement the act, named key people to staff the major positions, and proceeded in many assertive and positive ways to implement new planning, policy, and monitoring initiatives. Commerce has implemented certain GAO recommendations and fully intends to carry out its plans which are consistent with the recommendations.

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 in process.

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 in process.

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 in process.

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 and the review is to be completed by the end of January 1983. 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 one of the recommendations and does not intend to delegate all accounting, recordkeeping, and financial statement preparation responsibilities to the Office of Student Financial Assistance. It is pursuing other ways of correcting the problems cited which led to that recommendation. The Department has also initiated action to correct problems cited in the other recommendation. Most of the problems, except for establishing an allowance for loss rates based on actual experience, are expected to be corrected by March 1983. It is not known at this time when the allowance problem is expected to be resolved. Many of the corrective actions focus on improving manual interface and accounting controls. These will be followed by improving ADP controls through initiation of a redesign of the administrative support system using life-cycle management 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: No action initiated: Date action planned not known.

Lighting and Thermal Efficiency Standards
(EMD-79-32, 3-8-79)

Budget Function: Energy: Energy Conservation (272.0)
Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385).

The progress made by the Department of Energy (DOE) in the development of mandatory lighting and thermal efficiency standards for Federal buildings was evaluated.
Findings/Conclusions: Technical problems are hampering the development of a lighting efficiency standard which would take into account the following factors: nonuniform lighting levels for various building areas; lamp efficiency; lighting controls; and natural light. Such problems must be resolved to achieve lighting and thermal efficiency standards for new and existing Federal buildings. In addition, recent requirements for conserving energy in Federal buildings placed on DOE by the National Energy Conservation Policy Act may compound this situation.
Recommendations to Agencies: The Secretary of Energy should promptly evaluate and resolve the issues raised in this report with respect to establishing lighting and thermal efficiency standards for Federal buildings and move forward with an aggressive and effective 10-year plan to conserve energy in both existing and new Federal buildings. If the Secretary of Energy determines that meeting the legislative requirements for energy efficiency standards and energy conservation performance standards, as well as the new requirements for conserving energy in Federal buildings contained in the National Energy Conservation Policy Act, is not possible or would be counterproductive to carrying out an effective energy conservation program for Federal buildings, the Secretary should report such findings, along with any necessary new legislation for carrying out an effective program for energy conservation in Federal buildings, to the appropriate congressional committees.
Status: Action in process.

Agency Comments/Action

In 1979, DOE said that lighting and thermal standards would be included in its 10-year plan for conserving energy in Federal buildings. As of January 1983, neither the 10-year plan nor the standards had been issued. In keeping with administration philosophy, DOE will use industry standards instead of developing ones specifically for Government use.

Need To Increase Department of Energy's Efforts To Encourage Small Business Contracting
(EMD-79-83, 6-26-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Department of Energy Act of 1978--Civilian Applications (42 U.S.C. 7256). Small Business Act (15 U.S.C. 644).

A review was conducted to determine the effectiveness of the Department of Energy's (DOE) efforts to encourage small business contracting in solar energy research and development.

Findings/Conclusions: A strong commitment to small business involvement is vital for DOE to foster greater small business participation in its procurement process. For fiscal year 1979, the overall goal for contract awards to small business is established at 15 percent of the total contract award dollars. Based on the percent of small business contract awards for fiscal year 1978, the small business procurement goal set for 1979 appears to be low. Goals are developed by a consensus of all office managers. The prime consideration of program managers in awarding contracts is technical competence of the contractor. Some program managers did not know the definition of small business and were unaware of present contractors which met the criteria. Moreover, most program managers are not using the available information system which lists and profiles small business contractors by their areas of expertise, and might help locate potential small business contractors.

Recommendations to Agencies: The Secretary of Energy should, to provide the independence needed to ensure that small business participation is adequately considered, take immediate steps to fully comply with the legal requirements by reorganizing the Office of Small and Disadvantaged Business Utilization so that the Director reports directly to the Secretary or his deputy and the small business specialists report to the Director. In the reorganization, the Secretary should ensure that the Office has the authority and responsibility for all small business procurement participation programs.

Status: Recommendation no longer valid/action not intended. *DOE does not believe that the recommended action is necessary to correct the deficiencies identified. The reorganization has taken place.*

The Secretary of Energy should assign a small business technical advisor to the Small Business Administration as required by law.
Status: Action completed.

The Secretary of Energy should provide guidance through formalized procedures to those initiating procurement requests on identifying technically competent potential small business contractors and methods for increasing small business contract awards.
Status: Action in process.

The Secretary of Energy should improve procedures for setting goals for small business contract awards. These procedures should require program offices, field buying offices, and Department-owned, contractor-operated facility managers to furnish information on historical and projected future small business contract and subcontract awards.
Status: Action in process.

The Secretary of Energy should direct program office, field buying office, and Department-owned, contractor-operated facility managers to report statistics on small business contracts and subcontracts until the Integrated Procurement Management Information System is fully operational.
Status: Action in process.

Agency Comments/Action

DOE considers all of the report's recommendations to have been satisfied. Because the report was issued so long ago, GAO is unable to determine whether the agency's response was adequate for each recommendation. The GAO Procurement, Logistics, and Readiness Division has proposed a job to evaluate Small Business Preference Programs on Federal procurements; this should provide a measure of followup to this report.

Cost To Retire Uranium Enrichment Facilities Should Be Included in Current Uranium Enrichment Charges
(EMD-79-94, 9-6-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2001). P.L. 95-91.

GAO has maintained an interest in the Department of Energy (DOE) uranium enrichment pricing policies and procedures. DOE, the sole supplier of enriched uranium in the United States, has three enrichment plants in operation with a fourth scheduled to begin operation in the late 1980's. Eventually these plants will be retired. According to the former Energy Research and Development Administration, the costs to restore the plant areas to their original conditions were estimated to be up to 5 percent of the capital investments in the plants, or about $570 million. This would add about $1.50 per unit of enriching services to the current DOE price of about $89 per unit, and increase the average cost of electricity to consumers by 3 mills per kilowatt hour.

Findings/Conclusions: DOE has no firm estimates available concerning the future cost of decontaminating and decommissioning its uranium enrichment facilities, and has indicated that, given the current capital improvement program at existing facilities, it does not expect to evaluate these costs any time in the forseeable future. It is depreciating the three existing plants through the year 2000, implying that their useful life could end as of that year. GAO believes that the Secretary of DOE should take the necessary steps to see that commercial customers' share of the estimated cost of retiring these uranium enrichment facilities is recovered in the current DOE charge for uranium enrichment services by adding a reasonable charge to its current enrichment service prices.

Recommendations to Agencies: The Secretary of DOE should prepare detailed estimates of the future cost of decommissioning and decontaminating the Nation's uranium enrichment facilities.

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

The Secretary of Energy should modify DOE criteria for enrichment services charges to include a charge for enrichment plant decommissioning and decontamination costs.

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

The Secretary of Energy should request any legislative authority needed to permit DOE to include future uranium enrichment plant decommissioning and decontamination costs in its present charges for uranium enrichment services.

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

Agency Comments/Action

The agency disagrees with the recommendations and has not taken any action.

Problems in Assessing the Cancer Risks of Low-Level Ionizing Radiation Exposure
(EMD-81-1, 1-2-81)

Budget Function: Health: Consumer and Occupational Health and Safety (554.0)
Legislative Authority: Treasury, Postal Service, and General Government Appropriation Act, 1980 (P.L. 96-74). P.L. 95-622. P.L. 95-601.

Public concern about the health effects of low-level ionizing radiation exposure has increased in recent years. Therefore, GAO undertook a study to determine: what definite conclusions, if any, can be drawn from current scientific knowledge about the cancer risks of low-level ionizing radiation exposure, and what conclusions can be drawn about the best direction for current and future Federal research. The immediate goal of the Federal research program is to develop a data base for estimating the risk of low-level radiation exposure. The long-term goal is to understand the mechanisms and processes of how radiation causes cancer. Data from two studies involving low-level radiation were analyzed; a literature search was conducted; and the current status of ionizing radiation research was reviewed.

Findings/Conclusions: As yet, there is no way to determine precisely the cancer risks of low-level ionizing radiation exposure, and it is unlikely that this question will be resolved soon. There is a continuing need for federally sponsored research in this area, and GAO believes that Federal research efforts can be strengthened. It also agrees with the objectives of current congressional and Executive Branch initiatives to coordinate Federal research efforts in this area. The Interagency Radiation Research Committee, recently formed by Presidential memorandum, is such an important area that GAO believes a Federal interagency research review group should be created by legislation. Epidemiologists have used estimates of the number of cancers induced by high-level exposures to radiation to predict the numbers that may be induced by lower exposures. These predictions can vary widely depending on which of several mathematical equations is used. An intensive effort to synthesize the results of radiation research might be accomplished by developing quantitative theories of radiation carcinogenesis and critically testing their predictions with cellular and animal experiments.

Recommendations to Congress: Congress should enact legislation giving statutory authority to an interagency committee to coordinate Federal research on the health effects of ionizing radiation exposure.
Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Interagency Radiation Research Committee should, because of limited funding, ensure that epidemiological studies involving primarily low levels of ionizing radiation exposure are of sufficient scientific merit to justify the costs of long-term follow-up efforts.
Status: No action initiated: Date action planned not known.

The Interagency Radiation Research Committee should ensure that the cognizant Federal agencies continue to conduct epidemiological studies of groups, such as the Japanese atom bomb survivors, the uranium miners, and the radium dial painters, that offer large numbers of people and a range of radiation exposure doses.
Status: No action initiated: Date action planned not known.

The Interagency Radiation Research Committee should ensure that the cognizant Federal agencies continue to conduct a limited number of high-quality animal experiments, including those analyzing the metabolism and toxicity of radionuclides in beagle dogs and small-scale experiments to investigate radiation mechanisms.
Status: No action initiated: Date action planned not known.

The Interagency Radiation Research Committee should consider carefully and initiate actions to implement recommendations in the June 1979 report of the Interagency Task Force, in particular: (1) encourage expansion in the number of scientists and institutions performing the research, and assure that scientists of high quality are funded, (2) have NIH and other agencies provide more of the fiscal support for the national laboratories, thereby giving them more access to the laboratories, and (3) ensure that a diversity of Federal agencies continue to fund research, particularly in high priority research areas.
Status: No action initiated: Date action planned not known.

The Interagency Radiation Research Committee should ensure, in research on ionizing radiation exposure, that increased priority and emphasis are given to studying the mechanisms of how radiation causes cancer, through molecular and cellular studies and other fundamental research.
Status: No action initiated: Date action planned not known.

Agency Comments/Action

The Interagency Radiation Research Committee has never been formed by law, therefore, no action has been taken.

DEPARTMENT OF ENERGY

New Strategy Required For Aiding Distressed Steel Industry
(EMD-81-29, 1-8-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)

GAO reviewed the problems facing the domestic steel industry and outlined the factors that should be considered in developing a program to revitalize the industry as a part of its ongoing efforts to improve the Nation's capabilities to meet the materials requirements of the national economy. The comprehensive steel policy components addressed by GAO include: (1) wage and compensation restraint and labor-management commitment to a sound revitalization strategy; (2) measures to induce the entry and growth of new competitors; (3) accelerating depreciation rates; (4) improving administration of environmental regulation; (5) eliminating discriminatory price restraints; and (6) creating a trade policy yielding predictable and acceptable effects on imports with a minimum of inflation.

Findings/Conclusions: There is an international surplus of steelmaking capacity. However, if there is an upturn in the global economy, competition for foreign production is certain to increase significantly and there may not be enough steel to supply all customers. A large segment of the U.S. steel industry has become unable to compete with efficient foreign producers due to high labor costs, inefficiently sized plants, low utilization capacity, and restrictive Government policies. Transportation costs give U.S. steel an edge in some domestic markets. Unfair pricing of steel products in the United States by foreign producers has been alleged to harm U.S. competition in the steel market. If American steel producers are to regain lost domestic consumers, they will need newer and more productive facilities and a more customer-oriented approach to their marketing. Many nations provide their steel industries with preferential financing, loan guarantees, and trade inducements. An effective policy toward steel ought to represent the Nation's overall objective for the domestic industry's performance and include means for stimulation of competition, assistance in capital formation, and administration of environmental regulations. In establishing a performance goal, factors to be considered are: the point beyond which national security will be compromised if capacity drops; a target market-share for domestic firms; a target ratio of capacity to peak domestic needs; and the extent to which the industry's modernization and expansion needs can be met without depending on Government assistance.

Recommendations to Congress: Congress should enact legislation to define a performance objective for the domestic steel industry. This objective, defined in terms of industry-wide, efficient capacity goals and a timeframe for their realization, should serve as a benchmark against which the realism of industry revitalization activity and related Government policy can be assessed. Such legislation may have to be subsequently amended in light of periodic reevaluation of mandated capacity assessment studies. The objective should also be sufficiently stable to give confidence to investors and policy administrators.

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

Congress should consider the kind of labor and management commitments to industry revitalization which presently exist and/or which may be needed. Meaningful labor and management commitments could include: (a) continuing labor's helpful attitude towards adopting efficient new technology; (b) restraining wage, salary, and dividend levels and devising innovative methods as needed to redress compensation premium problems; and (c) new initiatives to minimize adverse job dislocation effects arising from plant closings, adoption of new technology, or business cycle fluctuations.

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

Congress should, as part of its consideration of a performance objective for the domestic steel industry, review the Administration's latest steel program. Such a review should relate alternative performance objectives to specific program proposals such as (1) assistance on near-term (5-year) capital formation and investment needs; (2) the adequacy of proposed import controls to jointly satisfy the earnings-investment needs of producers, the inflation protection needs of domestic consumers, and trade access opportunities for low-cost foreign suppliers; and (3) proposed amendments to environmental laws to insure that they reflect both a commitment to reasonable administrative flexibility and industry achievement of environmental protection standards.

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

Congress should enact legislation requiring the Executive Office of the President or other appropriate Executive Branch agencies to undertake a bi-annual assessment of steel capacity conditions. The assessment should cover both domestic and foreign suppliers and the plausible range of supply-demand conditions which might be encountered over the coming 5 to 10 years. These recurring assessments ought to provide the basis for judging the present and prospective capability of the domestic steel industry, and for identifying policy initiatives to avoid undue risk from foreign supply sources.

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

Policies Governing the Bonneville Power Administration's Repayment of Federal Investments Need Revision *(EMD-81-94, 6-16-81)*

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Bonneville Dam Act (16 U.S.C. 832f). Flood Control Act (16 U.S.C. 825s). Pacific Northwest Electric Power Planning and Conservation Act. P.L. 96-501. P.L. 89-448.

The Bonneville Power Administration increased its wholesale electric power rate by about 90 percent in 1979 and has proposed another rate increase of about 50 percent effective July 1, 1981. It expects to follow these increases with annual rate hikes over the next several years. Because of widespread concern over the power rates, GAO conducted a survey of Bonneville's policies for repaying Federal investments in power generating and transmitting facilities. Bonneville's repayment policies form the basis for calculating its annual revenue requirements, which in turn determine the size of its power rate increases and also affect the amount and timing of funds returned to the Treasury. The GAO survey included the Department of Energy's (DOE) study of alternative amortization methods initiated in 1979.
Findings/Conclusions: Early in its history, Bonneville adopted annual amortization schedules as a businesslike approach to measuring repayment progress. An economic crisis during the late 1950's and early 1960's caused it to depart from this approach, and it could not meet its scheduled annual repayment requirements. Believing that a rate increase would seriously impair the economic growth of the region, it adopted a policy which used future revenue forecasts to provide conformance to repayment requirements. A 1966 House committee report has remained the test for revenue and repayment sufficiency, but DOE and the Department of the Interior have continued to change repayment policies. While Bonneville has been encouraged to explore a cost accounting amortization approach as an alternative to current repayment study methodology, its officials have decided to retain existing repayment methodology in the near term and are willing to consider a range of cost-based alternatives. However, Bonneville has neither identified a preferred alternative nor established a schedule for doing so. GAO believes that a cost-based approach would offer many advantages over the current methodology. The factors identified by GAO as those Bonneville should consider in evaluating its current policies and alternatives fall into two categories involving: (1) requirements of the Pacific Northwest Electric Power Planning and Conservation Act, and (2) principles of good Government. The requirements of the Act should be major considerations in evaluating repayment policies.
Recommendations to Agencies: The Secretary of Energy should evaluate and explain decreases in cumulative repayments in responding to this letter, and, if these decreases are found to be recapitalizations or refinancing of previously repaid investments, stop the practice immediately.
Status: Action in process.

The Secretary of Energy should develop and implement a cost-based approach to revenue need determination to replace the current repayment study methodology to use in preparing the July 1983 rate proposal. Bonneville should develop a schedule for implementation within 60 days of this report. In implementing such an approach, Bonneville should carefully consider approaches such as retaining the congressionally sanctioned 50-year maximum repayment period or, if repayment periods are extended to equal asset lives, should consider adjusting interest rates during each year of the extension period to equal the Treasury's average cost of borrowing.
Status: Action in process.

Agency Comments/Action

The recommendation to implement a cost-based approach to rate and repayment is non-specific. There are many different methodologies that could be cost-based; current methods are cost-based. GAO disagrees that current repayment methodology makes it impossible for the Bonneville Power Administration to meet the principles of the Northwest Power Act and principles of good government. A review by DOE of repayment policies is underway which could produce changes in the methodologies.

Better Oversight Needed for Safety and Health Activities at DOE's Nuclear Facilities
(EMD-81-108, 8-4-81)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Atomic Energy Act of 1954. Occupational Safety and Health Act of 1970 (29 U.S.C. 653(b)(1)). Energy Reorganization Act of 1974.

GAO was requested to determine if the Nuclear Regulatory Commission (NRC) or some other form of regulation would be preferable to the Department of Energy (DOE) oversight program currently in existence for safety and health matters at DOE nuclear facilities. To determine the adequacy of the DOE oversight program, GAO reviewed the four functional program areas: (1) occupational safety; (2) emergency preparedness; (3) facility design safety; and (4) environmental monitoring.

Findings/Conclusions: GAO found that the DOE program is not adequate to assure that the employees at the nuclear facilities are provided with safe and healthful working conditions. Radiological emergency preparedness has not received sufficient priority in DOE to ensure a level of preparedness for a serious nuclear accident. The DOE emergency preparedness program lacks the coordinated, unified approach necessary to ensure adequate protection at all DOE facilities. The effort by DOE for assuring that emergency preparedness programs are in place and working are ineffective. DOE has not fulfilled responsibilities assigned to it by the Federal Emergency Management Agency (FEMA) because it has failed to assign sufficient resources. In a previous report, GAO identified a number of weaknesses in the DOE emergency preparedness program which still exist. DOE is taking little action to assure that its older facilities meet current safety criteria and standards. The DOE safety analysis program, designed to provide such assurance, received relatively low priority and, as such, DOE is not aware of the level of design safety at many nuclear facilities. While the DOE operating contractors are reporting that their operations are conducted well within radiological environmental standards, the program lacks consistency from contractor to contractor and from DOE field office to field office. In addition, DOE relies virtually exclusively on the operating contractor for environmental oversight.

Recommendations to Congress: Congress should consider legislation to require NRC to review and evaluate a number and a variety of DOE nuclear facilities and processes, including detailed review of plant operations, the contractors safety analysis methodology and report, and actions taken to mitigate hazards.
Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of DOE should reorganize those field organizations involved in safety and health oversight to report directly, and exclusively, to the elevated safety and health organization at headquarters.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should require, for a potentially serious safety or health complaint which cannot be adequately resolved at the contractor level, that DOE safety and health officials conduct an independent investigation and provide to the complainant a response which clearly addresses the issues of the complaint and provides data clearly supportive of the DOE findings or opinions.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should take action to develop a uniform policy for dealing with safety and health violations. This policy should include a system to delineate classes of violations based on danger to employees as well as requirements for posting violations, setting abatement timeframes, and checking to ensure that corrective action has been taken.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should direct that a formal, consolidated system be established to collect and analyze information on workplace hazards for all DOE nuclear facilities and establish priorities for future safety and health oversight activities based on that analysis.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should consolidate the policymaking, coordinating, and appraisal functions into one organizational unit. To ensure that this unit has sufficient authority to carry out its responsibilities, it should at least be at a level of authority higher than those units responsible for implementing established policy.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should expedite the development of DOE emergency preparedness requirements. These requirements should clearly define DOE and contractor responsibilities and should describe specific emergency preparedness criteria. Such criteria should reflect post Three Mile Island lessons learned.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should establish requirements for annual appraisals of field office and contractor emergency preparedness programs. In addition, the Secretary should require that DOE independently review and evaluate contractor drills on a regular basis.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should provide the support necessary to carry out responsibilities delegated by FEMA in its national effort to improve emergency preparedness around nuclear facilities.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should take the necessary steps, as recommended previously, to correct the weaknesses noted in a March 1979 report.
Status: No action initiated: Date action planned not known.

The Secretary of DOE should take action to increase safety

analysis program staffing and budget to provide the program with the capability to adequately conduct and review safety analyses.

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

The Secretary of DOE should establish a target completion date for the safety analysis program and issue specific criteria for conducting safety analysis for existing facilities.

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

The Secretary of DOE should direct that radiological monitoring and radiological monitoring oversight requirements be issued for mandatory application to all DOE facilities.

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

The Secretary of DOE should develop a coordinated system whereby radiological monitoring data supplied by the DOE operating contractors are verified with State or local government agencies with monitoring capability.

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

The Secretary of DOE should evaluate the oversight aspects of the headquarters safety and health organization to report, as a staff organization, to the DOE Under Secretary. At this organizational level, competition with program offices should not exist and the safety and health organization would have the authority to mandate adherence to policy and standards.

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

Agency Comments/Action

DOE declined to take any action in response to the report or its recommendation.

Congress Should Increase Financial Protection to the Public From Accidents at DOE Nuclear Operations
(EMD-81-111, 9-14-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Price-Anderson Act (Atomic Energy Damages). Atomic Energy Act of 1954 (P.L. 83-703).

GAO examined the Price-Anderson Act as it governs the nuclear accident liability of Department of Energy (DOE) contractors to determine the number of DOE contractors protected by the Act and to render an opinion on the necessity for continuing such protection.

Findings/Conclusions: The Act provides protection to both DOE contractors and the public to cover liability resulting from a nuclear accident. Although 75 DOE prime contractors are specifically protected by the Act, the protection is also extended to many thousands of subcontractors working at DOE facilities. GAO believes that the protection provided by the Act should be continued. This conclusion was arrived at after carefully considering the current U.S. position to develop nuclear power and the availability of other forms of insurance for nuclear activities. GAO believes that certain provisions in the Act should be changed or clarified to provide better public protection from catastrophic nuclear accidents. For example, the Act provides more financial protection for accidents resulting from a commercial activity than those resulting from a Government operation. Further, the current limit on liability may not provide sufficient public financial protection to adequately compensate victims of catastrophic nuclear accidents. Moreover, GAO believes that the Act's definition of a nuclear incident is unclear. As a result, liability arising from some nuclear accidents may not be covered.

Recommendations to Congress: Congress should amend the Price-Anderson Act to increase protection for DOE-contractor activities to provide public protection equal to that for licensed commercial activities. This amendment should also include provisions to assure that, as commercial coverage increases, contractor coverage also increases.
Status: Action in process.

Congress should amend the definition of nuclear incident contained in chapter 2, section 11 (q) of the Atomic Energy Act of 1954, Public Law 83-703, as amended, by adding the following at the end of the definition: "and provided further, that it shall include any occurrence where the Commission, or the Department of Energy in relation to its contractors, determines a release of radiation may be imminent."
Status: Action in process.

Congress should reexamine the limit on liability to determine whether a new limit needs to be set and/or whether the limit should be tied to an index to allow for periodic readjustment.
Status: Action in process.

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

Improved Oversight and Guidance Needed To Achieve Regulatory Reform at DOE
(EMD-82-6, 11-6-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Administrative Procedure Act. Department of Energy Organization Act. Executive Order 12044. Executive Order 12291. 43 Fed. Reg. 12661. OMB Bull. 81-13. DOE Order 2030. DOE Order 2030.1.

GAO evaluated the effectiveness of Department of Energy (DOE) procedures for developing regulations. GAO reviewed the development of three regulations which meet the significant regulation criteria and are fully and clearly representative of the DOE regulatory process. GAO was concerned with the adequacy of the DOE process for developing regulations rather than the adequacy of individual regulations.

Findings/Conclusions: DOE has not fully achieved the goals of an Executive order which directed Federal agencies to establish procedures to improve existing regulations and those being developed. From October 1977 to January 1981, DOE used two different approaches to regulatory reform. However, both efforts were largely ineffective because DOE lacked: (1) a focal point for strong departmental oversight of the regulatory reform effort; (2) clear policy and program guidance, and delegation of organizational responsibilities for those involved in developing regulations; and (3) effective application of the policy by the program managers in the execution of their responsibilities. The information made available to the various levels of decisionmakers was not complete and did not allow for a full perspective of the need, merits, and costs of the proposed regulations nor allow for effective execution of oversight. Moreover, DOE recordkeeping practices need improvement to assure that the information which is developed is properly documented and readily available to decisionmakers. GAO believes that the data deficiencies resulted primarily from the need for more specific guidance in preparing effective regulatory analyses. Oversight by top management was not effective because of the lack of understanding of and indifference to what was happening at the program manager level because DOE was not fully committed to regulatory reform. Procedures for oversight of the public participation process need improvement as well.

Recommendations to Agencies: The Secretary of Energy should ensure proper organizational responsibility by designating one individual within the Office of the Secretary responsible for oversight of regulatory reform, including monitoring the quality of regulatory analyses.

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

The Secretary of Energy should ensure proper organizational responsibility by designating the group within the department responsible for assuring that public participation activities are properly carried out, including providing comment on plans for obtaining public comment contained in action memoranda.

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

The Secretary of Energy should ensure proper organizational responsibility by designating the office which is responsible for maintaining the regulatory decision file.

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

The Secretary of Energy should provide guidance and direction to program managers by issuing a DOE order which will require an action memorandum which would include a discussion of: (1) the problem to be addressed, the legislative authority for the regulation, the substantive issues raised by the proposed regulation, the regulation's enforceability, and its impact on other regulations; (2) those groups most likely to be affected and in what manner with a plan for obtaining comment from these groups; (3) whether a regulatory analysis will be needed; and (4) the extent to which cost/benefit information is readily available.

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

The Secretary of Energy should provide guidance and direction to program managers by issuing a DOE order which will specify what information must be included in the regulatory analyses, including: (1) estimates, or ranges of estimates, of the costs and benefits of each alternative; (2) a brief discussion of how the estimates were computed; (3) the underlying assumption on which the estimates were based; (4) the reason why estimates or a particular estimate could not be determined; and (5) a discussion of how effectively the alternatives can be enforced, as well as their potential impact on the enforceability of existing regulations.

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

The Secretary of Energy should provide guidance and direction to program managers by issuing a DOE order which will ensure enhanced public participation by defining when to use notices of inquiry and advance notices of proposed rulemakings; for example, when subject material is new or controversial or when DOE lacks complete information on the subject.

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

The Secretary of Energy should provide guidance and direction to program managers by issuing a DOE order which will make sure that necessary documentation is maintained for the Secretary's review.

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

The Secretary of Energy should provide guidance and direction to program managers by issuing a DOE order which will require the Office of the General Counsel to summarize all the public comments as soon after the close of the comment period as reasonable and disseminate them to those involved in the regulatory process.

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

Agency Comments/Action

In its Section 236 response, DOE did not concur with all of the report's recommendations. However, DOE did not directly address or rebut the detailed findings of the report;

it generally disagreed that the recommendations would improve its regulatory process. An official within the DOE Office of Audit Liaison told GAO that, based on Section 236 nonconcurrence and its followup with program office officials, it considers the audit recommendations closed. Therefore, DOE plans to take no further followup actions.

The Subcontracting Practices of Large Department of Energy Contractors Need To Be Improved
(EMD-82-35, 4-22-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: OMB Circular A-76. DOE Order 4200.3.

GAO was requested to review the subcontracting practices of major Department of Energy (DOE) contractors, particularly those operating national laboratories of other Government-owned, contractor-operated installations. DOE officials believe that strict adherence to Federal procurement regulations could be counterproductive and prevent the contractors from efficiently and effectively carrying out their assigned tasks. However, these contractors are required to follow procedures which approximate most aspects of the Federal regulations and which are intended to guarantee open competition and reasonable prices for goods and services.

Findings/Conclusions: In spite of this, GAO found that DOE contractors have: (1) engaged in practices which prevent or limit competition; (2) awarded subcontracts directly for DOE program offices allowing these offices to bypass Federal and DOE procurement regulations and policies; (3) not fully complied with Federal and DOE conflict of interest regulations; (4) not been required to follow Federal and DOE guidelines relating to the use of consultant-type contracts; and (5) not established adequate controls to evaluate the utility of subcontractor work products and ensure that subcontractor efforts are not duplicated.

Recommendations to Agencies: The Secretary of Energy should require that operating contractor procurement offices implement more effective and systematic administrative controls designed to avoid duplication of work, ensure prompt and appropriate evaluation of contractor performance, and ensure prompt dissemination of subcontractor work products.

Status: Recommendation no longer valid/action not intended. *DOE believes that current administrative controls are adequate to handle this problem. GAO does not wish to pursue the matter further.*

The Secretary of Energy should require that operating contractors: (1) consider the intent of Federal requirements and guidelines relating to consultant and support service contracts; and (2) report periodically to DOE on the extent of such contracting.

Status: Action completed.

The Secretary of Energy should promptly enter into negotiations with all operating contractors to include organizational conflict of interest provisions in their current contracts.

Status: Action completed.

The Secretary of Energy should improve DOE oversight of operating contractors by: (1) expanding the scope of the DOE Procurement Systems Reviews particularly in the area of noncompetitive procurements, organizational conflicts of interest, and the use of consultant and support service contractors; and (2) directing that surveillance reviews be planned and performed in a systematic and timely manner.

Status: Action in process.

Agency Comments/Action

DOE agreed to take action on the first three recommendations. Specifically, DOE: (1) is preparing new guidance to insure that its Contractor Procurement Systems Reviews adequately emphasize competition, organization conflicts of interest, and the use of consultant contractors; (2) has acted to insure that conflict-of-interest provisions are added to all operating contracts; and (3) is improving its controls over the use of consultant contractors. DOE does not believe, however, that additional controls are needed to prevent duplication, systematically evaluate contractor work products, or to ensure that subcontractor work products are properly disseminated.

Earlier Effective Monitoring of Alcohol Fuels Projects May Have Minimized Problems
(EMD-82-42, 4-23-82)

Budget Function: Energy: Energy Supply (271.0)

In response to a congressional request, GAO reviewed the Department of Energy's (DOE) system for monitoring alcohol fuels financial assistance projects.

Findings/Conclusions: The DOE system for monitoring alcohol fuels projects is effective, but it was put in place 7 months after some of the projects started. As a result, some projects were near completion before effective monitoring began. The system has been identifying and resolving problems but, in some cases, the problems were identified too late. Problems remained unsolved in five study projects, and these projects may be terminated after substantial portions of their funding have been spent. If the projects had been monitored from the time they started, some of the problems might have been resolved or action could have been taken to terminate the projects without a sizeable expenditure of funds. A similar situation could arise with future programs. DOE erroneously made advance payments to 24 alcohol fuels feasibility study grantees who were to be paid on a reimbursable basis. Five grantees voluntarily returned a total of $378,110. However, grantees had spent the balance of the funds by the time the errors were detected. Had the monitoring system been in place, DOE could have detected the errors sooner and taken action to have more advances returned. By making erroneous advances, DOE lost oversight and control over the projects which might have also contributed to the problems. Since 60 percent of the award amount was erroneously advanced and not returned for 19 grants, project monitors were not afforded an opportunity to review billing vouchers. If an audit of the projects which received the erroneous advances shows that funds were misused, DOE should expand the audit.

Recommendations to Agencies: The Secretary of Energy should: (1) require program offices to certify to appropriate contracting officers that effective project monitoring will be ready to begin when projects start; and (2) require contracting officers to obtain such certifications before making project awards.

Status: Action in process.

Agency Comments/Action

DOE agreed with the thrust of the recommendations. It believed, however, that procedures already in effect or in the process of being developed fully satisfied the intent of the recommendations.

Government Support for Synthetic Pipeline Gas Uncertain and Needs Attention
(EMD-82-23, 5-14-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Natural Gas Policy Act of 1978. Energy Security Act (P.L. 96-294). Resource Conservation and Recovery Act of 1976. Toxic Substances Control Act. Department of Energy Act of 1978--Civilian Applications (P.L. 95-238). P.L. 96-126.

Because the Government has already spent millions of dollars and could spend much more assisting research, development, and commercialization of high-BTU gasification technology, GAO saw a need for an independent assessment of the results of this investment to ensure that future funds will be spent wisely.

Findings/Conclusions: Converting coal into a substitute for natural gas is one approach that shows promise for supplementing gas supplies and reducing U.S. dependence on foreign energy sources. Some private groups are seeking Government support for U.S. plants using processes which have been used abroad sucessfully for decades. While these research and development efforts have been going on since World War II, no commercial size plants have been built, mainly because of economic and financing problems. These projects will need Government support because of the huge capital investment and uncertain production costs. In the past, the Department of Energy (DOE) has provided most of the research and development support for these efforts. Now, commercial-scale demonstrations must look increasingly to the Synthetic Fuels Corporation (SFC) for financial support. One coal process which is nearing commercial readiness could contribute to the diversity of resources and geographic balance of the SFC program. DOE needs to define its policy of funding only long-term, high-risk, but high-payoff research and establish adequate overall criteria for funding research and development. Until recently, DOE has continued to support other activities that GAO believes could be left to industry. In addition, DOE is moving away from the environmental research which has been recognized as the responsibility of Government in the program.

Recommendations to Agencies: The Secretary of Energy should establish a plan to guide future support of high-BTU coal gasification energy research and development. The plan should be based on clear policy objectives and defined criteria which will set the general limits of Government support in the context of overall energy research and development. Also, the plan should recognize research that is more appropriately funded by industry and should include essential environmental research that is beyond the responsibility of industry.

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

The Secretary of Energy should evaluate the importance of the high-BTU, second-generation process as a method of using eastern coal and the prospects for accelerating the processes as commercial scale modules. As part of this evaluation, DOE also needs to consider other coal gasification and indirect liquefaction options.

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

The Secretary of Energy should report, within 90 days of the date of this report, to the SFC Board of Directors on the potential role of second-generation processes in the synthetic fuel program, the availability of information needed for commercialization, product costs and markets, and technical and environmental risks.

Status: Recommendation no longer valid/action not intended. *DOE calls the recommendation inappropriate. SFC was making decisions on diversity based on early sponsors' proposals. GAO asked for a 90-day report since DOE had killed its program, the SFC early stand deterred support, and SFC seemed to favor large-scale early production over technical diversity. SFC now takes a slower approach and urges technical diversity and smaller plants.*

Agency Comments/Action

DOE has failed to act on specific recommendations. DOE and SFC have taken actions responsive to some issues. SFC actions have mitigated the need for the third recommendation. It is too early to determine if current GAO plans and reviews will resolve open issues on the other two recommendations. GAO plans: (1) a followup review in early 1983 on the need for research and development criteria and funding; and (2) a survey to deal with the energy/ environmental interface. Also planned or underway are several assignments aimed at research and development activities and SFC activities. Both areas are elements of the Resources, Community, and Economic Division's strategic plans.

Appliance Efficiency Standards: Issues Needing Resolution by DOE
(EMD-82-78, 5-14-82)

Budget Function: Energy: Energy Conservation (272.0)
Legislative Authority: Energy Conservation Policy Act (P.L. 95-619). P.L. 94-163.

The National Energy Conservation Policy Act directs the Secretary of the Department of Energy (DOE) to prescribe energy efficiency standards for each of the 13 major household appliances. In April 1982, DOE published new proposed rules and concluded that no appliance standards should be established. GAO evaluated the DOE efforts to develop appliance efficiency standards.

Findings/Conclusions: The DOE basis for its proposal that no appliance efficiency standards be established is highly questionable. The analyses in support of the DOE proposal contain an unvalidated key assumption, are inconsistent in their treatment of the effects of market forces, and use high energy price projections. The DOE revision of its June 1980 standards proposal appears to have potential, because it addressed major appliance industry concerns and contained standards levels which could benefit consumers. However, this revision was never published for comment, because the Administration decided to review the standards development process. Two issues related to a no standards decision by DOE are the: (1) implications such a decision will have for existing State appliance standards programs; and (2) extent to which the Federal appliance labeling program will, through enhanced consumer awareness, increase the number of high efficiency appliances being purchased.

Recommendations to Agencies: The Secretary of Energy should make no decision on the need for appliance efficiency standards until he considers and resolves the discussed issues. The Secretary should either demonstrate more conclusively for each appliance that a determination of no standard is justified or prescribe an appropriate energy efficiency standard.

Status: Action in process.

Agency Comments/Action

DOE believed it inappropriate to comment on the GAO report because it involved a matter which was the subject of an ongoing rulemaking proceeding. DOE stated it would consider the report as part of its final rulemaking process which has not yet been completed.

Further Improvements Needed in the Department of Energy for Estimating and Reporting Project Costs *(MASAD-82-37, 5-26-82)*

Budget Function: Procurement - Other Than Defense (990.4)

GAO examined Department of Energy (DOE) policies, procedures, and practices for estimating the costs of major systems and the accuracy of information provided to Congress. The GAO survey focused on the Transient Reactor Test Facility Upgrade and the Program Support Facility projects.

Findings/Conclusions: GAO found problems with the cost estimating practices, particularly the lack of sufficient guidelines provided to contractors for preparing cost estimates or to DOE project officials for reviewing cost estimates. Specifically: (1) decisions were based on cost estimates prepared before the projects were sufficiently defined; (2) the inflation rates used were too low; (3) the provisions for risk were not realistic; and (4) the documentation supporting cost estimates was not adequate. GAO also found problems in reporting cost changes to Congress. When estimated project costs exceed appropriated funds, project scope has been reduced or costs have been categorized differently without fully notifying Congress.

Recommendations to Agencies: The Secretary of Energy should ensure that all regional offices develop and implement guidelines on the preparation and review of cost estimates.

Status: Action in process.

The Secretary of Energy should identify and report to Congress the magnitude of major cost transfers between capital and operating funds and major changes in project scope during the past 2 years.

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

The Secretary of Energy should institute tighter controls over project funds by requiring DOE Headquarters review and approval of all cost classification changes within individual projects.

Status: Action completed.

The Secretary of Energy should direct the DOE Chicago Operations and Regional Office to issue specific cost estimating guidelines.

Status: Action in process.

The Secretary of Energy should direct the DOE Chicago Operations and Regional Office to ensure that projects are adequately defined in the conceptual design stage before the cost estimate is submitted to Congress.

Status: Action in process.

The Secretary of Energy should direct the DOE Chicago Operations and Regional Office to require that realistic estimates for inflation are used and consistently followed.

Status: Action completed.

The Secretary of Energy should direct the DOE Chicago Operations and Regional Office to allow for adequate provision in cost estimates for program uncertainties, especially in high technology or first-of-a-kind projects.

Status: Action completed.

The Secretary of Energy should direct the DOE Chicago Operations and Regional Office to require complete documentation of major revisions to the cost estimate to ensure traceability.

Status: Action completed.

Agency Comments/Action

DOE issued a guide to cost estimating in June 1982. A memo to all regional offices will outline minimum requirements for locally issued directives on cost estimating. DOE disagrees that it has transferred funds in violation of DOE order 5160.1, but will remind regional offices of their responsibility in this regard. The Chicago regional office will be directed to issue cost estimating guidelines which will be reviewed at DOE headquarters in Washington. Draft policy orders already require the design to be completed before submitting a project to Congress. The Chicago office will be required to comply with a recently completed manual on price change indices. The above-mentioned guide to cost estimating (June 1982) also contains instructions on program cost uncertainties.

Department of Energy Has Made Slow Progress Resolving Alleged Crude Oil Reseller Pricing Violations *(EMD-82-46, 6-1-82)*

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Emergency Petroleum Allocation Act of 1973 (15 U.S.C. 751 et seq.).

GAO reviewed the Department of Energy (DOE) crude oil reseller program. Specifically, GAO examined the: (1) extent of civil and criminal violations; (2) slowness in issuing proposed remedial orders; (3) subpoena problems; (4) adequacy of staffing; (5) settlement efforts; and (5) effect on the program of the reorganization of the Economic Regulatory Administration (ERA), which took place in late 1981.

Findings/Conclusions: GAO found that the situation in the crude reseller program has not improved significantly since the last GAO review of the program. The crude oil reseller program was established to enforce the Emergency Petroleum Allocation Act of 1973 which required the President to establish regulations for controlling the allocation and the selling price of crude oil and refined products. The President delegated this authority to DOE and its predecessor agencies. The program will not improve, regardless of the ambitious objectives ERA will set for fiscal year 1982, without a firm commitment and concerted actions on the part of DOE to resolve the alleged violations identified in crude reseller audits. DOE must be willing to continue the crude reseller program long enough to obtain the data necessary to disclose potential willful violations, including evidence of involvement by major refiners. The necessary work must be done because of the 5-year statute of limitations on willful violations. In addition, GAO found that: (1) the number of audits undertaken and the number of violations alleged have increased; (2) ERA audit coverage of the sales and purchases of crude oil by major refiners has been inadequate; (3) ERA has experienced decreasing company cooperation; (4) ERA staff morale has continued to suffer because of uncertainties about the program's future; (5) the reorganization removed the position of Director, Crude Oil Reseller Program; and (6) ERA has had little success in negotiating settlements of alleged violations with companies.

Recommendations to Agencies: The Secretary of Energy should direct the Administrator of the Economic Regulatory Administration to reestablish the position of Director, Crude Oil Reseller Program, and fill it with a highly experienced official.

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

The Secretary of Energy should direct the Administrator of the Economic Regulatory Administration to provide for audit coverage of selected major refiners' crude oil sales and purchase activities, based on the implications of the former Office of Enforcement study of crude oil pipeline transactions, to assess the legality of the refiners' sales and purchase transactions with crude oil resellers, where not precluded by existing global settlements.

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

Agency Comments/Action

Although DOE comments make it appear that the agency agrees with the two recommendations in the report, a close reading reveals that these comments are not fully responsive to the recommendations. The DOE action to assign the responsibility for the crude reseller program to the Special Counsel represents no change in the situation as it existed during the review and, therefore, does not satisfy the recommendation. The two efforts cited by DOE in its response to the second recommendation involve criminal investigations. While such investigations are necessary, they do not result in the repayment of overcharges to customers. The recommendation was that DOE conduct civil audits to disclose overcharges that should be refunded to the appropriate parties. Job Code 004538 is following up on certain aspects of this report.

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 insuring 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.

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: No action initiated: Affected parties intend to act.

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 in process.

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 in process.

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

The Department of Energy's Procurement Information System: Expectations Have Not Been Realized *(EMD-82-113, 9-3-82)*

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: DOE Order 1330.1. OFPP Letter 81-1.

In response to a congressional request, GAO reported on the cost and effectiveness of the Department of Energy's (DOE) procurement information system and DOE efforts to develop a procurement planning program.

Findings/Conclusions: DOE has not always followed Federal procedures for implementing the widely established guidance for acquiring management information systems. Instead it has often decided on arbitrary courses of action and rushed the development of its systems. In several instances: (1) user needs were not identified before the development of a system; (2) procedures for preparing preliminary and alternative system designs were not followed; (3) systems which were chosen may not have been the most cost-beneficial alternatives; and (4) the system became operational before it was fully completed. The costs of developing the DOE procurement information system have substantially exceeded original estimates, and anticipated benefits have not been fully realized. The cost increases are due primarily to DOE attempts to correct data base and computer program problems which might have been minimized had it followed established procedures in designing and implementing the system. Because of inaccuracies in the system, various DOE offices are using their own data bases. If this practice continues, the effectiveness of the Procurement Assistance Data System (PADS) will be reduced and redundant procurement information systems will operate in DOE. Presently, PADS will do little more than track active procurement data; it will not handle preprocurement planning data.

Recommendations to Agencies: The Secretary of Energy should: (1) increase user confidence in PADS by selecting a statistically valid sample of data in the system and tracing it back to procurement source documents and, if the sample shows major inaccuracies in PADS data, further actions should be taken to ensure the accuracy and utility of the system; (2) determine to what extent program and field procurement awarding offices are using informal systems in lieu of PADS and how best such redundancy can be eliminated; and (3) analyze the costs and benefits associated with the various alternatives for providing an advanced procurement planning system, including making it a part of PADS. In addition, the Secretary should require that established procedures for developing major information systems be followed when DOE develops future information systems.

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

Agency Comments/Action

According to a DOE official, that agency did not receive its formal copies of the report until October 5, 1982, and therefore, will not be responding to the report until 60 days hence.

Status of the Great Plains Coal Gasification Project: August 1982
(EMD-82-117, 9-14-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Department of Energy Act of 1978--Civilian Applications (P.L. 95-238). Department of the Interior and Related Agencies Appropriation Act, 1980 (P.L. 96-126). Supplemental Appropriations and Rescission Act, 1980 (P.L. 96-304). Nonnuclear Energy Research and Development Act of 1974 (42 U.S.C. 5901; 42 U.S.C. 5909). Financing Bank Act (Federal) (P.L. 93-224).

Pursuant to a legislative mandate, GAO reviewed the Great Plains Gasification Project. This second report contains information on all aspects of the project, including its status and the funds disbursed. The report also discusses: (1) the project's controls and management; (2) monitoring by the Department of Energy (DOE); and (3) the extent to which the DOE loan guarantee complies with applicable legislation. The project consists of the gasification plant, a coal mine, and a pipeline. Full-scale construction started in August 1981.

Findings/Conclusions: As of June 30, 1982, progress on the gasification plant was 4 to 6 weeks behind schedule. However, actions were initiated to get the project back on schedule with no anticipated long-term impacts. The mine was on schedule, and construction of the pipeline is expected to begin in April 1983. Cumulative project costs were lower than originally estimated. The project administrator has adopted extensive procedures to manage, direct, and oversee the construction and startup of the project. As part of these procedures, several internal audit groups have been established to assist management and oversee contractors at the project site. The computerized management information system, which produces most of the data on the project, has some weaknesses and needs further testing to ensure its integrity and reliability. DOE has established and implemented procedures for reviewing all aspects of the project, identifying problems, and initiating corrective actions. It expects to spend about $2.5 million each fiscal year to monitor project construction and to ensure appropriate release and use of guaranteed debt funds. However, it has not audited costs incurred to determine whether expenditures have been made in accordance with the limitations in the loan guarantee agreement. The review indicated that DOE has complied with the requirements of the applicable legislation.

Recommendations to Agencies: The Secretary of Energy should audit the costs incurred by Great Plains on a continuous basis throughout the construction period. Such audits should begin as soon as possible, because the longer DOE delays in initiating them, the more difficult it will be to verify and validate the costs on a current basis.

Status: Action in process.

Agency Comments/Action

DOD did not fully concur with the recommendation. However, DOE incorporated into the loan agreement a requirement for quarterly reports on audits of eligible costs by an independent public accountant. It is currently arranging to review the independent accountant's work throughout the construction period.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

The Secretary of Energy should take more timely and complete action on all appropriate audit recommendations.
Status: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

The Secretary of Energy should strengthen the monitoring of contractors' procurement activities and compliance with procurement requirements.
Status: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

The Secretary of Energy should create, to the extent practicable, dedicated functional support staff for each program Assistant Secretary-level manager.
Status: No action initiated: Date action planned not known.

The Secretary of Energy should require that contractors meet all property reporting requirements within the allotted time.
Status: No action initiated: Date action planned not known.

The Secretary of Energy should ensure that contractors are notified of property disposal procedures at the time of contract award.
Status: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

The Secretary of Energy should establish procedures to require periodic reconciliation of procurement and accounting records at each operations office.
Status: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

Agency Comments/Action

The agency's 60-day limit has not yet expired; the report was not released until October 6, 1982. GAO understands that the agency intends to request an extension. The report was issued within a very short time of GAO briefing DOE officials on the findings and recommendations. Although GAO understands that some corrective actions are underway, a definite statement is not expected until the Section 236 response is received.

Clear Federal Policy Guidelines Needed for Future Canadian Power Imports
(EMD-82-102, 9-20-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Executive Order 8202.

GAO reported on the necessity of a clear Federal policy for future Canadian power imports which, since the Middle East oil embargo of 1973-74, have increased sharply and will continue to increase because of proposed new interconnections. As a result, Canadian power purchases have lowered electricity prices, increased dependence on Canadian power, reduced domestic oil use, and affected the environment. The Department of Energy (DOE) is responsible for issuing Presidential permits to utilities which want to construct electrical transmission facilities at international borders. To date, permit applications have been approved on a case-by-case basis without clear guidelines.

Findings/Conclusions: GAO found that the appropriate role for Canadian power within the United States remains undetermined. DOE has no direction on how to fulfill its permitting responsibilities and thus has no specific set of criteria to conduct a permit review process. The utility industry is without a clear understanding of the Federal Government's position on importing power and what is required in the permitting process. GAO believes that lack of policy guidelines in the permit process may be part of the general problem of not having a formal electricity policy. DOE has not fulfilled its electricity planning responsibilities which could provide an information basis for making permitting decisions. An effort now underway to develop a national electricity policy could include the policy guidance needed for Canadian electricity.

Recommendations to Agencies: The Secretary of Energy should work with the executive subcabinet working group on regulation, competition, and efficiency in the electric utility industry to establish clear Federal policy guidelines on the role for future Canadian electricity in the United States. This could be done as part of this group's total effort in looking at a national electricity policy and could contribute to a better understanding of the problems confronting utilities. This function is appropriate for DOE to undertake since it chairs this group. If the subcabinet group is unable to develop policy guidelines, the Secretary should obtain input from the utility industry and the Department of State to establish policy guidelines on its own. After development, the Secretary should inform utilities of DOE requirements. During the interim period before clear policy guidelines are developed, the Secretary should expedite the permitting process by working more closely with utilities during the technical and economic reviews to assure that utilities are aware of the purpose for submitting the data, how these data will be used, and the circumstances under which a permit could be issued with conditions.

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

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 insure 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 insuring 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 June 1983.

Home Health Care Services--Tighter Fiscal Controls Needed
(HRD-79-17, 5-15-79)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Health Insurance for the Aged. Social Security Amendments of 1972.

As of June 1978, there were 2,612 agencies certified by Medicare to provide home health care. A detailed audit was conducted at 11 home health agencies to verify that the costs claimed for Medicare were in fact incurred, allowable, reasonable, and properly reported. This review focused on proprietary and private nonprofit agencies.

Findings/Conclusions: GAO found wide variances and inadequacies in Medicare's reimbursement procedures for home health care. The management and clerical costs for two home health agencies in Louisiana that were comparable in size were $291,400 and $129,000. A comparison of two agencies in Florida showed wide variances in personnel salaries. The number of nonprofit home health agencies has grown significantly in recent years. One reason is because of the efforts of some for-profit organizations which assist in the establishment of such agencies and subsequently do business with them. GAO believes that there is program abuse because of the following examples: (1) the newly created agencies obtain services from the for-profit organizations without the benefit of competition; (2) the contracts of two for-profit organizations were for an excessive period of time (35 years and 29 years); (3) some for-profit organizations used facilities of the nonprofit agencies to conduct their business at the expense of the Medicare program; (4) some services under the contracts may be unnecessary for providing home health services; and (5) frequent examples of self-dealing were noted between the for-profit organizations and the home health agencies.

Recommendations to Agencies: The Secretary of Health, Education, and Welfare (HEW) should direct the Administrator of the Health Care Financing Administration (HCFA) to develop the cost limits under Section 223 of the Social Security Amendments of 1972 for individual home health care cost elements where this is appropriate.

Status: Action in process.

The Secretary of HEW should direct the Administrator of HCFA to emphasize to providers that costs claimed under Medicare must be documented.

Status: Action completed.

The Secretary of HEW should direct the Administrator of HCFA to require intermediaries to routinely test, on a sample basis, provider adherence to the documentation requirements.

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

The Secretary of HEW should direct the Administrator of HCFA to emphasize to home health providers that prior approval is required for those fringe benefits not otherwise specifically authorized.

Status: Action completed.

The Secretary of HEW should direct the Administrator of HCFA to require that home health agencies provide specific reporting on the salaries and fringe benefits furnished to individual employees.

Status: Action in process.

The Secretary of HEW should direct the Administrator of HCFA to require prior intermediary approval of home health agency contracts whose costs exceed a specified amount and/or whose term exceeds a specified period of time.

Status: Recommendation no longer valid/action not intended. *The report disclosed abusive contracting practices but recent legislative changes have made the recommendation moot. The Reconciliation Act of 1980 gives the Secretary of HHS access to the books of subcontractors who supply providers goods and services over $10,000 in a 12-month period. Also, Medicare reimbursement to home health agencies for contracts based on percentage are now prohibited.*

The Secretary of HEW should direct the Administrator of HCFA to clarify and strengthen program instructions for the specific types of promotional activities that are allowable, and require providers to document the scope and nature of the duties of agency employees often designated as discharge planners or hospital coordinators.

Status: Action completed.

Agency Comments/Action

This report contains eight recommendations, the most significant of which have been implemented. About $23 million per year will be saved with the establishment of cost reimbursement limits. Action has been taken on all but one of the recommendations.

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 has been brought to the agency's attention on several occasions since the report was issued. It has developed a new system, the Payments Management System, which will be implemented in July 1983 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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 to replace the one covered by the recommendations.*

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. It has developed a new system, the Payment Management System, which will be implemented in July 1983 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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 to replace the one covered by the recommendations.*

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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 to replace the one covered by the recommendations.*

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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 to replace the one covered by the recommendations.*

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. It has developed a new system, the Payments Management System, which will be implemented in July 1983 to replace the one covered by the recommendations.*

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.

Agency Comments/Action

In responding to the report on April 24, 1980, HEW described a number of positive actions it has completed to implement GAO recommendations. HEW also described system changes to be incorporated into the redesign efforts to replace all of its financial systems, including the one handling cash advances. Also, the HEW response suggested that the redesigned cash advance system will not contain the necessary accounting records to control advances to all recipients by specific appropriations. Followup work by GAO has confirmed this and established that action still has not been taken on some of the GAO recommendations.

Hospitals in the Same Area Often Pay Widely Different Prices for Comparable Supply Items
(HRD-80-35, 1-21-80)

Budget Function: Health: Health Care Services (551.0)

A review was made of the procurement practices of 37 hospitals in 6 cities to determine: (1) the prices paid for selected routine hospital items, and (2) whether there are significant variations in prices paid for the same or similar hospital items within the same geographical area.

Findings/Conclusions: GAO identified significant differences in prices paid by different hospitals in the same geographic area for the same items. The overall weighted impact of the differences in terms of total annual usage was 10 percent, although in some instances the difference ran as high as 300 percent. No adequate explanation for the variations was apparent; however, the most plausible explanations were: (1) that purchasing agents did not share or exchange price information, and (2) that the higher prices for some items were due to other services furnished by vendors. Although the Department of Health, Education, and Welfare (HEW) and its Medicare intermediaries did not believe that scrutiny of the prices paid for hospital supplies would be cost effective, GAO identified 5 items which offered potential aggregate savings of about $150,000, or 4 percent aggregate volume of those items, for hospitals in two or more cities. The potential savings on the five items alone could amount to millions of dollars.

Recommendations to Agencies: The Secretary of HEW should direct the Administrator of the Health Care Financing Administration (HCFA) to instruct Medicare intermediaries to: (1) gather and compile price information in various areas on the five items GAO identified that appeared to offer the greatest potential for cost savings; and (2) communicate such information to the hospitals they service.
Status: No action initiated: Date action planned not known.

The Secretary of HEW should direct the Administrator of HCFA to instruct intermediaries to periodically monitor their hospitals' purchases of the items identified and report back to HCFA in order to: (1) assess the extent that this activity may result in cost savings; and (2) determine whether it should be expanded to include other hospital supply items.
Status: No action initiated: Date action planned not known.

Agency Comments/Action

HHS agreed to implement the recommendation on an experimental basis at one Medicare intermediary. In September 1981, this planned initiative was dropped as part of the fiscal year 1982 administrative expense budget cuts.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

State Advance Payments to Aid to Families With Dependent Children Recipients Are Inconsistent With Federal Regulations
(HRD-80-50, 2-7-80)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: 45 C.F.R. 233.20(a)(2)(i). 45 C.F.R. 233.20(b)(1). 45 C.F.R. 233.20(a)(3).

The Aid to Families with Dependent Children (AFDC) program was examined regarding program policies, management characteristics, and operational procedures in six States and several of their local welfare agencies to identify areas in need of further audit or analysis. One of the issues concerning assistance payments was identified as warranting immediate attention. Pursuant to payment policies believed to be inconsistent with Federal regulations, the States of New York and Massachusetts are making advance payments to AFDC recipients and are obtaining 50 percent Federal participation. During 1978 these payments amounted to about $6 million in New York and about $33.6 million in Massachusetts. Of this, an undeterminable amount of the $6 million and about $1.4 million of the $33.6 million are overpayments, which may not be recouped. Federal regulations require that a State plan must specify a statewide standard, expressed in dollar amounts, to be used in determining the (1) need of applicants and recipients, and (2) amount of the assistance payment. The most recent data available indicated that 22 States, including New York and Massachusetts, provided payments that along with any recipient income, equal 100 percent of the need standard for all recipients. Federal participation in the assistance payment is available on the basis that any recipient income plus the monthly payment does not exceed the need standard. The regulations further provide for Federal participation in the monthly AFDC grant only if the recipient was eligible on the date aid was paid.

Findings/Conclusions: The New York policy authorizes advance payment of AFDC funds upon request to recipients facing eviction or utility shutoffs for overdue payments. Essentially, these advance payments are loans, because they are in addition to the regular monthly grants. It is believed that this policy is inconsistent with Federal regulations because the additional moneys are: (1) more than the need standard in the approved State plan and are for expenses covered by prior months' grants, and (2) based on the assumption that a recipient will be eligible in the future. This policy does not limit the size, number, or total amount of advances a recipient can obtain and have outstanding. Although these advance payments are subject to repayment from future grants, if a case with an outstanding advance is discontinued from assistance, the advance payment is often not recouped. This results in abuse of the system and little incentive for recipients to budget regular assistance payments. The Massachusetts policy provides AFDC recipients with a portion of their assistance payment in advance quarterly payments. This, too, appears to be inconsistent with regulations because it presumes continued eligibility for a 3-month period. If an applicant becomes eligible during a quarter, he receives a prorated advance based upon the number of semi-monthly pay periods remaining in the quarter. If a recipient becomes ineligible at any time during the quarter, the State does not require repayment. GAO believes these payments should not be federally reimbursed.

Recommendations to Agencies: The Secretary of Health, Education, and Welfare (HEW) should disallow claims for Federal participation in advance payments and initiate appropriate efforts to recover the Federal share of any outstanding advance payments.
Status: Action in process.

The Secretary of HEW should revoke the prior approval of the quarterly advance payment policy and limit Federal participation to payments for those months in each quarter that each recipient was eligible.
Status: Action completed.

The Secretary of HEW should require the Social Security Administration to review all State AFDC plans and regulations to see whether their payment policies are consistent with the Code of Federal Regulations.
Status: Action completed.

The Secretary of HEW should require the Social Security Administration to establish a mechanism within the Administration to make sure that changes are made to those State plans with payment policies that are not consistent with the Code of Federal Regulations.
Status: Action completed.

Agency Comments/Action

SSA met with the States to resolve issues on their respective advance payment policies to AFDC recipients for utility shut-offs and other special needs. Massachusetts amended its advance payment policy to be consistent with Federal regulations which became effective September 16, 1980. All of the required information is included in the amendment; no further action is required. New York was cited as out of compliance with Federal policy for its approved plan for recouping advance payments for special needs.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Better Management Information Can Be Obtained From the Quality Control System Used in the Aid to Families With Dependent Children Program
(HRD-80-80, 7-18-80)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act (42 U.S.C. 601). Social Security Amendments of 1977 (P.L. 95-216). Food Stamp Act of 1977. P.L. 96-38.

Over $900 million paid to poor families under the Aid to Families with Dependent Children program was paid in error during 1978. This estimate includes overpayments to eligible families and payments to ineligible families and is based on data reported by the quality control system. The quality control system was established to improve the program's administration by identifying errors and developing corrective actions to eliminate them. The system is also the basis for fiscal sanctions against States for erroneous payments in excess of error tolerance levels. There is a congressional conference directive for sanctions based on quality control error rates. Fiscal sanctions create an adversary relationship between the Federal Government and the States at a time when a cooperative effort is needed to reduce errors. Using the quality control system as the basis for sanctions limits the system's value as a means for improving payment processes. Because a high error rate will result in sanctions, there is an incentive to identify fewer errors. To be most effective, the quality control system should identify as many errors as possible giving management more information to develop corrective action plans. Among the weaknesses noted in the program were: both State and Federal quality control reviews differ from State to State and Federal region to region reviews; some case reviews include extensive verification of eligibility and grant amount factors, while others rely heavily on statements by recipients; the agency has recognized the differences between quality control reviews but has not determined how this affects the identification of incorrect payments; agency regional offices do not follow consistent procedures, and the agency has no assessment system for its regional offices' quality control functions; the quality control program does not provide for reporting incorrect payments of less than $5 or those caused by changes in circumstances that occur during the payment review month or the month before; the system provides for reporting only one error cause per case even if there are several; and quality control data were not being adequately analyzed at either the State or Federal level.

Findings/Conclusions: Efforts to sanction high error in States based on quality control error rates should be discontinued. Instead of sanctioning States, the Federal Government should provide more assistance in error reduction efforts. The Appropriations Committees should play a role in discontinuing this effort. Although the Aid to Families with Dependent Children quality control system has led to improvements in the program, the system itself needs improvement. The agency needs to make sure that all States make adequate efforts to determine the correctness of program payments and that its regions make their reviews of State quality control cases uniformly. The agency's planned changes in its quality control procedures manual, if properly implemented, should help correct these problems so that reviews can be made on a comparable basis. The agency's current monitoring of State and Federal quality control performance also needs improvement. If the quality control system reported and compiled incorrect payments of less than $5, those occurring because of changes during the administrative period, and secondary errors, the managers would have additional useful information for developing corrective actions to reduce incorrect payments. There is insufficient analyses to identify the specific causes of errors. States need time to make the necessary analyses, and the agency needs to place more emphasis on data analysis.

Recommendations to Congress: The House and Senate Appropriations Committees should retract the conference committee directive for Federal fiscal sanctions against the States based on the Aid to Families with Dependent Children quality control error rates.

Status: Recommendation no longer valid/action not intended. *Rather than retracting the Michel Amendment, Congress reinforced it in the Tax Equity Act (P.L. 97-248, September 3, 1982) by limiting Federal financial participation in erroneous assistance payments that do not exceed 4 percent in 1983 and 3 percent in 1984 and future years. This recommendation should be dropped.*

Recommendations to Agencies: The Secretary of Health and Human Services (HHS) should assess regional quality control procedures to ensure adequacy and consistency and establish guidelines for reviews of State quality control cases by the Health and Human Services regional offices, including criteria for making home visits to recipients and third-party verifications.

Status: Action completed.

The Secretary of HHS should increase regional monitoring and periodic assessments of State quality control operations as well as HHS monitoring of its regional quality control operations.

Status: Action completed.

The Secretary of HHS should change the Federal regulations to require reporting of incorrect payments of less than $5 and those occurring because of changes during the administrative period.

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

The Secretary of HHS should require States to report all causes of incorrect payments detected during the quality control review process.

Status: Action completed.

The Secretary of HHS should encourage the States to perform more detailed analyses of the quality control data to:

(1) identify the specific causes of errors; and (2) provide management with better information for developing appropriate corrective actions. GAO recognizes that States are currently required to review two quality control samples per year and, therefore, have difficulty making resources available to perform data analysis. If the directive for sanctions is retracted by the Appropriations Committees, HHS should consider revising the sampling requirements to one per year so that States can then devote existing resources to making needed analyses to ascertain the causes of errors.
Status: Action completed.

The Secretary of HHS should require the Commissioner of the Social Security Administration to perform more analysis and special studies of quality control data to identify appropriate corrective actions for assisting States in their error reduction efforts.
Status: Action in process.

Agency Comments/Action

HHS issued a revised quality control manual that addressed GAO concerns for more uniformity in Federal and State quality control reviews, reporting all causes of errors and guidance for State quality control data analysis effective October 1980. Monitoring of Federal and State quality control procedures and practices was increased and expanded quality control data analysis at HHS has been undertaken. HHS does not plan to change the Federal regulations to require reporting of incorrect payments of less than $5 or those occurring because of changes during the administrative period because this would change the definition of payment errors and preclude establishing whether States have met legislatively mandated target error rates.

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: No action initiated: Date action planned not known.

Need for More Effective Regulation of Direct Additives to Food
(HRD-80-90, 8-14-80)

Budget Function: Health: Consumer and Occupational Health and Safety (554.0)
Legislative Authority: Food, Drug and Cosmetic Act (21 U.S.C. 301 et seq.). Meat Inspection Act (21 U.S.C. 601 et seq.). Poultry Products Inspection Act (21 U.S.C. 451 et seq.). Saccharin Study and Labeling Act (P.L. 95-203). Food Additives Amendment of 1958 (21 U.S.C. 321(s); 21 U.S.C. 342(a)(2)(c); 21 U.S.C. 348). 21 C.F.R. 170.6. 21 C.F.R. 170.35.

The Food, Drug and Cosmetic Act requires that the safety of direct food additives be based on scientific evidence and that the evidence be reviewed and approved by the Food and Drug Administration (FDA). However, the Act exempts from review and approval substances generally recognized as safe (GRAS) by experts or approved for use before 1958, and allows the safety determination for some of those substances to be based on experience drawn from common use in food. The safety of several of these exempted substances has been questioned. A review was undertaken to determine whether current legislative authority and FDA regulatory practices adequately protect the public against hazards from substances directly added to food. GAO examined provisions of the Act which exempt about 1,450 substances from food additive regulation by FDA; reviewed several exempted substances the assumed safety of which was later questioned, and the removal from use of which has been proposed or completed; and evaluated the potential impact these exemptions could have on the level of evidence supporting the safety of the substances.

Findings/Conclusions: The FDA administrative regulations do not clearly define the scientific evidence needed to support the safety of a food additive or explain how it conducts safety assessments. The regulations do not distinguish among the different kinds of evidence which support each substance's safety affirmation. Experience from common use in food has questionable value in assuring that an additive is safe, because individuals are exposed to numerous substances, including environmental contaminants, over a long period. Adverse effects from exposure to harmful substances may not occur for many years. Since FDA is not required to review and approve GRAS substances, there is no assurance that consistent criteria are applied in determining the safety of all such substances. Of the 39 petitions received in 1979 for GRAS designations of substances used after 1958, review of 18 has been completed. Four of the 18 contained sufficient scientific evidence to support a GRAS affirmation. During 1978, FDA received 14 petitions requesting that food additives be approved. As of October 1979, regulations had not been approved or published for any of these substances. In seven petitions reviewed, FDA had determined that the scientific evidence supporting the substance's safety was inadequate and had requested additional evidence. In five cases, data not specifically identified in the regulations were requested. Developmental efforts are currently underway to publish definitive scientific testing guidelines and review criteria for determining the safety of food additives.

Recommendations to Congress: Congress should amend the Federal Food, Drug and Cosmetic Act to eliminate exemptions for GRAS and prior sanction substances. Changes to the law should provide for sufficient flexibility to encourage the use of information already available and to recognize that different types of scientific evidence may be appropriate to support the safety of food additives. The amendment should also provide a date on which the safety of all GRAS and prior sanction substances must be subject to Federal review and approval.

Status: Action in process.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the FDA Commissioner to publish regulations establishing review criteria for assessing the safety of food additives and issue guidance defining the methods and controls to be used in conducting scientific safety tests.

Status: Action in process.

The Secretary of Health and Human Services should direct the FDA Commissioner to revise regulations which list substances that FDA has affirmed as GRAS to indicate the kinds of evidence that support their safety.

Status: Action in process.

Agency Comments/Action

HHS agreed that the regulations of GRAS and other prior sanctioned substances is an important issue and developed ways to deal with the subject but did not agree it would be in the public interest to include a mandated timeframe for implementing congressionally acted revisions. FDA submitted recommendations to HHS for the development of an executive branch position on proposed food safety legislation (S. 1442 and H.R. 4014). These recommendations were considered by the Cabinet Council on Human Resources. On October 15, 1982, FDA also issued for comment a document entitled "Toxicological Principles for the Safety Assessment of Direct Food Additives and Color Additives Used in Food." The document identifies FDA scientific framework for developing safety information on new and already approved additives. The closing date for comments is January 13, 1983.

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 completed.

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 in process.

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 in process.

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 in process.

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: No action initiated: Date action planned not known.

Agency Comments/Action

The agency agrees with the thrust of the GAO recommendations. It has stated that it is in the process of making a comprehensive set of decisions that will shape the future environment of ADP activities. GAO views will be considered in arriving at these decisions.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Better Accountability Needed at the Medical University of South Carolina
(AFMD-81-32, 2-27-81)

Budget Function: Health: Education and Training of Health Care Work Force (553.0)

The Medical University of South Carolina is a State-supported university which also receives revenues from Federal grants and contracts. GAO investigated allegations concerning: (1) mismanagement of financial resources at the University; (2) limited action to correct known problems; and (3) limited Federal and State monitoring efforts.

Findings/Conclusions: Internal controls at the University are inadequate to ensure that Federal and State funds made available to the University are properly accounted for and used for the purposes intended. Detailed records for equipment purchased by the University under two federally funded projects could not show the location, need, or use of the equipment. As a result of inadequate criteria and policies for incurring entertainment expenses and accounting for such costs, it was difficult to determine the total amount spent on entertainment-related activities. Safeguards over controlled substances could not ensure that drugs are properly dispensed and recorded or that drugs returned to the pharmacy for disposal are properly accounted for. The University has not taken effective action to resolve these problems. In addition, State and Federal audits have been too limited to monitor the University's use of funds or to assure corrective action on previously identified problems.

Recommendations to Agencies: The Secretary of Health and Human Services should determine whether recovery should be made for that portion of the equipment which (1) was purchased without Federal approval; (2) cannot be located; (3) is not being used; and (4) is being used outside the grant-supported area.

Status: Action completed.

The Secretary of Health and Human Services should direct that any further Federal funding be contingent upon a showing by the University that corrective action has been taken to ensure that internal controls are adequate to ensure proper accountability of those funds.

Status: Action in process.

Agency Comments/Action

HHS finished its on-site work on June 18, 1982, for its assessment review to quantify the GAO findings and review the University's accounting systems. The final report covering these areas was issued in August 1982. That report states that about $500,000 in the University's expenditures should be recovered by the Federal Government. A second part of the HHS audit effort involved two other areas of the University's; cost claims and computer controls. The field work for this portion was completed in June 1982. There should be a final report in April 1983.

SOCIAL SECURITY ADMINISTRATION

Revising Social Security Benefit Formula Which Favors Short-Term Workers Could Save Billions
(HRD-81-53, 4-14-81)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Social Security Act Amendments of 1977.

Short-term workers have contributed a relatively small amount of social security tax because they have had little work in covered employment. However, they receive a higher return on their contribution than the average wage earner because of the benefit formula used to attain the program's social adequacy objectives. This advantage is created by spreading the worker's covered earnings over a lifetime and applying the resulting artificially low average wage to a benefit formula that is favorable for low wage earners. Stopping the short-term worker advantage could save as much as $15 billion over the next decade and end windfall social security benefits to retired Government workers who also receive a pension from their noncovered employment.

Findings/Conclusions: Because a social adequacy benefit seems inappropriate for the average or high wage earner and, in view of the concern about the financial stability of the social security program, Congress should consider revising the social security benefit formula to remove the advantage that it provides the short-term worker. GAO identified two methods of removing the short-term worker advantage: (1) the continuation factor approach would allow full benefits only to people who have worked a lifetime in covered employment by adding a step to the benefit computation process which applies a factor based on the portion of a person's life spent in covered employment to the computed benefit amount; and (2) the bend point method would limit the amount of each year's earnings that may be applied against the highest rate of the benefit formula.

Recommendations to Congress: Congress should consider revising the social security benefit formula to remove the advantage that it provides to the short-term worker.

Status: Action in process.

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 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 one report to date; 25 reviews are in progress. An announcement that will clarify policy on this subject has been sent to the HHS Office of General Counsel for clearance. The Office of Human Development Services is ready to audit any possible overpayments after the policy announcement is issued.

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: No action initiated: Affected parties intend to act.

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; and (5) required State cost-allocations plans to be amended and has made appropriate fund recoveries. HHS plans to: (1) issue the cost-allocation guide already developed; and (2) develop and issue adequate guidelines for DCA and OFA for future cost-allocation plan reviews after the cost-allocation guide is issued.

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, 1982, action was completed or underway to implement them.

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: No action initiated: Date action planned not known.

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

Health Systems Plans: A Poor Framework for Promoting Health Care Improvements
(HRD-81-93, 6-22-81)

Budget Function: Health: Health Planning and Construction (551.3)
Legislative Authority: Health Planning and Resources Development Act of 1974. Social Security Act.

The National Health Planning and Resources Development Act established health systems agencies (HSA) with responsibility for planning health services within a particular geographic area. The Act also established State health planning and development agencies and statewide health coordinating councils to deal with health care needs from the perspective of the entire State. The adequacy of health systems plans developed by HSA were reviewed and actions were recommended that the Department of Health and Human Services (HHS) should take to improve the plans.

Findings/Conclusions: A high priority of each HSA is to develop a health systems plan, a document describing what needs to be done to improve the health care system and the health status of area residents. The plan is fundamental for accomplishing the HSA objective. Despite substantial resources and community effort, GAO found that: (1) health systems plans were inadequately developed; (2) objectives lacked measurability; (3) objectives were not limited to priority goals; (4) many more objectives were established than could be accomplished within a reasonable timeframe; (5) objectives were questionable because they concerned further planning or were unattainable or unrealistic in what they sought to achieve through local community resources; (6) recommended actions for accomplishing objectives were nonexistent or poorly developed; and (7) resource requirements for implementing each recommended action were unspecified or inadequate. The failure of HSA's to follow HHS guidance and insufficient HHS involvement with HSA's during plan development contributed to the inadequacy of the plans. GAO also found that statewide roles for HSA vary widely and that the impact of the program is difficult to assess. This means that it may be impossible to produce clear and dramatic evidence concerning the effectiveness of health planning organizations.

Recommendations to Congress: Congress should amend the National Health Planning and Resources Development Act to allow the health planning organizations in States with statewide HSA's to jointly develop one health plan for the State.

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

Recommendations to Agencies: The Secretary of HHS should actively work with HSA's during the development of future health systems plans to ensure that future plans do not contain the deficiencies currently existing.

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

The Secretary of HHS should require HSA's to actively pursue the implementation of health systems plans and annual implementation plans after plans are determined to be consistent with HHS guidance.

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

The Secretary of HHS should require HSA's to revise inadequate plans so that such plans (1) concentrate on a few significant objectives that can be achieved in a reasonable time frame, (2) specify a strategy for and organizations for accomplishing the objectives, and (3) identify the resources needed to carry out the objectives.

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

The Secretary of HHS should issue regulations and guidelines concerning the implementation of the health planning program in statewide HSA's that would include requiring written agreements between the statewide HSA and the State agency which set forth their respective roles in carrying out the joint planning process.

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

The Secretary of HHS should assess the adequacy of the latest health systems plan at each HSA.

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

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 (HSS) 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 Health and Human Services should direct that requirements are developed to ensure that States which have county administered programs minimize the impact of county differences on the Family Assistance Management Information System (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 Health and Human Services (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 Health and Human Services should defer implementing P.L. 96-265 nationwide until the Family Assistance Management Information System 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 Health and Human Services (HHS) should direct that HHS develop cost-benefit data on the Family Assistance Management Information System that applies to States with different caseloads and error rates.

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

The Secretary of Health and Human Services (HHS) should direct that HHS expand the Family Assistance Management Information System 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 Health and Human Services (HHS) should direct that HHS develop performance standards for assisting States' system development activities and for evaluating State systems developed in accordance with the Family Assistance management Information System general systems design.

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

The Secretary of Health and Human Services (HHS) should direct that HHS identify ways to enhance the Family Assistance Management Information System general systems design so that it can be used as an integrated system for processing Aid to Families with Dependent Children, 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. 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.

More Action Needed To Reduce Beneficiary Underpayments
(HRD-81-126, 9-3-81)

Budget Function: Health: Health Care Services (551.0)

GAO assessed the procedures for reviewing unassigned Medicare claims where significant portions were disallowed for payment. The assessment was undertaken to determine how the safeguards established by Medicare carriers to identify potential underpayments associated with reasonable charge reductions were being applied. This assessment was performed as follow-on work to an earlier report addressing four areas where Medicare beneficiaries were subject to inequitable out-of-pocket costs for services covered by Medicare. In addition, GAO assessed actions taken by the Department of Health and Human Services (HHS) on recommendations made in that report.

Findings/Conclusions: As of June 29, 1981, HHS had taken little action on GAO recommendations made in the earlier report. Claims that are subject to relatively large reasonable charge reductions often involve underpayments which go undetected because of poor claims review. The Health Care Financing Administration's (HFCA) Contractor Performance Evaluation Program (CPEP) provides for an annual evaluation of a carrier's operations in terms of specific performance criteria and statistical measures. A major component of CPEP, the Carrier Quality Assurance Program, assesses the quality of claims processing on a statistical basis. HFCA claims processing standards require that Part B carriers process reasonable charge reductions automatically when billed charges are in excess of reasonable charges within established safeguards. The safeguards are to identify for manual review and resolution those claims and related medical procedures where submitted charges are reduced significantly for payment purposes. CPEP does not address how well carriers review these types of claims. The HFCA Quality Assurance Manual provides for checking the sampled claims against the carrier's claims processing rules and standards. However, it does not specifically provide for determining adherence to a carrier's standards for identifying high reasonable charge reductions for resolution through special handling or manual review. GAO believes that this is a weakness in the Carrier Quality Assurance Program for measuring how well carriers adhere to their claims processing standards.

Recommendations to Agencies: To provide greater assurance that safeguards for identifying potential underpayments are effective, the Secretary of HHS should direct the Administrator of the Health Care Financing Administration to modify the Contractor Performance Evaluation Program for Part B carriers to place additional emphasis on detecting and preventing underpayments. Specifically, the Quality Assurance Program should address, as a separate category of error, the quality of the review of claims that exceed the carriers' high charge reduction safeguards.

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

Agency Comments/Action

The Health Care Financing Administration has not taken any action. It said that, under the administration's proposed competitive health care system, beneficiaries would be free to choose an alternative plan if they found that they were being underpaid. It also said that identifying underpayments is too costly.

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 insure 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 prior 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 in 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

States' Efforts To Detect Duplicate Public Assistance Payments
(HRD-81-133, 9-17-81)

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

Pursuant to a congressional request, GAO obtained information concerning the efforts of the States to make comparisons of their public assistance rolls for the detection of duplicate payments. GAO also analyzed the Aid to Families with Dependent Children (AFDC) program in four States to determine the extent to which undetected duplicate enrollments and payments occurred in these States.

Findings/Conclusions: GAO sent questionnaires to the 50 States, the District of Columbia, Guam, Puerto Rico, and the Virgin Islands and received responses from all of them. The replies indicated that about half of the States had made efforts to compare their public assistance rolls on an intrastate basis for identification of duplicate payments. Because the frequency, thoroughness, and amount of available information on the results of these efforts varied significantly from State to State, GAO was unable to draw an overall conclusion on the success of these efforts in identifying duplicate payments. The GAO analysis of all 1979 AFDC cases in the four States selected indicated that duplicate enrollments existed which may have resulted in undetected duplicate payments. Because of the number of cases identified, GAO did not determine how many actually involved duplicate payments, but provided the Health and Human Services (HHS) Inspector General with lists of these cases for detailed investigation and resolution. Further, the ability to identify the amount of AFDC duplication was hampered by invalid and missing information in the four States' AFDC computerized beneficiary records. Most of the data element errors that were found dealt with invalid social security numbers which could disguise duplicate enrollments and hinder their identification. Conversely, AFDC cases having identical beneficiary social security numbers could give the appearance of duplication when in fact two different people may be involved.

Recommendations to Agencies: The Secretary of Health and Human Services should direct the Commissioner of Social Security to give the States a list of the valid ranges of social security numbers for the States' use in checking numbers provided by Aid to Families with Dependent Children beneficiaries.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to determine why Illinois has so many incorrect social security numbers in its Aid to Families with Dependent Children computerized system.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require Illinois to modify its system to prevent the inclusion of beneficiary records with erroneous social security numbers and missing last names.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to instruct Illinois to correct the erroneous data currently on file.

Status: Action completed.

The Secretary of Health and Human Services should direct the Commissioner of Social Security to require Tennessee to update the Aid to Families with Dependent children beneficiary data when dependent children are born to eliminate the designation of "unborn" in children's records.

Status: Action completed.

The Secretary of Health and Human Services should direct the Inspector General to follow up on State efforts to resolve the potential duplicate Aid to Families with Dependent Children cases that GAO referred to the Inspector General and report on the disposition of these cases.

Status: Action in process.

Agency Comments/Action

The Social Security Administration (SSA) worked with the State in developing an action plan to identify and fix problems related to incorrect Social Security numbers (SSN) and to update its computer system and the system's maintenance of SSN's. SSA approved the State's action plan in March 1982. SSA met with Tennessee officials and, as a result, the State implemented procedures in February 1982 to eliminate the designation "unborn" in AFDC records once the child is born.

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 (4) 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: 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 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 documentation requirements for clinical records and to strengthen the requirements.

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 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: 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 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: 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, where home health agencies provide aide services, require them to submit with their bills a copy of the aide needs assessment.

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 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 said that the report failed to provide enough information to determine if the recommendations would be cost effective. Nonetheless, the Health Care Financing Administration has taken action or indicates that action will be taken on about seven recommendations.

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 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. There is currently no indication that Congress will address the quality control program again in the near future.*

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. There is currently no indication that Congress will address the quality control program again in the near future.*

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.

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 in process.

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 in process.

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 and is designing a system to separate the eligibility and claims processing components of the program.

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 continue 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 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.*

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.

Agency Comments/Action

Several task forces were established by the FDA Commissioner, HHS Secretary, and Congress to examine and, where appropriate, recommend ways to improve the drug review process. Each group was charged with looking for and recommending ways by which policy, regulations, legislation, or management changes could improve the drug review process without lessening the FDA concern for safety and effectiveness of drugs. The task forces have completed their work and, on October 19, 1982, FDA published in the Federal Register a proposed revision to its regulations governing the approval for marketing of new drugs. 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 the Social Security Administration's efforts to develop and implement its automatic data processing systems' corrective action plan.
Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of Health and Human Services 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, the Social Security Administration 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 Health and Human Services 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 Health and Human Services should carefully screen prospective suppliers of computer time to make sure that they can provide adequate privacy protection and security for Social Security Administration data.
Status: No action initiated: Affected parties intend to act.

The Secretary of Health and Human Services 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 Health and Human Services should complete the structuring of the Social Security Administration comprehensive long-range planning process.
Status: Action in process.

The Secretary of Health and Human Services should begin to plan for completely redesigning the Social Security Administration's major automatic data processing systems, including competitive replacement of hardware, to correspond with the overall agencywide plan.
Status: No action initiated: Affected parties intend to act.

The Secretary of Health and Human Services (HHS) should review all prior GAO recommendations for improving Social Security Administration 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: Action in process.

Agency Comments/Action

In its official comments on this report, HHS stated that it agrees with the thrust of the GAO 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. In the report on that review (GAO/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, but it was also noted that successful implementation of the plan would determine whether it would really solve the pressing ADP systems problems of SSA. GAO also stated that, during the course of planned future work at SSA, it would further assess planned activities.

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. Nor has it 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. Thus, machine readable claims may possibly 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: No action initiated: Affected parties intend to act.

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. Although the recommendation is valid and implementation of it would provide more assurance that only valid Medicaid claims are paid, given the position of the agency, further effort would not be worthwhile.*

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 reducing the burden of Federal regulations and directions on the States and because of the Paperwork Reduction Act of 1980.

SOCIAL SECURITY ADMINISTRATION

SSA Needs To Determine the Cost Effectiveness of Manually Identifying SSI Recipients With Income From Other Federal Sources

(HRD-82-33, 1-8-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)

While developing and testing a multiple correlation matching computer program to detect erroneous payments within and between various Federal programs, GAO observed the Social Security Administration's (SSA) present process for manually matching Supplemental Security Income (SSI) records with payment records of certain other Federal agencies.

Findings/Conclusions: GAO found that, while SSA has used this manual matching system for nearly 5 years, it has not collected data essential for assessing whether the system is effective. GAO noted that SSA has no information on the disposition of cases referred to district offices. Moreover, the personnel and other costs involved at the district office level in investigating and resolving the cases are unknown, and there is no mechanism in place for obtaining this information. GAO also found that, because SSA does not record the ultimate resolution of cases, it is possible that a single case may go through the process year after year, wasting valuable district office resources.

Recommendations to Agencies: The Commissioner of SSA should direct that SSA collect data to facilitate a cost-benefit study of the manual identification of SSI recipients with income from other Federal sources

Status: Action in process.

Agency Comments/Action

The agency agreed to conduct a study to evaluate the recommendations.

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 would be investigating options for innovations 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.

Medicare Equalization Factor Payments to Group Practice Prepayment Plans Should Be Stopped
(HRD-82-39, 2-18-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act (42 U.S.C. 1395l(a)(1)(A); 42 U.S.C. 1395x(v)(1)(A)). 42 C.F.R. 405. 42 C.F.R. 405.453(a). 42 C.F.R. 405.453(b)(2). 42 C.F.R. 405.241. HCFA Health Insurance Manual 8. 42 U.S.C. 1395mm. 42 U.S.C. 1395k(a)(1).

GAO reviewed Medicare Part B equalization factor payments to Group Practice Prepayment Plans (GPPP's) to determine whether the GPPP's are consistent with either the statutory definition of reasonable costs under the Social Security Act or Department of Health and Human Services (HHS) implementing regulations. GPPP's are organizations that have a formal arrangement with the equivalent of three or more fulltime physicians to provide certain health services, generally not on a fee-for-service basis,to the plans' members.

Findings/Conclusions: GPPP's that serve Medicare beneficiaries can elect to be reimbursed for medical services provided under Medicare Part B on a reasonable cost, rather than a reasonable charge, basis. Organizations reimbursed on a reasonable cost basis are, under the law and regulations, to be paid on the basis of incurred costs. HHS has not issued regulations specifically implementing or defining what is meant by reasonable cost reimbursement for GPPP's. Consequently, GPPP's which elect to receive reimbursement for Part B services are subject to both the statutory definition of reasonable cost under the Act and the cost reimbursement principles of the HHS regulations. The equalization factor does not represent a cost actually incurred, but an allowance for a cost that may be incurred sometime in the future. Equalization factor payments made to GPPP's which receive Medicare reimbursement pursuant to the Act are not consistent with either the statutory definition of reasonable cost under the Act or implementing regulations. Over 6 years have passed since the Health Care Financing Administration was initially advised of this matter. Although a notice of proposed rulemaking to discontinue these payments was published, there is no assurance that the payments will be terminated.

Recommendations to Agencies: The Secretary of Health and Human Services should act immediately to terminate equalization factor payments made to Group Practice Prepayment Plans that receive Medicare reimbursement.

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

Agency Comments/Action

HHS has not implemented the recommendation to immediately terminate equalization factor payments to Group Practice Prepayment Plans because it took the position that such payments are made to plans electing reimbursement under Medicare's reasonable charge rather than reasonable cost authority. However, HHS did not contend it was authorized under that authority. Instead, it said the issue was being reviewed to determine whether these payments are appropriate under the reasonable charge authority and a decision would be made in the near future.

Analysis of Four States' Administration of the AFDC Program: Management Improving but More Needs To Be Done
(HRD-82-20, 2-22-82)

Budget Function: Income Security: Housing Assistance and Other Income Supplements (604.0)
Legislative Authority: Social Security Act. Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35).

GAO was asked to evaluate the Aid to Families With Dependent Children (AFDC) program management in California, Illinois, Massachusetts, and New York in terms of differences in management practices, agency organization, and employee accountability as they related to administrative costs and the level of erroneous payments.

Findings/Conclusions: Each State is required to have an AFDC operational plan which is deemed to be proper and efficient by the Department of Health and Human Services (HHS). However, HHS officials have defined their management role as an advisor to the States and have not asked State and local managers to develop any cost performance data by which they and the States can measure the cost effectiveness of program operations. This approach has been ineffective. HHS cannot evaluate the cost effectiveness of State operations, and State and local managers have only limited data to establish budgetary and performance goals, maximize their use of resources, and measure the cost effectiveness of day-to-day operations. California implemented a comprehensive management system that generated administrative cost savings of $18.8 million in its first year of operation. AFDC management has been improving; however, in one or more States, further attention needs to be paid to administrative problems which contribute to high error rates and erroneous payments. HHS and the States are currently working to implement AFDC program changes mandated by the Omnibus Budget Reconciliation Act. In addition, the President has announced his intention to turn the AFDC program over to the States, a transfer which would demand a high degree of HHS-State cooperation. Under the circumstances, altering the Federal-State relationship might not be appropriate at this time.

Recommendations to Agencies: The Secretary, HHS, should work in the interim, within his current capacity, with Massachusetts to: (1) expand the prescreener concept to all district offices; (2) improve the accuracy and quality of reports generated from the redetermination control system; (3) hold workers accountable for following the priorities established by the system; (4) justify the cost effectiveness of doing home visits in the income maintenance process; (5) continue its efforts to place greater emphasis on the quality of the work produced by its income maintenance staff; and (6) implement a planned system by which it can hold its workers accountable for quality.

Status: Action in process.

The Secretary, HHS, should work in the interim, within his current capacity, with Illinois to: (1) have sufficient staff to cover its entire caseload; and (2) properly implement the controls in its centralized filing system to determine whether the system can be effective as designed. If the centralized system is found to be ineffective, HHS should work with Illinois to pilot test a decentralized filing system to determine a better way of controlling client documentation. HHS should work with Illinois and New York to improve their personnel systems to more fully develop a cadre of qualified personnel.

Status: Action in process.

The Secretary, HHS, should require that all State plans contain statewide income maintenance worker goals of administrative efficiency. These goals should be based on appropriate work measurement and operational analysis of specific work processes. HHS should begin working with the States to develop these performance goals and administrative budgets based on them to assist AFDC managers to increase worker productivity and improve cost control.

Status: Action in process.

The Secretary, HHS, should issue regulations which would require all States participating in the AFDC program to have in their respective plans systems to enable: (1) accurate and timely verification of a client's eligibility; (2) tracking of client status on a continuing basis; (3) proper control of client documentation; (4) workers to be held accountable for the quality of their work; and (5) placement of qualified people in income maintenance positions.

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

Agency Comments/Action

HHS agreed that States need to develop and use administrative cost and performance data to measure the cost effectiveness of program operations but did not agree that it should do so through regulation. HHS believes the States are in the best position to decide what information is needed to manage resources. Recent changes to AFDC increased the States' flexibility in program management. HHS believes two proposals for current year legislative action would limit increases in the Federal share of AFDC costs, give the States the primary responsibility to assess and improve administrative efficiency and cost effectiveness, and reduce or eliminate the Federal role. One proposal combines the Federal share of AFDC, Food Stamp, and Medicaid administrative costs into one fund capped at 95 percent of FY 1982 expenditures. The other phases out any Federal sharing in erroneous AFDC payments. These proposals would provide a strong incentive for States to improve administration and reduce errors.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FDA Can Further Improve Its Adverse Drug Reaction Reporting System
(HRD-82-37, 3-8-82)

Budget Function: Health: Prevention and Control of Health Problems (551.2)
Legislative Authority: 21 C.F.R. 301.300.

GAO reviewed the Food and Drug Administration's (FDA) adverse drug reaction reporting system, because a comprehensive survey of FDA monitoring of prescription drugs showed that many of the problems identified in a previous report still exist. In that report, GAO noted that the reporting system was underused as a tool to regulate marketed drugs.

Findings/Conclusions: GAO found that medical officers are making more use of the reporting system than they previously did. Many said that the system is useful and is improving. The Division of Drug Experience has offered seminars and workshops on the capabilities and limitations of the reporting system. Despite this training, some medical officers indicated that they were unaware of what the system could do. GAO reviewed individual drug reaction reports submitted by the manufacturers and found that less than half had been entered into the system and only 60 percent had reached the Division. As a result, the system failed to identify some potentially serious adverse reactions. FDA needs all the information available if it is to make timely determinations on the need for regulatory action. The procedures for routing adverse reaction reports submitted by manufacturers were revised to allow reports to reach the Division sooner. This change, however, may not result in more reports getting into the system. Because of the current budget situation, additional staff and resources may not become available, and FDA should explore alternative methods of evaluating and entering reports into the system. The Division entered over 115,000 reports into the adverse reporting system. The largest number of reports were received from manufacturers. Little has been done to encourage reporting from sources other than manufacturers, but the Division plans to increase nonmanufacturer reporting. GAO explored alternatives of increasing adverse reaction reporting.

Recommendations to Agencies: The Secretary, HHS, should require the Commissioner, FDA, to require medical officers to attend seminars and workshops sponsored by the Division of Drug Experience intended to train them on the capabilities of the adverse drug reaction system.
Status: Action completed.

The Secretary, HHS, should require the Commissioner, FDA, to instruct the Division of Drug Experience to solicit feedback from medical officers in the Office of New Drug Evaluation as to how the system could be improved to better meet their needs and implement those proposals which are cost effective and could increase medical officers' use of the system.
Status: Action completed.

The Secretary, HHS, should direct the Commissioner, FDA, to explore alternative methods for evaluating and processing nonserious, known reactions to drugs. Consideration should be given to not entering into the system some of the common, known reactions which add little or nothing to the knowledge of marketed drugs.
Status: Action in process.

The Secretary, HHS, should encourage other Federal agencies operating hospitals to develop an adverse drug reaction reporting system.
Status: Action in process.

The Secretary, HHS, should direct administrators of hospitals within HHS to cooperate with the Division of Drug Experience by establishing and using reporting systems in their hospitals.
Status: Action in process.

The Secretary, HHS, should direct the Commissioner, FDA, to explore alternative methods, such as toll-free or collect-call service, to increase the quantity and quality of reports from nonmanufacturer sources.
Status: Action in process.

Agency Comments/Action

HHS agreed with the recommendations and advised GAO of actions being taken by FDA. FDA revised routing procedures for adverse reaction reports which increased the number of reports that reach the operating division and the number entered into the computer system. FDA revised procedures for processing adverse reaction reports. The Secretary of HHS now requires quarterly reports from FDA on the number of reports received and processed and on the processing timeframes. FDA is holding seminars for medical officers on the use of the system and: (1) has developed an abbreviated method of computer entry of reports of nonserious reactions; (2) has met with representatives of various Federal agencies to improve participation by Federal hospitals in reporting adverse reactions; (3) completed a study of the feasibility of using a toll-free phone system; and (4) will evaluate the potential of incorporating and adverse reporting system to the new AMA computer drug information system.

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

The agency agrees with all of the GAO recommendations with the exception of 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.

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. HHS stated that it is currently planning to analyze the various standards within the regulations.

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 recommendations were made to Congress; not to the agency. The Social Security Administration (SSA) responded to the report, but did not comment on the recommendations (March 3, 1982). Eliminating any Social Security benefit provision is a highly sensitive (political) issue. SSA had previously (1979) proposed legislation to eliminate the entitlement (currently insured) provision, but it was never introduced. Widespread reform of Social Security is now being considered by a bipartisan national commission.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FDA's Approach to Reviewing Over-the-Counter Drugs Is Reasonable, but Progress Is Slow
(HRD-82-41, 4-26-82)

Budget Function: Health: Consumer and Occupational Health and Safety (554.0)
Legislative Authority: Drug Listing Act of 1972 (21 U.S.C. 360). Food, Drug and Cosmetic Act (21 U.S.C. 301).

GAO reported on the Food and Drug Administration's (FDA) evaluation of the safety and effectiveness of over-the-counter drugs, a review which began in 1972 and which is not expected to be completed until 1990.

Findings/Conclusions: The FDA strategy for reviewing over-the-counter drugs involves making a scientific analysis of available data and setting standards of safety and effectiveness for each ingredient used in classes of drugs, instead of reviewing each drug product separately. The review process consists of the review of the scientific data by expert advisory panels, FDA review of the panel findings, drafting and publishing of monographs, and the enforcement of the monographs. In 10 years, FDA has completed only 4 of 64 planned final regulations. Average processing time has risen despite a greatly increased staff. The review has resulted in unsafe or ineffective products being removed from the market. Also, products have been voluntarily reformulated and relabeled, and some drugs that previously were available only by prescription are now sold over the counter. However, most of the review's expected benefits have not been realized. The review turned out to be a much larger task than anticipated. Additional factors which contributed to delays included: poor prioritizing, failure to use status reports to track progress in the completion of monographs, delayed policy decisions, and the ineffective use of staff in branch offices. A GAO review of two pilot compliance programs indicated potential problems for future compliance efforts. These problems were caused by the lack of an accurate listing of over-the-counter drugs and the FDA failure to adequately monitor or evaluate enforcement efforts.

Recommendations to Agencies: The Secretary of HHS should direct the Commissioner of FDA to establish priorities for completing individual monographs based on objective criteria, such as consumer sales or market impact, and establish detailed milestones for completing the development of monographs and the publication of final regulations based on actual experience, staff skills and experience, the work required, and the priority of the monographed document.

Status: Action completed.

The Secretary of HHS should direct the Commissioner of FDA to establish goals for expediting the over-the-counter drug review and develop a system for measuring progress in completing all monograph documents which measures progress against projected milestones and provides feedback to HHS and FDA.

Status: Recommendation no longer valid/action not intended. *HHS has taken actions to monitor progress in completing monographs differently than proposed. A system has been developed to monitor the length of time a document has been in an office. If closely monitored and enforced, this system could work. While GAO has doubts about implementation and practicality, it would require too much work to prove it.*

The Secretary of HHS should direct the Commissioner of FDA to develop a mechanism for high-level agency officials to promptly identify and resolve policy issues.

Status: Action completed.

The Secretary of HHS should direct the Commissioner of FDA to review, and revise where appropriate, procedures for reviewing draft monograph documents to ensure that branch personnel are given the necessary supervision and authority to develop the products for which they are responsible.

Status: Action in process.

The Secretary of HHS should direct the Commissioner of FDA to determine, based on the anticipated cost and timeliness of possible alternative approaches, whether the over-the-counter drug listing files are needed. If the listing is not needed, FDA should propose legislation to amend the Drug Listing Act to eliminate the reporting requirement. If it is needed, FDA should assess the relative efficiency of updating the entire system in the next few years or updating the system by drug category as monographs are published.

Status: Action in process.

The Secretary of HHS should direct the Commissioner of FDA to establish measurable objectives for the over-the-counter drug enforcement effort and the expected timetables for performing the work.

Status: Action completed.

The Secretary of HHS should direct the Commissioner of FDA to maintain for each category of drug product a complete master list of firms manufacturing the drug and a list of products as they are identified for each monograph.

Status: Action in process.

The Secretary of HHS should direct the Commissioner of FDA to track the progress made in reviewing and following up on products subject to the monographs and highlight, through written reports or regular meetings with district representatives, problems encountered in enforcing monographs.

Status: Action completed.

Agency Comments/Action

HHS found the report to be generally well balanced in tone and constructive in its analysis of the FDA over-the-counter drug evaluation program. HHS agreed with the GAO observations that the policies and procedures for carrying out the review are logical and reasonable and that the review is taking longer to complete than originally anticipated. The report had also identified some areas of program administration requiring corrective action. HHS pointed out that FDA had already initiated some corrective measures as a result

of discussions with GAO and the agency's own evaluation of the program. Major actions being taken in response to this report are: (1) an evaluation of the program, including a number of staff studies, to determine if further procedural and policy changes are necessary; and (2) an exploration of the possibility of having an outside contractor operate the drug listing program while providing FDA with the information required for program purposes.

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 in process.

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.

Need To Recover Medicare Part B Duplicate Payments in Illinois
(HRD-82-67, 4-30-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Act. P.L. 92-603.

As part of a GAO review of Medicare contracting to identify specific cases of duplicate payments and to help facilitate the recovery of these overpayments, GAO developed a computer program which identified a substantial number of actual and potential duplicate payments made by an Illinois carrier.

Findings/Conclusions: Of the line items which GAO reviewed, 57 percent represented duplicate payments with allowed amounts totaling about $21,000. GAO also identified more than 24,000 potential duplicate line-item payments with allowed amounts totaling more than $2 million. Very few of the duplicate payments had been returned by the beneficiary or provider or otherwise recovered. Medicare instructions provide for the computer to automatically deny a line item if it is an exact duplicate of a line item that has already been processed. However, in some cases, two line items may not be entered exactly the same even though both represent the same service. Because of this, carriers are required to have edits for potential duplicates, and suspect line items are reviewed manually by carrier clerical personnel. For a sample of about 10 percent of the Medicare beneficiaries, 19,706 pairs of line items met the GAO criteria for possible duplicate payments. The carrier could provide complete information on only 32 of 39 pairs for which GAO requested additional information. GAO could not determine why 34 exact matches of duplicate line-item payments were not automatically denied. Claims review procedures did not require that claims examiners be given copies of both claims when a claim is suspended for manual review. Therefore, carrier personnel could not accurately determine if the second claim should be paid. Except for the exact duplicates, the duplicate payment cases GAO identified resulted in large part from clerical errors.

Recommendations to Agencies: The Secretary of Health and Human Services should ensure that timely action is taken to review the more than $2 million in potential duplicate payments which GAO identified along with those claims with which Electronic Data Systems Federal Corporation experienced processing problems in December 1979.

Status: Action in process.

The Secretary of Health and Human Services should ensure that timely action is taken to recover the overpayments identified.

Status: Action in process.

Agency Comments/Action

HHS has initiated recovery efforts for the 284 duplicate payment cases GAO identified. At the completion of that effort, recovery action for duplicate payments made in December 1979 will begin. Based on the results of these efforts, HHS will determine whether it is cost effective to pursue recovery on the balance of the 24,000 potential duplicate payments GAO identified. By a letter dated November 12, 1982, HHS directed the contractor to expedite the discovery process for the potential duplicates made in 1979 which represented about 25 percent of all 24,000 potential duplicates. This discovery process must be completed for beneficiary claims by December 1982 and for doctors' claims by March 1983.

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 in process.

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: No action initiated: Affected parties intend to act.

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 have been helpful in getting the SSA systems modernization effort off to an effective start. Specifically, the agency agreed with all four recommendations in the report. As of November 1982, GAO observed SSA and HHS actions to implement three of them. SSA intends to begin implementing the fourth recommendation by March 1983.

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: No action initiated: Affected parties intend to act.

Agency Comments/Action

IHS has agreed to implement the recommendations to strengthen the process for determining Indian health care needs. The agency has completed actions to implement these recommendations but continues to disagree with the recommendation calling for development of a more equitable funding allocation system. The Secretary, HHS, has required that IHS report to him by December 1983 on corrective actions needed to resolve major funding disparities that will exist upon termination of the Equity Fund.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Social Security Administration's Efforts To Reexamine the Continuing Eligibility of Disabled Persons
(HRD-82-91, 7-14-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: P.L. 96-265.

GAO reviewed the recent efforts of the Social Security Administration (SSA) to reexamine the continued eligibility of persons on its disability insurance rolls.

Findings/Conclusions: GAO believes that there are several actions which SSA should take to help alleviate the hardships to severely impaired individuals and bring the reexamination efforts closer to the intended objectives.

Recommendations to Agencies: The Secretary of Health and Human Services (HHS) should require the Commissioner of SSA to notify all disability beneficiaries and explain to them the purposes of the Periodic Review and the importance of their providing complete and current medical evidence. If these reviews are to remain new determinations with little consideration given to the prior determination, this aspect should be fully explained to the beneficiaries.

Status: Action in process.

The Secretary of HHS should require the Commissioner of SSA to issue policy guidance to the State agencies emphasizing the uniqueness of the Periodic Review cases and the need for a full medical history in all cases. Specifically, SSA should establish a policy that can be uniformly applied by State agencies to ensure that a complete medical history is obtained and evaluated in all cases before benefits can be terminated for medical reasons. The medical history should cover the period from the initial disability determination and include medical information used in the initial determination.

Status: Action in process.

The Secretary of HHS should require the Commissioner of SSA to establish a processing time goal for managing the Periodic Review caseload that is commensurate with thorough development of medical evidence.

Status: Action in process.

Agency Comments/Action

SSA comments on the recommendations were sent to HHS on September 28, 1982. HHS had not submitted formal comments as of November 12, 1982. SSA comments indicate that the agency agrees with the recommendations. Two recommendations are in the process of being implemented, and one will be implemented in the future.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Waiver of Medicaid Freedom-of-Choice Requirement: Potential Savings and Practical Problems
(HRD-82-90, 7-20-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Omnibus Budget Reconciliation Act of 1981 (P.L. 97-35). Social Security Act. H. Rept. 97-208.

GAO reviewed the Medicaid freedom-of-choice requirement to determine whether savings can be achieved and to identify the practical problems that may be encountered if freedom of choice were eliminated and the services were furnished by lower cost providers.

Findings/Conclusions: GAO found that the amount of savings that could be realized depends on the extent of physician and hospital acceptance. In the two States that were used as test areas, GAO identified similar potential savings and circumstances. Both areas were concerned about physician participation in the program, primarily because of low Medicaid reimbursement rates. To implement the waiver of the freedom-of-choice provision, States are required to document cost effectiveness, effect on recipients' access to care, and the projected impact of the program; the States under review identified several related issues on which GAO feels guidance would be beneficial in designing waiver requests. Restricting a recipient's freedom of choice for nonemergency hospital services could potentially result in significant Medicaid savings. However, practical problems associated with implementing such restrictions could substantially erode savings or have other undesirable impacts on the program. Restricting freedom of choice for other types of services could have similar problems. Current regulations contain little guidance on the standards the Department of Health and Human Services will apply in evaluating whether States' requests for waivers of recipients' freedom of choice meet the requirements contained in the law. Further, guidance on this should assist States in planning for and preparing waiver requests and also help ensure that the requirements of the law permitting such waivers are met.

Recommendations to Agencies: The Secretary of Health and Human Services should provide additional guidance to the States on the information necessary to show compliance with the law for waivers to limit freedom of choice of Medicaid recipients.
Status: Action in process.

Agency Comments/Action

HHS commented that, because of the wide diversity of potential projects and programs possible under section 1915(b), GAO believes that promulgating additional specific guidelines could unintentionally inhibit State flexibility and innovation in administering the Medicaid programs the statute is intended to foster. GAO will (1) be providing additional guidance based on experience in working with the program provisions and on changes in the law, and (2) focus on the modification to section 1915(b) contained in section 137(10) of the Tax Equity and Fiscal Responsibility Act restricting the Secretary's authority to waive freedom of choice provisions for persons enrolled in HMO's or other prepaid health care arrangements. HCFA will provide guidance generally intended to maximize effective and appropriate State use of the section's provisions. GAO is working with the National Governors' Association to compile and distribute information to States about various projects.

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 the issuance of claims processing system instructions to assist the Medicare carriers in implementing the policy instructions.

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 assure 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 to that activity. GAO found that States were having problems with the surveillance and utilization review subsystem 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 the surveillance and utilization review subsystem to overall surveillance and utilization review accomplishments, and (4) exception process methodology to better assure accuracy of the surveillance and utilization subsystem data.

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

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

Agency Comments/Action

The agency has not commented on this report as yet; GAO does not know its official position.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Impact of Medicare Reimbursement Limits on Small Rural Hospitals
(HRD-82-109, 8-6-82)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: Social Security Amendments of 1972 (P.L. 92-603). 42 C.F.R. 405.460. H. Rept. 92-231. S. Rept. 92-1230. Health Care Financing Administration Intermediary Letter 72-22. Health Care Financing Administration Intermediary Letter 78-17.

In response to a congressional request, GAO reviewed the legislative and regulatory basis for the sole community provider (SCP) exemption to routine inpatient hospital operating cost reimbursement limits, the effect of the SCP exemptions on small rural hospitals, the administration of the SCP exemption program, and a sample of Montana hospital SCP cases to see if all the relevant factors were considered.

Findings/Conclusions: The Social Security Amendments of 1972 provided that the Department of Health and Human Services (HHS) could establish limits on costs necessary for the efficient delivery of needed health services to individuals covered by Medicare. The provision was intended to curtail reimbursement of costs stemming from inefficiency in operations, conditions, or excessive service. Medicare reimbursement of costs in excess of these limits is precluded, except in certain specified cases such as the SCP exemption for the only providers reasonably accessible to the beneficiaries in an area. To apply for an exemption, a provider must either incur actual costs that exceed its reimbursement limit or it must wait until it files a cost report. Problems with the administration of SCP exemptions stem from the lack of a definition of certain key terms in the guidelines, the absence of specific criteria for evaluating exemption requests, and difficulties in obtaining necessary data. Decisions on the SCP exemptions for the Montana cases reviewed were based primarily on the question of distance from other hospitals even though other factors are supposed to be considered. The GAO analysis indicated that those rural hospitals with fewer than 50 beds are being affected comparatively more by the limits than larger hospitals. If a separate reimbursement limit were established for rural hospitals with fewer than 50 beds, the impact on them would be reduced while Medicare could save an estimated $3.7 million because of the resulting revised limits on other hospitals.

Recommendations to Agencies: The Secretary of HHS should direct the Administrator of the Health Care Financing Administration (HCFA) to eliminate exempted providers from computations of expected savings that will result from the reimbursement limits.

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

The Secretary of HHS should direct the Administrator of HCFA to define key terms and provide intermediary and HCFA regional office staff with a method of evaluating key factors used to determine if a hospital is entitled to an SCP exemption.

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

The Secretary of HHS should direct the Administrator of HCFA to redefine the group size and establish new limits for small rural hospitals to assure that the limits affect such hospitals equitably.

Status: Recommendation no longer valid/action not intended. *The Tax Equity and Fiscal Responsibility Act of 1982 exempted small rural hospitals from the cost limits but instead subjected them to cost growth ceiling. Accordingly, the recommendation is no longer valid.*

Agency Comments/Action

As of December 1, 1982, the agency had not responded to this report.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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

The issue of user charges for services rendered at CDC has recently surfaced as the Office of Management and Budget (OMB) begins to finalize the HHS fiscal year 1984 budget for submission to Congress in January 1983. OMB favors such user charges but HHS is evenly divided, as of December 1982, on the issue. CDC is totally opposed to such charges while the HHS Assistant Secretary for Management and Budget advocates the imposition of user charges in any situation wherein: (1) a service provided is above and beyond that which accrues to the general public; and (2) such a recipient of the service is identifiable.

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

The agency is in the process of considering the recommendations.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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 and to publish proposed regulations defining lobbying activities by title X and other grant recipients that are allowable.

Opportunity To Avoid Construction at Certain IHS Hospitals
(HRD-82-122, 9-29-82)

Budget Function: Health: Health Care Services (551.0)

GAO reviewed the factors that contributed to the low utilization of inpatient services at nine small Indian Health Services (IHS) hospitals and evaluated whether other cost-effective alternatives existed.

Findings/Conclusions: At the nine hospitals visited, GAO found that the inpatient workload was low and the services offered were limited when compared to those available at nearby community hospitals. Because of the limited inpatient services, a portion of the inpatient workload is referred to community hospitals which generally have the capacity to absorb the hospitals' total inpatient workload. The Department of Health and Human Services (HHS) plans to replace or modernize seven of the hospitals reviewed at a total estimated cost of $66 million. In addition, an estimated $6 million is to be used to correct structural deficiencies at all nine hospitals, and $15 million is to be used for construction of personnel quarters at four of them. GAO believes that some of the planned capital expenditures could be avoided by: (1) limiting expenditures to those required to maintain outpatient and emergency care facilities at the nine locations; and (2) obtaining inpatient care under contract from nearby community hospitals. The available cost data suggest that obtaining inpatient care for IHS beneficiaries from the community hospitals could be less costly. Discontinuing inpatient care at the hospitals may raise concern or opposition from tribal officials, and there may be some transition difficulties; however, phasing out IHS inpatient care by making greater use of community hospitals appears feasible as long as adequate funds for contract health care are available.

Recommendations to Agencies: The Secretary, HHS, should require the Director, IHS, to reevaluate the hospital construction plans for each of the nine hospitals reviewed and justify any capital expenditures beyond those necessary to provide outpatient and emergency care facilities. The IHS justification should include a determination of: (1) the use of nearby community hospitals as a cost-effective alternative to IHS direct care, and (2) the impact of using community hospitals on the quality of Indian health care.
Status: No action initiated: Date action planned not known.

The Secretary, HHS, should require the Director, IHS, to phase out the provision of IHS inpatient services by making greater use of nearby community hospitals where their use is a cost-effective alternative. The phaseout period should be long enough to assure IHS and tribal officials that inpatient care from nearby community hospitals will be both available and acceptable.
Status: No action initiated: Date action planned not known.

The Secretary, HHS, should assure that IHS has sufficient contract health care funds available for inpatient care at community hospitals at locations where IHS inpatient care is being phased out or has been discontinued.
Status: No action initiated: Date action planned not known.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Unsupported Yearend Obligations Overstate the Progress of Assisted Housing
(PSAD-80-41, 4-30-80)

Budget Function: General Government: Central Fiscal Operations (803.0)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974. 31 U.S.C. 200.

GAO believes that a substantial portion of the yearend obligations reported by the Department of Housing and Urban Development (HUD) since fiscal year 1976 for the "Annual Contribution for Assisted Housing" appropriation account have been invalid because they did not meet the statutory test of legal sufficiency. In a subsequent year, HUD deobligated many of the invalid obligations of prior years and reobligated the amounts involved. GAO was unable to determine how much was deobligated from each year prior to fiscal year 1979, but agency officials indicated that they expected several billion dollars in deobligations in the current fiscal year.

Findings/Conclusions: GAO found that HUD had a $16.5 billion surge in obligation in the last month of fiscal year 1978 in the assisted housing account. HUD recorded obligations when in reality there was no legal obligation on the part of the Government. Subsequently, a portion of the reported obligations were deobligated and reobligated providing HUD with significant amounts of obligational authority in excess of that indicated by its financial reports. Obligations for the account were based on notification and reservation letters which advised housing project sponsors that their projects were tentatively selected for funding. GAO believes that the letters are not legally sufficient to constitute obligations and that HUD could have misled Congress on its needs for additional budget authority by understating the balance available for obligation. The practice gives the impression that HUD has carried out its mission by actually contracting for assisted housing to a greater extent than it has. HUD maintains that the extent of the deobligations in relation to obligations is not nearly as high as is implied by the data, and that less than 10 percent of the obligations fail to result in contracts with the intended parties. It advises that the method is used because it believes that it could be liable to a recipient of a reservation letter if the recipient incurred costs in relation to the project and HUD later withdrew the reservation. GAO believes that, because the document clearly states that it is not a legal obligation, the HUD procedure serves only to inflate the amount of reported obligations.

Recommendations to Agencies: The Secretary of HUD should direct that: (1) a complete review be made of this account from fiscal year 1976 to the present to determine valid obligations based on contracts; (2) the HUD Inspector General's office validate the results of the review; (3) HUD record obligations on the basis of executed contracts; and (4) a cumulative (including fiscal years 1976, 1977, and 1978) corrected Yearend Closing Statement be prepared for fiscal year 1979 and certified to by the responsible HUD officer as required by law.

Status: Action in process.

Agency Comments/Action

HUD will implement the report recommendations, according to its letter to the Chairman, House Committee on Government Operations, and the Chairman, Senate Committee on Governmental Affairs, dated November 29, 1982. In the same letter, HUD said that the GAO report did support the view that the deobligation strategy and accompanying proposed rescissions for 1982 and 1983 were possible and in the public interest.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Evaluation of Alternatives for Financing Low and Moderate Income Rental Housing
(PAD-80-13, 9-30-80)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Housing Act (42 U.S.C. 1437). 42 U.S.C. 1437f. 42 U.S.C. 1437i. 42 U.S.C. 1437i(b).

Over the past 10 years, financing of Government-subsidized housing has changed from the more traditional and well-understood financing methods to more unusual combinations of the basic building blocks of the older programs. The new mechanisms, created to overcome the problems of older programs, have resulted in higher costs and some new problems. New and old alternatives for financing subsidized multifamily housing were compared in terms of: total costs over the lives of projects; operating lives of subsidized units; risk of financial failure; adequacy of incentives to lenders, builders, and investors; and tenant groups served. The alternatives studied included the conventional public housing program; private lending insured by the Federal Housing Administration (FHA); State housing agency financing using tax-exempt bonds and private ownership; financing by public bodies who issue tax-exempt bonds under section 11 of the National Housing Act; and certain subalternatives and combinations of these methods. Except for public housing, each financing alternative uses rental assistance payments from the Department of Housing and Urban Development (HUD) under section 8 of the National Housing Act. A more detailed comparison was made of the two important section 8 alternatives, lending insured by FHA and State agency tax-exempt financing.

Findings/Conclusions: The long-term costs of providing housing through public housing and FHA insurance alternatives are much lower than the State housing and section 11 options. The section 8 program is expected to have fewer failures than past FHA subsidized programs because it uses fewer nonprofit sponsors, subsidizes less rehabilitation, and produces fewer projects for families. Construction and early operation are the most risky periods in a project's life; good monitoring by the lender should reduce risk. Generally, State agencies serving as lenders are better managers of risk than private lenders. While the financing alternatives studied provided the necessary enticements to encourage housing production, shortcomings still exist. Section 8 was designed to serve a wide range of eligibles, but the housing produced under it has primarily been serving elderly and small nonelderly families; little section 8 housing being built will accommodate families with children or large households. Only a small share of housing assistance is going to eligible nonelderly households above the poverty line who have difficulty finding good housing at affordable rents. FHA insured financing is much less costly than State agency financing, even when the cost of more expected failures is considered.

Recommendations to Congress: Congress should reevaluate the use of the section 11(b) finance mechanism as presently structured.
Status: Action in process.

Congress should require HUD to use taxable bonds rather than tax-exempts for State agency section 8 financing.
Status: No action initiated: Agency/Congress has not acted.

Congress should reappropriate funds for subsidizing State housing taxable bonds under another existing program, section 802, which provides an interest reduction payment to State agencies using taxable bonds. This would result in a lower total subsidy.
Status: No action initiated: Date action planned not known.

Congress should improve oversight and ensure greater equity for families and the working poor by requiring HUD to report periodically to the housing oversight committees during the next 2 years on how well the needs of families and nonpoverty lower income households are being met by the various housing programs.
Status: No action initiated: Date action planned not known.

Congress should improve oversight and insure greater equity for families and the working poor by enacting legislation requiring that some percentage of housing assistance funds go to nonelderly households and particularly larger eligible households above the poverty threshold. This would be based on the HUD national needs assessment.
Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of HUD should take steps to target some housing at the working poor.
Status: Recommendation no longer valid/action not intended. *HUD felt that the section 8 program is too deep and costly a subsidy to be relied upon as a primary vehicle for housing moderate income households. HUD felt that a more shallow subsidy would be more appropriate.*

The Secretary of HUD should decrease the insurance coverage of FHA-insured multifamily loans.
Status: Recommendation no longer valid/action not intended. *HUD believes that its past experiences and the extensive improvements it has made in management procedures and supervision of loans have proven that coinsurance is a favorable development. HUD believes that the relevance of coinsurance as a risk management tool is not important.*

The Secretary of HUD should develop a strategy to overcome some of the problems of producing family housing.
Status: Action in process.

The Secretary of HUD should provide budget estimates to Congress which show all major costs over an expected subsidy life discounted to reflect current year dollars.
Status: Recommendation no longer valid/action not intended. *HUD believes that the reports it currently provides to Congress in the Special Analyses to the Budget already present the type of long-term discounted cost estimates GAO is seeking. HUD believes that the detailed information GAO suggests that HUD provide to Congress would*

be overly burdensome and speculative.

The Secretary of HUD should place more emphasis on public housing by producing a larger proportion of assisted housing units with this mechanism.

Status: Recommendation no longer valid/action not intended. *HUD disagrees with the GAO finding that the costs of public housing are less than the costs of section 8. HUD believes that its current allocation system provides the appropriate proportion of aid for families and the elderly.*

The Secretary of HUD should emphasize mortgages rather than bonds and should ask Congress for authority to deny FHA insurance for these alternatives.

Status: Recommendation no longer valid/action not intended. *HUD believes that section 11(b) is so closely tied to FHA insurance that to deny insurance may affect the viability of the program. The production of projects perceived as riskier would be jeopardized.*

The Secretary of HUD should experiment with the use of mortgage-backed securities to finance section 8 multifamily housing.

Status: Recommendation no longer valid/action not intended. *HUD believes that, without State agency tax exempt financing, production levels under the section 8 new construction and substantial rehabilitation programs would be crippled.*

The Secretary of HUD should avoid granting mortgage insurance to projects financed by State agencies since State agency risk avoidance is probably encouraged by their role as lenders without insurance.

Status: Recommendation no longer valid/action not intended. *HUD believes that FHA insurance encourages agencies to undertake family and inner city projects that it would not otherwise finance. Therefore, it believes that there is a need to retain the option of providing FHA insurance.*

The Secretary of HUD should require State agencies to produce full rent comparability tests to decrease the cost of subsidizing tenants who live in projects financed by State housing finance agencies. These tests should be subject to HUD review and approval.

Status: Action completed.

Agency Comments/Action

HUD agreed with two of the recommendations and has taken some action. HUD agreed with the recommendation that it develop a strategy to overcome the problems for producing section 8 family housing. It agreed to monitor incentives for production of family housing to try to improve the delivery of housing assistance to families. In response to another recommendation that HUD experiment with the use of mortgage-backed securities (MBS) to finance section 8 multifamily housing, HUD issued New Handbook 7420 in February 1981 to provide for use of MBS with the section 811(b) program. However, as of June 1982, HUD decided not to proceed with the program because of the downturn of the housing market.

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 in process.

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 1983. 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 where warranted. HUD will schedule more coordinated 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. IRS 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.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Duplicative and Unnecessary Renovations Made in the HUD-Subsidized Concord Commons Apartments in Rockford, IL
(CED-82-67, 4-15-82)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Housing Act (12 U.S.C. 1701 et seq.).

In response to a congressional request, GAO discussed duplicative and unnecessary repairs approved by the Department of Housing and Urban Development (HUD) at an apartment complex in Rockford, Illinois.

Findings/Conclusions: Although HUD spent about $1 million to renovate more than half of the apartments at the complex during 1978 and 1979, all of the apartments are being renovated again by the Rockford Housing Development Corporation using a HUD-insured loan for $2.9 million. In addition, all of the units will receive HUD rent subsidies which will be used in part to repay the HUD-insured loan. This obligation will total more than $14 million over the next 15 years. A GAO inspection of 20 apartments that HUD had previously renovated showed that about half of the items scheduled for replacement were still functional. GAO also observed many items that, in its opinion, needed only minor repairs to be functional. In some instances, the original items were identical to and in virtually the same condition as the replacement items. Evaluators of the renovation proposal only visited damaged apartments and did not take into account the previous repairs. GAO found that the second renovation was undertaken without adequate regard for cost-effectiveness and without sufficient indication that the marketability goals for renting the apartments could be met. Upgrading projects more than necessary results in fewer housing units being made available to needy persons, because renovation costs must be recovered through rents. HUD procedures for repair of multifamily properties are vague and permit considerable latitude in determining the extent of needed repairs. GAO also identified a number of deficiencies in contracting procedures and practices used during the previous renovations.

Recommendations to Agencies: The Secretary of Housing and Urban Development should notify HUD area offices nationwide of the need to coordinate renovation work performed by their Property Disposition Branch and Housing Development staffs when HUD-owned multifamily properties are sold to private buyers. Similar to the coordination procedure designed by the Chicago Area Office in August 1981, such coordination could be certified by a joint memorandum prepared by the responsible officials in both groups concurring in nonduplicative renovation work.

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

The Secretary of Housing and Urban Development should direct the appropriate offices of HUD to determine if the problems disclosed regarding the renovation of Concord Commons are of sufficient magnitude elsewhere to warrant nationwide corrective actions. In this determination, the Secretary should direct that outstanding policies, guidelines, and standards for the renovation of multifamily projects sold with HUD-insured loans and subsidies be reviewed to determine if further clarification is needed for: (1) controlling renovation work, including approval of repairs beyond those necessary to provide decent, safe, and sanitary housing; and (2) evaluating the reasonableness of proposed renovation work, including requirements for conducting cost-effectiveness and marketing studies as part of the decision-making process.

Status: Action completed.

Agency Comments/Action

HUD fully supported the overall intent of the report that there was a need for adequate coordination and review by each field office to avoid duplication of rehabilitation work. HUD said a memorandum would be sent to each of its area offices requiring: (1) coordination of efforts; and (2) signed concurrences between Housing Development and Property Disposition staffs when a HUD-owned project is sold with a new insured mortgage including rehabilitation. The memorandum will be issued during the last quarter of fiscal year 1982 and will highlight the findings of the GAO report on Concord Commons. HUD said that its review of sales of HUD-owned projects, with insured mortgages and repairs to be made by the purchaser over the last 20 months, showed that none of the projects involved planned rehabilitation by HUD.

Procedures for Adjusting Rents in the Section 8 Program Need Reexamination
(CED, 6-11-82)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Housing and Community Development Act of 1974 (P.L. 93-383). Omnibus Budget Reconciliation Act of 1981.

GAO reviewed the procedures followed by the Department of Housing and Urban Development (HUD) in making annual rent adjustments under its subsidized rental housing program.

Findings/Conclusions: The program's authorizing legislation states that its rental assistance contracts shall provide for rent adjustments at least annually for units covered. HUD uses a formula approach to adjust the rents and develops annual rent adjustment factors for selected standard metropolitan statistical areas and four census regions. Congress made a number of changes to the program because of its high costs, including the basis for granting rent increases. GAO found that the process which HUD uses to develop the annual adjustment factors needs reexamination, because the Bureau of Labor Statistics (BLS) data used to compute these factors are gathered from samples that are not designed to yield precise local estimates. Review of the BLS sample design indicated that the data used by HUD to develop factors for local areas could contain sampling errors so high for some of the areas that the estimates are meaningless from a statistical standpoint. HUD officials said that time constraints and costs contributed to the agency's initial decision to use existing data rather than generate new data for the program. The direct impact that the annual adjustment factors have on the substantial Federal rental subsidies paid under the program strongly suggests that HUD should make every effort to insure the appropriateness and adequacy of the data used to develop the adjustment factors.
Recommendations to Agencies: HUD should reexamine both its procedures and the data it uses to develop annual rent adjustment factors and, in cooperation with BLS, develop a sound and supportable methodology for making rent adjustments.
Status: Action in process.

Agency Comments/Action

In a September 9, 1982, letter, HUD said that it was taking the following steps to determine the validity of its methodology for developing section 8 rent adjustment factors and to improve as necessary upon the procedures. HUD is consulting with BLS which has agreed to provide HUD with sampling error estimates on the data used to develop rent increase factors. Benchmarks using the annual housing survey data will be established to compare with and adjust CPI data if needed. HUD will study the possibility of developing annual rent increase factors using a moving average of CPI data instead of the 12-month data.

Problems Continue in Accounting for and Servicing HUD-Held Multifamily Mortgages
(AFMD-82-18, 8-18-82)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: 12 U.S.C. 1715z-4.

GAO was asked to perform a followup review to a prior report on loan servicing and accounting problems in the Department of Housing and Urban Development (HUD) multifamily mortgage programs. The earlier report concluded that the failure of HUD to produce adequate delinquency data and aggressively collect amounts owed on defaulted multifamily mortgages contributed significantly to the over $500 million owed HUD in delinquent loan payments. In that report, HUD agreed with the GAO recommendations and promised to improve its accounting system and to better manage its debt collection efforts.

Findings/Conclusions: GAO found that most corrective actions promised by HUD had not been completed. HUD reported that its nationwide inventory of multifamily mortgages consisted of 2,026 mortgages with an unpaid principal balance of approximately $4 billion. Over 55 percent of those mortgages were delinquent. The management of this inventory is a difficult task, since the projects securing the mortgages have a history of financial and/or management problems. HUD has taken some corrective actions, such as increasing financial training. The agency also recently made debt collection a top priority. However, GAO determined that in a 21-month period total delinquencies increased from $500 million to about $589 million.

Recommendations to Agencies: The Secretary of HUD should fully implement the recommendations of the prior report by expediting testing and correction of delinquency information generated by the new management information system.

Status: Action in process.

The Secretary of HUD should fully implement the recommendations of a prior report by requiring aggressive collection actions, including referrals to the Department of Justice, to obtain repayment of project funds used for unauthorized or questionable purposes.

Status: Action in process.

The Secretary of HUD should fully implement the recommendations of the prior report by requiring field offices to obtain complete financial reports from borrowers.

Status: Action in process.

The Secretary of HUD should fully implement the recommendations of the prior report by providing staff additional training in financial analysis.

Status: Action completed.

Agency Comments/Action

HUD agreed with the recommendations and promised to improve the quality of field offices' financial reviews and provide better delinquency data to loan servicers. Recently, HUD published two new handbooks to provide loan servicers with guidance on financial reviews. A new Office of Program Enforcement was created to pursue foreclosures and initiate other legal action to recover illegally diverted funds. These and other actions promised by HUD demonstrate the increased emphasis being placed on debt collection. When implemented, these actions should address the recommendations, reduce future questionable uses of project receipts, and better control increasing delinquencies.

HUD-Proposed Legislative Changes to Section 203 of the Housing and Community Development Amendments of 1978
(CED, 9-30-82)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Housing and Community Development Amendments of 1978. United States Housing Act of 1937. Housing Act. Housing Act of 1949. Housing and Urban Development Act of 1968. Housing and Community Development Act of 1974. 24 C.F.R. 290. Cole v. Lynn, 389 F. Supp. 99 (D.D.C. 1975).

GAO reviewed the implementation of the Department of Housing and Urban Development (HUD) policy to attach section 8 subsidies to the sales of acquired multifamily housing projects to insure their continued availability to low- and moderate-income tenants. Specifically, the review determined the cost and effectiveness of the policy and whether other less costly, but effective, sales methods were adequately considered.

Findings/Conclusions: In developing and implementing its policy, HUD never performed a thorough analysis of those projects sold without subsidies attached to establish the degree to which these projects were effectively serving low- and moderate-income tenants. The review indicated that it may not always be necessary or effective to attach section 8 subsidies to project units to the extent called for in the regulations. Overall project success appears to be related more to project location, surrounding neighborhood, owner/manager competence, and socioeconomic characteristics, rather than to whether the project was sold with section 8 subsidies. GAO believes that the HUD disposition regulations need to be revised to allow more flexibility, but does not agree with HUD that the section 203 provisions of the the Housing and Community Development Amendments of 1978 should be eliminated. There is some question as to how successful a proposed voucher program can be, whether there is sufficient existing housing stock for the program to work effectively, how supply would affect participation, and whether the structure of such a program would tend to exclude the very poor. HUD has recently begun to change its policy and is revising its regulations to allow greater flexibility in the use of section 8 subsidies. Each disposal decision should be thoroughly supported and documented to justify the decision and protect HUD against any potential law suits resulting from that decision.

Recommendations to Agencies: HUD should propose, in lieu of the elimination of section 203 provisions, the addition of a seventh goal to section 203 of the Housing and Community Development Amendments of 1978, as amended. This goal would provide for assisting low- and moderate-income persons with direct rental assistance, as opposed to attaching a subsidy to protect units, when such housing is sufficiently available in the project area. HUD should also propose that language be added to section 203 requiring that disposal decisions made under section 203 be based on whether or not decent, safe, and sanitary low- and moderate-income housing is available in the area where the project is located.

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

DEPARTMENT OF JUSTICE

Asset Forfeiture--A Seldom Used Tool in Combating Drug Trafficking
(GGD-81-51, 4-10-81)

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751.0)
Legislative Authority: Right to Financial Privacy Act of 1978. Controlled Substance Act. Confiscation Act (Civil War). RICO (Racketeer Influenced and Corrupt Organization) Act.

GAO reviewed the Department of Justice's asset forfeiture program, described the extent to which forfeiture has been employed in narcotics cases, and discussed the problems limiting greater forfeiture use.

Findings/Conclusions: Billions of dollars are generated annually by organized crime. These illicit profits and the assets acquired with them were the target of legislation passed to combat organized crime through forfeiture of assets. However, assets obtained through forfeiture have been miniscule. The Government has not exercised the kind of leadership and management necessary to make asset forfeiture a widely used law enforcement technique. Justice has not given investigators or prosecutors the incentive or guidance to go after criminal assets. Emerging case law indicates that legislative changes are needed if investigators and prosecutors are to make meaningful attacks on the economic base of organized crime. Whether or not an improved asset forfeiture program will make a sizable dent in drug trafficking is uncertain. A successful forfeiture program could provide an additional dimension in the war on drugs by attacking the primary motive for such crimes, monetary gain. More forfeitures have not been realized because forfeiture statutes are ambiguous in some areas or incomplete and deficient in others, investigators and prosecutors are not given the guidance and incentive for pursuing forfeiture, and access to financial information may be limited. The Government lacks the most rudimentary information needed to manage the forfeiture effort. Justice is making efforts to remedy the matter by issuing guidance on the use of forfeiture statutes, analyzing in detail affected cases prosecuted since 1970, and preparing a manual on how to conduct financial investigations in drug cases.

Recommendations to Congress: Congress should amend the criminal forfeiture provisions of the Racketeer Influenced and Corrupt Organizations (RICO) statute, 18 U.S.C. 1961 et seq., to: (1) make explicit provision for forfeiture of profits and proceeds that are (a) acquired, derived, used, or maintained in violation of RICO or (b) acquired or derived as a result of a RICO violation; (2) authorize forfeiture of substitute assets, to the extent that assets forfeitable under RICO (a) cannot be located, (b) have been transferred, sold to, or deposited with third parties, or (c) have been placed beyond the general territorial jurisdiction of the United States.

This authorization would be limited to the value of the assets described in (a), (b), and (c) above; and (3) clarify that interests forfeitable under RICO include assets illicitly derived, maintained, or acquired that are held or owned in an individual capacity by defendants convicted of using a de facto association/enterprise to violate RICO.

Status: Action in process.

Recommendations to Agencies: The Attorney General should evaluate the workability of current forfeiture procedures and take the appropriate steps to effect any necessary revisions.

Status: Action completed.

The Attorney General should direct Justice's Criminal Division to analyze on a continuing basis the extent to which forfeiture statutes are used and the reasons for their success or failure. When problems restricting forfeiture use are identified, the Criminal Division should propose solutions, whether or not they involve administrative or legislative action.

Status: Action completed.

Agency Comments/Action

Justice generally agreed with the GAO findings and noted that the recent increased involvement of the FBI in drug investigations should increase the emphasis on asset forfeiture. Asset forfeitures have increased substantially since publication of this report. Justice indicated that its Criminal Division has established a system to monitor and evaluate the use of RICO forfeiture provisions in response to the recommendations.

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 Organizations) 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 than are presently being transferred from strike forces to U.S. Attorneys' offices. GAO does not agree with this position.

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 recommendations by developing and issuing a departmentwide directive on OMB A-109 related activities (major systems acquisitions). Currently (November 1982), the agency has completed its informal review process and has received comments from various bureaus. Implementation will be sometime in December 1982.

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: Action completed.

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.

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: No action initiated: Date action planned not known.

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.

Justice Needs To Address the Problem of Two Personnel Investigations
(GGD-82-56, 7-8-82)

Budget Function: Administration of Justice: Federal Correctional Activities (753.0)
Legislative Authority: DOJ Order 2610.2.

GAO evaluated the practice of conducting two personnel investigations on all newly hired Bureau of Prisons employees.

Findings/Conclusions: Since all Bureau of Prisons employees are classified as occupying sensitive positions, new employees must undergo background investigations and obtain security clearances. However, since the Bureau does not consider the Office of Personnel Management's (OPM) full field investigations to be timely, it has obtained permission to conduct its own investigations. GAO found that these investigations often duplicate each other and that it may be possible to carry out the investigative process more efficiently. In addition, savings could be achieved if OPM discontinued the practice of visiting agencies that have requested full field investigations to obtain information about the individual. GAO believes that security clearances are probably not necessary for all Bureau employees and that a review is needed to ensure that the Bureau's positions are properly classified. Other matters that should be addressed are the need for Justice to streamline the investigative process for personnel who are occupying sensitive positions and the practice of OPM investigators' visiting the Bureau to obtain information on Bureau employees under investigation. GAO believes these visits should be discontinued.

Recommendations to Agencies: The Department of Justice, in conjunction with the Bureau of Prisons security staff, should assess the appropriate sensitivity classifications for each of the Bureau's positions. If agreement cannot be reached concerning the classification of correctional officer positions, the Department of Justice should request OPM to audit positions to determine proper sensitivity classifications.

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

The Attorney General should: (1) explore additional ways to streamline the investigative process for persons occupying positions classified as sensitive; and (2) request OPM to discontinue its current practice of visiting Department of Justice agencies to obtain information on employees who are undergoing full field investigations.

Status: Recommendation no longer valid/action not intended. *A survey of this aspect of OPM operations is scheduled to start in November 1982. Justice stated that if OPM cannot substantiate the value of these visits, it will be requested to discontinue them.*

Agency Comments/Action

Justice agreed that actions can be taken to improve the procedures for conducting security investigations and stated that, overall, some very positive changes will be made in Bureau of Prisons personnel security operations. Justice stated that it is working with the Bureau on a pilot program to improve the Bureau investigative process and stated that the report gave Justice the impetus to streamline its security processing and adjudication procedures.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

Multiple Problems With the 1974 Amendments to the Federal Employees' Compensation Act
(HRD-79-80, 6-11-79)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Employees' Compensation Act (Injuries).

The number of lost-time injury claims filed by Federal workers increased sharply following legislative changes in 1974 which allowed employees' pay to continue uninterrupted for 45 days after a traumatic injury and gave them free choice of a physician.

Findings/Conclusions: Removal of a previously required waiting period has encouraged employees to file claims for minor and frivolous injuries and for injuries of short duration. A random selection of 410 continuation-of-pay (COP) claims showed that, based on the duration of the injuries and on other available factors, as many as 46 percent of all claims might have been eliminated by a 3-day waiting period. Lacking agency controls, the free-choice-of-physician provision has contributed to COP abuse. The Department of Labor (DOL) has not provided employing agencies with sufficient authority to carry out their responsibility for managing injury claims; and the degree of management varies widely among agencies. A large backlog of claims in DOL district offices has hindered the COP program; while short-cuts taken to try to control the volume of claims has allowed erroneous and unsupported claims to get through the system.

Recommendations to Congress: Congress should require that the 3-day waiting period for traumatic injuries be applied before the payment of COP, rather than 45 days later, in order to reduce the number of minor and frivolous claims which are diverting Labor's efforts from more serious claims, to reduce the cost to taxpayers, and to give Federal employees an incentive to return to work.

Status: Action in process.

Congress should provide employing agencies with the authority, if there is a question about the initial diagnosis of an employee's injury or the length of disability resulting from that injury, to require an employee to submit to a second medical examination by a Federal medical officer or a physician designated by the Secretary of Labor.

Status: Action in process.

Recommendations to Agencies: The Secretary of Labor should actively encourage employing agencies to develop programs for working with employees and their physicians, including contacting the employee's physician at the earliest possible opportunity and working with the physician in determining the best resolution of the employee's claim and length and extent of the disability.

Status: Action completed.

The Secretary of Labor should have the Assistant Secretary for Employment Standards instruct the Office of Workers' Compensation Programs to require district office claims examiners to obtain sufficient evidence for all COP claims before rendering final decisions.

Status: Action in process.

The Secretary of Labor should require the Assistant Secretary for Employment Standards to instruct the Office of Workers' Compensation Programs to give employing agencies the authority to controvert and withhold COP in controversial claims or in claims for which the agencies have found a basis for denial. Labor should give priority adjudication to these controverted claims.

Status: Action in process.

The Secretary of Labor should require the Assistant Secretary for Employment Standards to instruct the Office of Workers' Compensation Programs to provide all employing agencies with the authority to withhold COP: (1) until employees have provided agencies with sufficient medical evidence to substantiate their claims; and (2) when the employee refuses to return to work on a suitable light-duty assignment when such an assignment is in accordance with the attending physician's diagnosis.

Status: Recommendation no longer valid/action not intended. *Labor believed that it would require a complicated administrative scheme to assure uniform standards to withhold COP until the injured employee provided an agency with sufficient medical evidence to substantiate a claim and that the agencies already have the authority to terminate COP when an employee refuses to return to work.*

The Secretary of Labor should have the Assistant Secretary for Employment Standards instruct the Office of Workers' Compensation Programs to assist employing agencies with establishing uniform policies for dealing with COP. These policies should include provisions for investigating questionable claims, monitoring the progress of an employee recovering from an injury, contacting the employee's physician, developing a light-duty program, and recovering the COP paid for denied claims.

Status: Action completed.

Agency Comments/Action

Although Labor did not fully agree with any of the specific recommendations, it agreed with the general thrust of some of them. In these cases, it has taken administrative action which it believes will correct the deficiencies. Many of the recommendations to the agency will not be necessary if Congress passes the legislation it is considering which would eliminate continuation of pay.

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: Action in process.

Recommendations to Agencies: The Secretary of Labor should assign specific leadership responsibilities to agencies within the Department.
Status: No action initiated: Date action planned not known.

The Secretary of Labor should establish an ad hoc group within the Department to assess program needs, consult with business, labor, and academic leaders to determine appropriate actions for the Department to take to improve productivity, define program goals and objectives, plan implementation, and 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

In its response under section 236 of the Legislative Reorganization Act of 1970, 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.

DEPARTMENT OF LABOR

Administrative Changes Needed To Reduce Employment of Illegal Aliens
(HRD-81-15, 1-30-81)

Budget Function: Education, Training, Employment, and Social Services: Other Labor Services (505.0)
Legislative Authority: Fair Labor Standards Act of 1938. Farm Labor Contractor Registration Act of 1963. P.L. 95-412.

American citizens are being displaced from the work force by illegal aliens employed in the United States. The Department of Labor lacks the necessary enforcement tools to deter employers from hiring nonagricultural undocumented workers. Employers making a practice of hiring such workers remain virtually free from punishment. The President proposed legislation which would make the hiring of undocumented workers subject to civil and/or criminal penalties, but the legislation was not enacted. The proposed legislation would have: (1) intensified enforcement of both the Fair Labor Standards Act (FLSA) and the Farm Labor Contractor Registration Act; (2) adjusted the immigration status of certain undocumented aliens; (3) increased the resources available to prevent illegal immigration along entry points; and (4) promoted cooperation with nations that are the major sources of undocumented workers. Two hundred and sixty additional Labor employees were authorized to begin investigations and enforce the Farm Labor Contractor Registration Act. By enforcing the minimum wage and overtime requirements, Labor believed that there would be no incentive for hiring undocumented workers. The Labor program had little impact on hiring undocumented workers when their wages were above established minimums. GAO examined 606 Labor investigations and Immigration and Naturalization Service (INS) records.

Findings/Conclusions: GAO found that Labor did not concentrate enough of its investigations on companies where the INS found undocumented workers. It focused on wage complaints received from employees, which would ordinarily be investigated during routine enforcement efforts. Labor's compliance officers were not authorized to question employees covered by the Fair Labor Standards Act about their citizenship status. Because of its high case load, INS may not have been able to act on additional Labor referrals. Employers were permitted to retain back wages owed to undocumented workers who could not be found. Farm labor contractors generally did not prepare required written documentation on worker's citizenship or work permit status. Labor erroneously believed it did not have authority to question farm labor contractor employees' citizenship or work permit status. Labor had a substantial backlog of cases awaiting prosecution for violations of the Farm Labor Contractor Registration Act. Labor took several steps to improve the undocumented worker program; however, additional statutory and administrative changes are needed if the Federal program is to be effective. Both agencies should continue to exchange information necessary to ensure that employers pay workers in accordance with the minimum wage and overtime laws and that undocumented workers are identified and dealt with according to immigration laws.

Recommendations to Congress: Congress should amend the FLSA to require that back wages resulting from violations of the act found to be due employees--whether undocumented or legally entitled to work in the United States--who cannot be located, be deposited in the U.S. Treasury as miscellaneous receipts.

Status: Action in process.

Recommendations to Agencies: The Secretary of Labor should act more aggressively to reduce the backlog of prosecution cases for violations of the Act.

Status: Action in process.

The Secretary of Labor should: (1) enforce the regulations that require farm labor contractors to show evidence that they made a bona fide inquiry into each prospective employee's status as either a U.S. citizen or alien authorized to work in the United States.

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

Agency Comments/Action

Labor has acted to reduce its backlog of prosecution cases under the Farm Labor Contractor Registration Act and has replaced its "Employers of Undocumented Workers Program" with a "Special Targeted Enforcement Program." Labor has also acted to implement a nationwide procedure whereby violating employers will be asked to voluntarily sign agreements stipulating that unpaid back wages due employees who cannot be located will be deposited in the U.S. Treasury as miscellaneous receipts.

DEPARTMENT OF LABOR

Federal Employees' Compensation Act: Benefit Adjustments Needed To Encourage Reemployment and Reduce Costs
(HRD-81-19, 3-9-81)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: Employees' Compensation Act (Injuries) (5 U.S.C. 8101). H. Rept. 64-678. S. Rept. 93-1081.

The increasing number of long-term disabled beneficiaries under the Federal Employees' Compensation Act, together with increased benefits and changes in economic conditions, have caused program costs to increase sharply. A review was undertaken to determine: (1) whether benefits under the Act are adequate and equitable compensation for wages lost by Federal employees because of their on-the-job injuries, while providing an economic incentive for them to be rehabilitated and return to work; and (2) the kinds of claimants being compensated for long-term disabilities and their chances and incentives for returning to work.

Findings/Conclusions: The high compensation structure under the Act provides little financial incentive for injured employees to return to work as originally intended by Congress. In some instances, benefits are higher than preinjury take-home pay. One cause of the high level of Federal workers' compensation benefits is the rate at which benefits are paid; 66.7 percent of gross salary for beneficiaries without dependents and 75 percent for those with one or more dependents. Since many long-term disabled beneficiaries are close to or beyond the average age when most Federal employees retire and have extremely limited employment possibilities, they are, in effect, retired. The Department of Labor has drafted proposed legislation which would: (1) subject Federal workers' compensation benefits to Federal income tax; (2) eliminate increased benefits for dependents; and (3) provide for the transfer of beneficiaries to the Civil Service retirement program.

Recommendations to Congress: Congress should integrate the Federal workers' compensation and Federal retirement programs to provide for the transfer of compensation beneficiaries to the retirement program within 3 years of the time the employee would be eligible to retire. This would help ensure that the Act's objectives are accomplished and better define the roles and responsibilities of these programs.

Status: Action in process.

Congress should make Federal workers' compensation benefits subject to Federal income taxes and reconsider at what level Federal workers' compensation benefits should be set (probably near the original 66-2/3 percent level) to lessen inequities among beneficiaries and to reestablish the original congressional intent of providing economic incentives to return to work. At whatever level decided upon, Congress should incorporate a single percentage, as this will eliminate the increased benefits for dependents.

Status: Action in process.

Recommendations to Agencies: The Secretary of Labor should revise Labor's legislative proposals integrating these programs, to provide for the transfer of compensation beneficiaries to the retirement program within 3 years of the time the employee would be eligible to retire, rather than at Labor's presently proposed 65 years of age.

Status: Recommendation no longer valid/action not intended. *Labor is unlikely to revise its legislative proposal to transfer compensation beneficiaries to the retirement rolls at age 65. At the present time, GAO agrees with the general thrust of Labor's proposal.*

The Secretary of Labor should revise the Department's proposals to delete the increase in benefits from 66-2/3 and 75 percent to 80 percent and reconsider at what level Federal workers' compensation benefits should be set, probably near the original 66-2/3 percent level established by the Congress. At whatever level decided upon, Labor should retain a single percentage as now proposed, as this will eliminate the increased benefits for dependents.

Agency Comments/Action

Labor did not concur with the specific recommendations to: (1) change the formula for establishing benefit levels or; (2) transfer compensation beneficiaries to the retirement rolls within 3 years of the time the employee was eligible to retire. However, Labor agreed with the general thrust of the recommendations to reduce benefit levels and to transfer compensation beneficiaries to the retirement rolls.

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 take action to correct the deficiencies that were cited.
Status: Action in process.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: Action in process.

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: No action initiated: Date action planned not known.

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: Action completed.

DEPARTMENT OF LABOR

Measurement of Homeownership Costs in the Consumer Price Index Should Be Changed
(PAD-81-12, 4-16-81)

Budget Function: Education, Training, Employment, and Social Services: Other Labor Services (505.0)

Many economists, members of Congress, and others have questioned whether the consumer price index (CPI) as presently constructed by the Department of Labor's Bureau of Labor Statistics (BLS) is an appropriate measure of the rate of price change for the uses to which it is put. In particular, they have charged that the present method of measuring homeownership costs does not accurately reflect the rate of price change experienced by homeowners in paying for their housing. GAO determined the validity of these concerns and evaluated alternative methods of measuring changes in homeownership costs in CPI.

Findings/Conclusions: Homeownership costs have a relative importance of about 23 percent in CPI. The present homeownership component of CPI measures changes in the cost of purchasing, financing, and maintaining houses. Because of its emphasis on these cost changes the CPI homeownership component does not measure either the average change that all homeowners experience or the change in cost for an average homeowner. In addition, the present approach to measuring homeownership costs allows no logical determination of the weight assigned to expenditures on housing in calculating the overall CPI. User cost and nominal outlays are two widely discussed conceptual approaches to measuring the cost of consuming housing services. The user approach measures full economic costs of consuming housing services. The nominal outlays method includes only out-of-pocket expenses, not the full economic costs that homeowners incur. Rental equivalence and a user cost index are two methods of measuring user cost. Rental equivalence views the user as the rental income homeowners forgo by residing in their houses rather than renting them to others. Both the rental equivalence and nominal outlays approaches to measuring the cost of consuming owner-occupied housing services have substantial merit. BLS currently publishes five experimental measures of CPI in which homeownership costs are measured by rental equivalence, user cost indexes, and nominal outlays.

Recommendations to Congress: If BLS revises CPI-U but not CPI-W then, Congress should rely on the revised CPI-U in forming economic policy and amend the legislation, if necessary, to use the revised CPI-U as the index by which social security payments, Civil Service and other Government retirement pensions, and other entitlement and transfer programs indexed in the CPI are adjusted.

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

The appropriations committees of Congress should consider favorably any BLS requests for additional funds for the purpose of modifying the homeownership components of the CPI as GAO has recommended.

Status: Recommendation no longer valid/action not intended. *BLS has already annoucned plans to modify the CPI-U in a way consistent with the recommendation. This change will take place in January 1983. No addition funds were requested for this specific purpose.*

Recommendations to Agencies: The Secretary of Labor should direct BLS to continue publishing CPI-W in its current form for a specified period of time while modifying CPI-U as recommended if it is determined that the existence of long-term contracts incorporating CPI-W and a widespread desire among private sector groups to have available an index of consumer prices using the present approach provide sufficient reasons for maintaining such an index.

Status: Action in process.

The Secretary of Labor should direct the Commissioner of BLS to amend indexes of consumer prices published by BLS by substituting a flow-of-services approach to measuring the cost of consuming owner-occupied services for the present method of measuring homeownership costs.

Status: Action in process.

Agency Comments/Action

BLS indicated its agreement with one of the two alternative measures of homeownership costs suggested by GAO--rental equivalence. BLS said that it was proceeding to introduce that method into the CPI. BLS announced that CPI-U will be changed in January 1983 to incorporate rental equivalence. CPI-W will be changed in 1985.

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: Action in process.

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: Action in process.

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: Action in process.

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

Labor did not comment on the GAO legislative recommendations and either did not concur with or declined to implement recommendations made to the Secretary of Labor. The Department of Justice, the Minimum Wage Study Commission, and the Chief Judge of the Northern Illinois Federal District Court endorsed the report and recommendations. The Administrative Office of the Courts stated that, if the recommendations were implemented, an increase in the Federal courts' workload might be expected.

Labor Needs To Improve Its Oversight of New Hampshire's Denials of Unemployment Insurance Benefits (HRD-82-10, 11-10-81)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: Social Security Act (42 U.S.C. 501). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49). Unemployment Tax Act (26 U.S.C. 3301).

GAO reviewed the nonmonetary determinations and appeals processes of the the unemployment insurance program administered by the New Hampshire Department of Employment Security (DES) to determine whether: (1) eligible applicants were being denied unemployment benefits; and (2) complaints about the appeals process were valid. In addition, GAO made a limited review of the Department of Labor's quality appraisal program which was used for monitoring the administration of the program.

Findings/Conclusions: GAO found that DES has denied unemployment compensation benefits to many eligible claimants. In a statistical sample, about 17 percent of the denials were questionable or erroneous. Inadequate factfinding by local unemployment office personnel was the primary factor contributing to the problem. DES has instituted a training program which should improve the performance of local office personnel. However, additional guidance is still needed to help the local certifying officer arrive at decisions on such issues as what misconduct is and what constitutes an adequate search for work. Through its appeals process, DES has denied benefits to a substantial percentage of eligible claimants. The relatively high percentage of questionable decisions is due primarily to a tendency of DES personnel to disregard claimants' statements that would establish eligibility. In addition, the quality appraisal system Labor uses to monitor a State's appeals process does not give States sufficient information to help them improve performance. Based on its review of benefits denied by DES, GAO believes that Labor should assume a more active role in overseeing New Hampshire's processes for determining whether individuals are eligible for benefits. Although Labor has sponsored training for Appeal Tribunal members for several years, DES has not taken advantage of it. A system is needed to give new and less experienced certifying officers, local office interviewers, and Appeal Tribunal members information on why decisions are reversed in the appeals process and in the courts.

Recommendations to Agencies: The Secretary of Labor should work with the New Hampshire Department of Employment Security to provide training to Appeal Tribunal members, either internally or through Labor training courses.

Status: Action in process.

The Secretary of Labor should work with the New Hampshire Department of Employment Security to establish a system for providing feedback to local office personnel on the reasons decisions are reversed by Appeal Tribunals.

Status: Action in process.

The Secretary of Labor should work with the New Hampshire Department of Employment Security to establish a system for providing feedback to Appeal Tribunal members and local office personnel on rulings of the New Hampshire courts.

Status: Action in process.

The Secretary of Labor should revise the quality appraisal system for the appeals process to give States specific information on deficiencies and suggestions for correcting them.

Status: Recommendation no longer valid/action not intended. *Labor disagreed with this recommendation because it believes such information is already provided. GAO disagrees and plans to start a survey of the Unemployment Insurance Service quality appraisal system in September 1982. As part of that survey, GAO will reassess the merit of this recommendation.*

Agency Comments/Action

The Department of Labor agreed with all but one of the recommendations and described actions planned to implement them. It disagreed with the recommendation that it revise the quality appraisal system for the appeals process to give States specific information on the deficiencies found and to provide suggestions for correcting those deficiencies because it believes that such information is already provided.

DEPARTMENT OF LABOR

Labor Should Make Sure CETA Programs Have Effective Employability Development Systems
(HRD-82-2, 1-13-82)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: Comprehensive Employment and Training Act of 1973. Comprehensive Employment and Training Act Amendments of 1978.

GAO undertook a review to determine what effect the Comprehensive Employment and Training Act Amendments of 1978 have had on employability development systems. One of the primary aims of the Comprehensive Employment and Training Act (CETA) is the movement of program participants into unsubsidized jobs, but weaknesses in the development systems were hampering this movement. The 1978 amendments were designed to strengthen the development systems.

Findings/Conclusions: GAO found that the movement of participants into unsubsidized jobs failed to improve after the enactment of the 1978 amendments. CETA sponsors are to use the employability development systems to ensure that their programs meet the needs of participants to improve their employability and to assist in their subsequent placement in private jobs; however, at many sponsor locations, the preparation of employability plans was a paperwork exercise that did little to improve the plans. Neither the Department of Labor nor the sponsors emphasized improvement of the employability development systems because they were focusing attention on other requirements which did not directly relate to the movement of participants into unsubsidized jobs. GAO noted that Labor did not adequately monitor the systems or provide adequate assistance and that many sponsor officials complained about the vagueness and inconsistency of the assistance they did receive.

Recommendations to Agencies: The Secretary of Labor should stress effective employability development systems as a high priority area.
Status: Action completed.

The Secretary of Labor should direct the Assistant Secretary for Employment and Training to see that every sponsor's staff, including management and independent monitoring unit personnel, is adequately trained in employability development systems, through either the planned course on employability plans or other training, and that this training course should include: (1) the purpose of employability plans and their relationship to the basic elements of employability development systems; (2) the legal requirements applicable to employability plans and development systems; (3) the advantages of having good employability plans; and (4) how to prepare employability plans.
Status: Action in process.

The Secretary of Labor should direct the Assistant Secretary to improve monitoring by seeing that: (1) both Employment and Training Administration staff and independent monitoring unit (IMU) personnel give more attention to monitoring employability development systems; (2) the planned monitoring training for Federal representatives covers employability development systems and provides detailed guidance on how to monitor these systems and employability plans; and (3) IMU personnel are adequately trained to monitor employability development systems, including employability plans.
Status: Action in process.

The Secretary of Labor should direct the Assistant Secretary to improve technical assistance by making sure that the planned technical assistance guide includes: (1) information on the five areas mentioned in the recommendation dealing with the planned training course; (2) model employability plans and examples of completed plans; and (3) guidance for sponsor management and independent monitoring unit personnel on how to monitor employability development systems, with emphasis on the importance of contacting participants as part of the monitoring process. The Secretary should also direct the Assistant Secretary to improve technical assistance by making sure that the Employment and Training Administration regional staff is qualified to help sponsors develop effective employability development systems.
Status: Action in process.

Agency Comments/Action

The Department of Labor concurred with the GAO recommendations and took several actions to implement them. For example, Labor issued a directive that summarized most of the major findings and defined the development of sound employability development systems as a high priority. The directive also laid out plans for training and technical assistance programs and asked regional offices to regularly monitor employability development plans.

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

The Department of 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 for the claims filed before the effective date of the 1981 amendments to the black lung legislation. Revised procedures relating to the rebuttal were incorporated into the Coal Mine Procedure Manual in January 1981. 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 that are attributable to the existence of both simple and complicated black lung disease. This study, to be submitted to Congress in June 1983, is to include such legislative recommendations as are warranted. Labor said that it intends to give careful consideration to the GAO findings and recommendations when it conducts the study.

DEPARTMENT OF LABOR

Longshoremen's and Harbor Workers' Compensation Act Needs Amending
(HRD-82-25, 4-1-82)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Longshoremen's and Harbor Workers' Compensation Act (33 U.S.C. 901). Defense Bases Act (Compensation). Nonappropriated Fund Instrumentality Act. Outer Continental Oil Shelf Lands Act. Occupational Safety and Health Act of 1970. S. 1182 (97th Cong.). H.R. 25 (97th Cong.).

GAO evaluated the effect of the 1972 amendments to the Longshoremen's and Harbor Workers' Compensation Act and reviewed the Department of Labor's administration of the Act.

Findings/Conclusions: Concern has been expressed over the unclear jurisdiction and increased benefits which resulted from the Act's 1972 amendments. Compensation insurance is costly, and coverage is sometimes difficult to obtain. The compensation benefits often come close to preinjury net earnings, thus providing little incentive for injured workers to return to work. Also, in some cases, payments from other sources combined with workmen's compensation could exceed preinjury net earnings. GAO approves of proposed legislation that would base compensation on spendable earnings and reduce compensation for benefits received from certain other sources. The unclear jurisdiction of the Act has resulted in much litigation and has made insurers reluctant to provide compensation coverage. Because a special fund, administered by Labor but financed by employers and insurance carriers, assumes liability for certain compensation payments, some employers and insurance carriers have a strong incentive to limit their liability by obtaining relief from the fund, and Labor lacks the resources to challenge claims against the fund. Some employers either fail to obtain insurance, become authorized self-insurers, or obtain less costly insurance from unauthorized carriers, thus limiting their resources to pay compensation claims. In these cases, defaulted claims could become the liability of the special fund. Labor has improved the program's administration; however, there is still a lack of sufficient staff to handle the greatly increased workload which results in a large backlog and untimely adjudication.

Recommendations to Agencies: The Secretary of Labor should direct the Deputy Under Secretary for Employment Standards to require that employers obtain proper insurance coverage or become authorized self-insurers to reduce the potential for defaulted claims which could become special fund liabilities. Actions should be initiated to prosecute employers who do not comply with the insurance requirements.

Status: Action in process.

The Secretary of Labor should direct the Deputy Under Secretary for Employment Standards to require that district offices assess penalties and interest.

Status: Recommendation no longer valid/action not intended. *While Labor concurred with the recommendations, it stated that it would continue its current policy of only assessing penalties in cases involving habitual offenders. In the opinion of GAO, Labor is unlikely to take any action as a result of this recommendation.*

The Secretary of Labor should direct the Deputy Under Secretary for Employment Standards to revise the letter, LS-504, designed to inform injured workers of their rights, so that it provides more information on compensation payments and should discontinue the use of the post cards, LS-504a and LS 504b.

Status: Action in process.

The Secretary of Labor should direct the Deputy Under Secretary for Employment Standards to require that districts send the LS-504 letter, as revised, to workers upon receipt of a notice of injury when it appears that compensation will be due.

Status: Action in process.

Agency Comments/Action

Labor concurred with the general thrust of the recommendations. Specifically, Labor agreed to: (1) act to ensure that employers obtain proper insurance coverage or become authorized self-insurers, and refer to Justice for prosecution those cases involving uninsured employers; (2) assess penalties for late reports, but penalize only habitual offenders; (3) take steps to provide more information to injured workers by revising the letter which advises claimants of their rights; (4) send to claimants in all cases where it appears that compensation will be due a letter advising them of their rights.

DEPARTMENT OF LABOR

Additional Improvements Needed in the National Survey of Professional, Administrative, Technical, and Clerical Pay
(FPCD-82-32, 4-5-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: B-167266 (1973).

GAO reviewed the results of the National Survey of Professional, Administrative, Technical, and Clerical (PATC) Pay. This survey is made annually by the Bureau of Labor Statistics (BLS) to collect private enterprise data for use by the President's Pay Agent in assessing and adjusting salary rates of Federal white- collar employees.

Findings/Conclusions: GAO found a in a previous review that changes could be made to the Survey to maintain and improve the quality of the data. Since that time, BLS has made many changes and incorporated several new approaches have been made to further improve the survey process. BLS measures and reports sampling errors which occur because only a portion of the private sector is selected for analysis, and it has recently improved its method for these measurements. Although the BLS sampling methodology meets accepted statistical methods, the impact of establishment refusals to provide data should be more fully disclosed in the published survey results. BLS makes a statistical adjustment to account for these establishments and believes the reduction in the reliability of the salary estimates is small. Nonsampling errors are all other errors that occur in the survey. To measure these variables, BLS established a quality measurement (QM) program. The program has been successful in measuring nonsampling errors that occur during data collection and has shown that published salary levels are not significantly different from the survey results. Because of budget constraints and lack of staff, BLS has suspended the QM program for the 1982 PATC survey. In structuring this program, BLS is focusing on controlling the quality of job matches using existing financial resources.

Recommendations to Agencies: The Secretary of Labor should, as long as the Professional, Administrative, Technical, and Clerical (PATC) survey is conducted, require the Bureau of Labor Statistics to establish a quality control program to measure and better control nonsampling errors that occur in job-matching and the program should be structured to: (1) identify the source and reasons for nonsampling errors, prescribe remedial actions, and evaluate the effectiveness of such actions; (2) provide prompt feedback to field representatives on the data collection performance; and (3) report program results with PATC survey results or insure that this information is subsequently reported to survey users.

Status: Action completed.

The Secretary of Labor should require the Bureau of Labor Statistics to test the statistical assumption used to account for these establishments and, if the statistical assumption cannot be verifed, the opinion of the effect of these refusal on the survey salary estimates should better qualified.

Status: Action in process.

Agency Comments/Action

Labor concurred with the recommendations regarding the need for quality control and the need for more complete statements concerning the effect of nonresponse to the PATC estimates. A team of senior BLS technicians has proposed an annual quality control program to identify and measure sources and causes of nonsampling error and assure survey users that such errors are being controlled within acceptable bounds. Instructions on this program, which encompass the recommendations, were issued in November, implementing a Job Match Validation program for the 1983 PATC survey. BLS plans to develop profiles of establishments refusing to cooperate and compare their characteristics, such as industry and work-force size, to survey respondents. These actions will satisfy the recommendations.

DEPARTMENT OF LABOR

Improvements Can Be Made in the Fiscal Management of CETA
(HRD-82-53, 4-8-82)

Budget Function: Education, Training, Employment, and Social Services: Training and Employment (504.0)
Legislative Authority: Comprehensive Employment and Training Act of 1973 (29 U.S.C. 801). 20 C.F.R. 676. 31 C.F.R. 205. 41 C.F.R. 29-70.101. 41 C.F.R. 29-70.215. 41 C.F.R. 29-70.216. 41 C.F.R. 101-25.5. P.L. 95-524. OMB Circular A-87. OMB Circular A-102. OMB Circular A-110. OMB Circular A-122.

GAO reviewed the fiscal management practices and procedures at 8 Comprehensive Employment and Training Act (CETA) prime sponsors and 23 subgrantees in 4 Department of Labor regions.

Findings/Conclusions: GAO found that Federal interest costs could be reduced by better management of CETA cash held by prime sponsors and subgrantees. Four of the eight prime sponsors which GAO examined held excess cash and seven of the eight allowed their subgrantees to hold excess cash. There was inaccurate reporting of prime sponsor cash balances, surplus cash not recovered from prime contract periods, and premature advancement of cash to the subgrantees. Recent Labor actions should help correct the problems identified. Prime sponsors' property and managment systems did not provide adequate accountability over CETA property which they and their subgrantees used. As a result, some prime sponsors and subgrantees did not know how much property they were responsible for, while others could not account for all of their property. Questionable costs were charged to CETA because prime sponsors and subgrantees did not have adequate procedures for determining the reasonableness and allowability of costs. In addition, future problems may occur because prime sponsors and Labor do not know the cost, amount, and location of property acquired under the CETA program. Should the current prime sponsor structure change and the CETA property have to be transferred to other organizational units, such as States or private industry councils, Labor may not be able to ensure that the Federal Government's interests are protected.

Recommendations to Agencies: The Assistant Secretary of Labor for Employment and Training should take the following actions to identify and correct problems resulting in the Federal Government incurring unnecessary interest costs because of excess cash held by prime sponsors and their subgrantees: (1) emphasize to the Employment and Training Administration regional officials the need to conduct onsite reviews and to help prime sponsors seek changes to their and subgrantees' operations for eliminating excess cash; (2) emphasize to prime sponsors that they work first with their largest subgrantees to identify excess cash balances; and (3) carry out as soon as possible the plan for requiring each prime sponsor to identify and promptly recover any unexpended funds held by subgrantees at the end of each fiscal year.
Status: Action completed.

The Assistant Secretary of Labor for Employment and Training should direct Employment and Training Administration officials to emphasize to prime sponsors: (1) the importance of establishing property records, periodic physical inventories, and controls to prevent loss or theft of property; (2) their responsibility for CETA property held by subgrantees; (3) that Labor's regulations requiring approval of property purchases include property acquired through lease-purchase arrangements and property purchased by subgrantees; and (4) their responsibility for acting on recommendations of correcting problems identified by the Labor Inspector General, independent auditors, and prime sponsors' independent monitoring units.
Status: Action in process.

The Assistant Secretary of Labor for Employment and Training should direct the responsible regional offices to take steps to recover funds expended for nonallowable items or purposes.
Status: Action in process.

Agency Comments/Action

The Employment and Training Administration (ETA) concurred with the recommendations to emphasize onsite reviews of prime sponsors; that prime sponsors work first with their largest subgrantees to reduce excess cash balances; and to carry out as soon as possible its plans for recovering any unexpended funds held by subgrantees. For example, pursuant to GAO and other agencies' reports, ETA established a uniform cash management system and issued Field Memorandums to Regional Administrators on the system emphasizing the recommendations. The regional offices have initiated tracking prime sponsor cash management, including current cash balances and cash collected from grant closeouts. ETA concurred with the recommendation to emphasize establishing property accountability systems by issuing a transmittal memo to Regional Administrators with a copy of the report. It also agreed to instruct them to recover funds expended for nonallowable items or purposes identified in the report.

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 Office of Grants and Procurement Policy under Labor's Assistant Secretary for Administration and Management has formed a task force to review all contract modifications in which fee increases were involved. Where improper fee payments were made, action will be taken to recover the moneys.

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.

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 generally agreed with the recommendations. It is taking action to determine if it needs the 56 reporting and recordkeeping requirements identified which had not been properly approved by OMB. Although Labor generally concluded that the law requires it to have requirements contained in contracts approved by OMB, it hesitates to initiate this action because of the administrative burden involved. Consequently, Labor is waiting for OMB to issue a final rule on agency implementation of the Paperwork Reduction Act of 1980 and to provide more specific guidance on this subject.

International Joint Commission Water Quality Activities Need Greater U.S. Government Support and Involvement
(CED-82-97, 6-23-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)

GAO conducted a review to determine whether the United States is meeting the objectives of the Great Lakes Water Quality Agreements with Canada. The International Joint Commission (IJC) is responsible for advising the U.S. and Canadian Governments on Great Lakes and other boundary waters pollution control matters.

Findings/Conclusions: The U.S. Government has not adequately supported, nor has it been sufficiently involved in, the work of IJC. Consequently, IJC has had difficulty meeting its water quality responsibilities. To help IJC more effectively carry out its advisory role, the United States needs to: (1) formally respond to IJC report recommendations and requests for information on U.S. pollution control activities; (2) provide continuity of U.S.-IJC leadership when active leadership on water quality matters is of high importance; and (3) involve key Federal agencies with water quality agreement responsibilities on IJC advisory boards. IJC officials maintain that the lack of formal U.S. responses to its reports and recommendations has hampered its effectiveness in advising the Governments. Key U.S. Government and IJC officials believe that formal responses to IJC would result in many benefits, including improved IJC accountability to the U.S. and Canadian Governments. GAO concluded that a formal system of feedback to IJC on its reports would be efficient and useful.

Recommendations to Agencies: The Secretary of State should designate a high level official within the Department to respond to any formal IJC recommendations and requests for information and to develop and implement a system to follow up on IJC reports and recommendations.

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

The Secretary of State should develop and formally transmit to the President of the United States a policy and procedures for establishing staggered terms for U.S. IJC Commissioners.

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

The Secretary of State should consult with the Secretary of Agriculture and provide, in an expeditious manner, a U.S. nominee for the Water Quality Board position.

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

The Secretary of State should, in conjunction with U.S. IJC Commissioners, the U.S. Chairman of the Water Quality Board, and the Administrator of the Environmental Protection Agency, establish a formal mechanism to acquire input for the Board from all U.S. Federal and State agencies involved in water quality activities.

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

The Secretary of State should develop and send to the President for transmittal to the U.S. IJC Commissioners a formal request for the Commissioners to: (1) develop clear and achievable objectives for the U.S. sections of IJC advisory boards; (2) require the U.S. sections of the boards to prepare activity plans and review such plans regularly to monitor the progress being made by the boards and to ensure that board resources are used effectively, and (3) develop and implement a long-term management plan or strategy for the U.S. Section of IJC which, at a minimum, would provide for periodic meetings with the advisory boards and the regional office.

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

Agency Comments/Action

The State Department has prepared a Section 236 response, but has not yet transmitted it to the required committees. The GAO liaison at the State Department realizes that the response is late and intends to speed up the process if possible. The main problem seems to be obtaining EPA coordination on the response. The GAO liaison at EPA has determined that the response is being reviewed within EPA but could not determine when EPA will send it back to the State Department. Until the Section 236 response is available, GAO has little to go on to determine agency intent and actions planned.

Improvements Needed in Providing Security at Overseas Posts
(ID-82-61, 9-30-82)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)

GAO reported on the Security Enhancement Program's management and administrative functions. The program was initiated by the Department of State to make structural improvements to overseas posts, purchase additional protective equipment, and provide electronic storage and retrieval of classified materials in response to the increasing danger to the lives of U.S. citizens and property overseas.

Findings/Conclusions: Inadequate planning, coordination, and property management have caused delays in implementing security improvements at overseas posts. State overestimated its ability to complete the projects. After 2 years, only four posts have been completed. GAO has concluded that it will take more than 5 years and $175 million to fully upgrade 70 posts, and an additional $125 million will be needed to provide at least some improvements to another 55 posts. Accountability for materials purchased and shipped to posts is a major problem. There is no inventory system for recording purchases and shipments and no centralized way of notifying posts of what enhancement items they will receive and when. There have been extensive delays in getting responses to inquiries concerning the enhancement projects. Most of the posts which GAO visited had problems accounting for equipment received in the past. Two of the posts GAO visited, and 15 of the 38 posts scheduled for security enhancement projects in fiscal year 1982, do not have regional security officers. The Agency for International Development, the United States Information Agency, and the Drug Enforcement Administration disagree with State over planned security improvements and ultimate authority over security for their offices located outside the U.S. embassy or consulate compound. These differences need to be resolved. U.S. officials overseas are glad to receive improved security; however, they do not like the installation delays which they are experiencing.

Recommendations to Agencies: The Secretary of State should require the Assistant Secretary for Administration to take action to insure that improvements are made in the planning and coordination of the Security Enhancement Program.

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

The Secretary of State should require the Assistant Secretary for Administration to develop a single inventory and tracking system which would allow program managers to identify all material going to each post and to use this capability to notify the posts of the specific nature and quantity of material sent and any changes in shipments.

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

The Secretary of State should require the Chief of Mission or a designee at each post to assign one official to be responsible for receiving, recording, and storing all material received for the Security Enhancement Program, taking inventory all items received, and informing Washington of any discrepancies.

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

The Secretary of State should require the Chief of Mission or a designee at high-threat posts to have the post security officers and responsible regional security officers devote more of their attention to post security and the Security Enhancement Program.

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

The Secretary of State should require the Assistant Secretary for Administration to direct efforts to resolve the differences between State and other agencies concerning the needs of the Security Enhancement Program at overseas posts and the ultimate authority over security for the agencies' offices located outside the U.S. Embassy or Consulate.

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

BUREAU OF LAND MANAGEMENT

Alternatives for Achieving Greater Equities in Federal Land Payment Programs
(PAD-79-64, 9-25-79)

Budget Function: General Purpose Fiscal Assistance: General Revenue Sharing (851.0)
Legislative Authority: P.L. 94-565.

A variety of land payment programs have evolved over the years to compensate States and counties for tax exemptions on Federal land within their jurisdiction. GAO reviewed programs in eight Western States where 80 percent of the Federal land payments are made and found many inequities and inconsistencies.

Findings/Conclusions: The basic aim of Congress in enacting these programs was to compensate States and counties for lost tax revenues and the economic burdens of tax-exempt Federal land. As laws were designed and implemented, most programs pay States and counties a percentage of the annual receipts generated from the public lands, rather than on the basis of equivalent taxes that would have been paid if the land were privately owned. Because the payment bears no relationship to tax equivalency, States and counties do not receive equitable payments. Many States and counties are overpaid compared to tax equivalency, while others receive little or no payment. The Public Land Law Commission recommended in 1970 that counties receive one payment rather than a number of payments under the various receipt-sharing programs. Congress decided not to repeal the Federal land payment programs. Nevertheless, some counties that already received more in land payments than they would have in taxes for the same land received an additional bonus. In revising Federal land payments laws, Congress may find it useful to consider alternatives to the type of receipt-sharing approach now used, such as fee-per-acre, other types of revenue sharing, fee for service, and tax equivalency.

Recommendations to Congress: If Congress decides to continue receipt-sharing payments and acreage payments under Public Law 94-565, it should take action to correct fundamental weaknesses in Public Law 94-565. The weaknesses in the law that allow States to influence the size of payments and that require BLM to use State data which have been unreliable could be corrected by amending Public Law 94-565 so that: (1) its payments are disassociated from receipt-sharing payments; (2) deductions for receipt-sharing payments are allocated to counties where receipts were earned; or (3) deductions for receipt-sharing payments are allocated to counties based on population or some other allocation method.

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

Congress should delete special provisions for Oregon and California grant lands and Coos Bay Wagon Road grant lands, and include payments under those exempted statutes to correct the Public Law 94-565 problem of paying counties a minimum of 10 cents an acre when the county is already being compensated under receipt-sharing programs. This action is necessary to avoid making acreage payments to counties that already receive unusually large receipt-sharing payments under special legislation for revested lands.

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

Recommendations to Agencies: To make corrections in past payments, the Bureau of Land Management should take steps to validate receipt-sharing deductions for fiscal years 1977 and 1978 payment computations to all States except for the eight States GAO reviewed. GAO has already given the Bureau correct data on those States.

Status: Action in process.

Agency Comments/Action

The Bureau of Land Management has taken steps several times to change the law concerning receipt-sharing payments, but Congress has not agreed with the changes.

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.

Lodging, food, transportation, and other services are provided to visitors to national parks by concession operators. The National Park Service (NPS) has allowed concessioners to operate facilities with major safety deficiencies and has not taken adequate steps to make sure that deficiencies were corrected. Evaluations and followup inspections of concessioner performance are not made as required. Without inspections, NPS cannot be certain that visitors are receiving satisfactory service and does not have a firm basis for assigning concessioners an annual performance rating. The annual rating is used as a basis for determining if concessioners should be allowed to continue operating. NPS has developed a comprehensive system to determine whether rates charged the public for the use of park facilities are fair and reasonable, but the system has not been implemented nationwide. The prescribed procedures do not cover all concessioner services, and the quality of facilities and services may not be adequately considered during the rate approval process. Legislation requires that rates charged the public for concession services be comparable to those charged for similar facilities and services outside the park. NPS does not always ensure that rates were fair and reasonable. It has established a task force to resolve problems with the new rate approval system. Franchise fees are paid by concessioners for the privileges granted under their contracts. NPS has not established the proper criteria to ensure that the rates are proper. Personnel lack the financial backgrounds needed to set rates effectively. Concessioners that no longer want to provide the services authorized by their contracts are permitted to transfer their operations to other qualified parties. The concessioner determines who is qualified to operate the facility or service and it is difficult for NPS to turn down the transfer. The only remedy NPS has for controlling the quality of service of the concessioners is often terminating the contract and purchasing the possessory interest, a time consuming and expensive procedure. Granting preferential rights to concessioners for contract renewal and for providing new and additional services eliminates or discourages competition and the buildup of large possessory interests.

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.

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 Congress' intent at the Lake Chelan National Recreation Area.
Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of the Department 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 assure 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. The section 236 response stated that Interior anticipated having further comments on the report and on land policies developed prior to congressional oversight hearings. The response further stated that the report contained a number of valid points on the land acquisition problem which Interior 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 the compatible use of property which would adequately address all of the requirements GAO recommended to be included in the land acquisition plan.

Federal Charges for Irrigation Projects Reviewed Do Not Cover Costs
(PAD-81-07, 3-3-81)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Reclamation Act. Water Resources Development Act of 1974 (P.L. 93-251). Desert Land Act. Carey Act (Irrigation). Fact Finders Act (Reclamation Projects) (43 Stat. 703). Omnibus Adjustment Act (Irrigation Projects) (44 Stat. 636). H.R. 4127 (96th Cong.). H.R. 4135 (96th Cong.). S. 1599 (96th Cong.). Gibbons v. Ogden, 22 U.S. 1 (1824).

The Water and Power Resources Service (WPRS) is responsible for most Federal irrigation projects and charges beneficiaries for the use of water. GAO reviewed several WPRS projects under construction to determine: (1) what charges will be made for the water; (2) to what extent the charges will cover the costs to the Federal Government for providing the water; and (3) whether farmers could pay more for the water without impairing their operations or seriously damaging their profits.

Findings/Conclusions: Legislation originally stipulated that the charges for Federal water should return all the costs of building the irrigation projects; however, subsequent laws have not required certain beneficiaries to repay their share in full. WPRS fixes a price for its irrigation water according to the farmer's ability to pay for the water, which is the amount left over from an average farmer's gross income after deducting all production costs. This amount is much less than the Federal Government's cost of producing the water. A GAO economic analysis indicated that charging full cost for the water at a 7.5 percent interest level would be too expensive for farmers to afford Federal water. GAO found that charging a full-cost price without the interest charge, called the interest-subsidy price, would lower the cost of irrigated agriculture and increase yield enough so that farmers could probably increase their net income by buying Federal water.

Recommendations to Agencies: The Secretary of the Interior should direct the Commissioner of WPRS to develop and include the following economic analyses in their documents prepared as support for Congress during the authorization and appropriation process (1) estimates of the Federal Government's full cost of producing irrigation water, including an interest rate that reflected the then-current cost of money borrowed by the Federal Government. To place this cost in perspective, it should be presented as an annual figure on an acre-foot and irrigated acre basis; (2) estimates of only the yield increases expected for the acres that will receive Federal water. This will allow Congress and other decisionmakers to compare the gains in net income from the WPRS farm budget approach to the gains directly attributable to the application of more irrigation water; and (3) estimates of the change in net income on the acres to receive Federal water at full cost. This comparison of costs and gross income changes because of irrigation will show policy makers the direct economic value of producing more irrigation water.

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

Agency Comments/Action

The Under Secretary of the Interior assured appropriate members of Congress and the Comptroller General that the economic analyses recommended by GAO are already covered by the Bureau of Reclamation's existing work.

Establishing Development Ceilings for All National Park Service Units
(AFMD-81-31, 4-10-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

GAO interviewed program, planning, and budget officials at the National Park Service to examine Park Service records relating to development ceilings and compare those records with the legislation cited to ascertain if development ceilings had been exceeded. GAO tried to determine if development ceilings were controlling the development costs of Park Service units. A development ceiling is the total authorization available for development of a particular park unit.

Findings/Conclusions: Development ceilings have not been an effective tool for Congress to use in controlling costs because: (1) ceilings have not been established for most parks; (2) where ceilings have been established, recordkeeping is inadequate to readily ascertain if ceilings are exceeded; (3) ceilings do not have estimated completion dates; and (4) there is uncertainty about which expenses are covered by ceilings. Appropriations have surpassed authorized limits in two cases; however, neither case constitutes a legal violation because lawful appropriations were passed allowing authorized limits to be exceeded. GAO found 36 errors in recording the remaining 136 development ceilings. Such recording errors raise the possibility that other ceilings may have been exceeded without the records indicating it. From a previous review, GAO knows of inconsistencies in identifying expenditures to be charged against development ceilings. If Congress wishes to continue to use ceilings, it should establish them for all units, review them on a cyclical basis, and require proper accounting procedures to make them effective in controlling development costs. Congress could eliminate development ceilings altogether, but this would diminish the control that authorizing committees now exercise. If ceilings are to be continued, the Park Service and Congress should agree upon precise definitions of the type of expenditures to be charged against the ceilings.

Recommendations to Congress: If Congress wishes to continue to use ceilings, it should establish them for all units, review them on a cyclical basis, and require proper accounting procedures to make them effective in controlling development costs. Congress could eliminate development ceilings altogether, but this would diminish the control that authorizing committees now exercise. If ceilings are to be continued, the Park Service and Congress should agree upon precise definitions of the type of expenditures to be charged against the ceilings.

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

Agency Comments/Action

The Park Service contends that the ceilings have not proven useful and that they impose additional work in establishing cost estimates and monitoring remaining balances. According to the Park Service, each development unit should be judged on its own merits and not against a ceiling established when circumstances may have been different.

Minerals Management at the Department of the Interior Needs Coordination and Organization
(EMD-81-53, 6-5-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Mining and Minerals Policy Act of 1970 (30 U.S.C. 21a; 16 U.S.C. 1531). Multiple-Use-Sustained-Yield Act of 1960 (16 U.S.C. 528 et seq.). Forest Management Act (16 U.S.C. 472a). Land Policy and Management Act (43 U.S.C. 1701 et seq.). Wilderness Act (16 U.S.C. 1131 et seq.). Engle Act (Minerals). Environmental Policy Act of 1969 (National) (42 U.S.C. 4321 et seq.). Wild and Scenic Rivers Act (16 U.S.C. 1271 et seq.). Clean Air Act. Endangered Species Act of 1973. National Materials and Minerals Policy, Research and Development Act of 1980.

Growing national awareness of the strategic importance and uncertain sources of some minerals is leading to development of a strategic minerals policy. In 1980, Congress enacted the National Materials and Minerals Policy Research and Development Act. The Act establishes the Executive Office of the President as the focus of policymaking in this area. Any national policy for assuring availability of such strategic minerals as cobalt, tin, chromium, and platinum must be formulated in light of the potential of federally controlled resources and the ramifications of Federal land use decisions for domestic supply of these commodities.

Findings/Conclusions: There is a need to improve access to Federal lands for mineral exploration and development while continuing to protect social and esthetic values. Improving access for mineral prospectors and mining operations will best take the form of clarifying the conditions under which exploration and development will be allowed to occur for all types of minerals. GAO found that the Department of Interior does not have an adequate minerals management policymaking process. Decisions affecting exploration and development of mineral resources are made without reference to larger strategies for affected commodities or markets and the satisfaction of strategic supplies. Not having a minerals management policymaking process has contributed to: (1) a lack of a clear understanding of the public interest in federally owned mineral resources; (2) the potential for large Federal outlays to acquire valid mineral rights to resolve land use conflicts; (3) a disregard for the repercussions of decisions to limit mineral activities on affected industries; and (4) a limitation of acquisition of mineral resource information for areas closed to private industry, uncertainty as to the conditions for access and tenure needed to encourage investment in mining ventures, and delays in reaching decisions affecting access to Federal lands for mineral exploration and development. Secure sources and stable prices for mineral commodities can be overlooked or inadequately assessed. Access and tenure should be denied only where an identifiable public interest would be unnecessarily or permanently damaged.

Recommendations to Agencies: The Secretary of the Interior should develop a minerals management program plan which outlines and discusses in detail the objectives and goals of the Department of the Interior with respect to the key questions of Federal mineral resource management. The Secretary should examine how such an explicit statement of objectives could be used to evaluate and provide consistency to the Department's mineral-related budget submissions, program proposals, and administrative actions. The plan should include specific national objectives for the Department's mineral resource programs, explain criteria for establishing priorities for mineral exploration and development, examine constraints to long-term mineral management goals and alternatives for coping with them, and devise strategies for anticipating and contributing to national industrial and strategic requirements. Such a plan, developed from national objectives would, for the first time, provide criteria and standards of accountability for the Secretary and Congress to measure the performance of the Government's resource managers.

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

Continuing Need for a National Helium Conservation Policy
(EMD-81-91, 6-15-81)

Budget Function: Natural Resources and Environment: Conservation and Land Management (302.0)
Legislative Authority: National Materials and Minerals Policy, Research and Development Act of 1980. Helium Conservation Act. H.R. 3877 (97th Cong.). H.R. 7336 (96th Cong.). H.R. 2620 (96th Cong.). H. Rept. 96-1022.

Helium is currently used for a number of scientific and technical purposes, and it may be essential to the future development and implementation of several energy-related technologies presently being researched. However, helium resources are rapidly decreasing as their most economical sources, natural gas fields, are depleted, and as uncaptured helium is released to the atmosphere through the burning of natural gas. Of further concern is the fact that the natural gas with the greatest helium content is now being produced and will be substantially depleted within the years 1990 to 1995. Therefore, GAO undertook a review to determine what action has been taken in the past 2 years to develop a national helium conservation policy. GAO had previously recommended enactment of new legislation that would redefine the Nation's helium conservation program to take cognizance of the changing needs for helium and establish the objective of conserving helium resources to meet national requirements. GAO has also recommended that the Secretary of the Interior, while working with Congress for the development of a new helium policy, undertake any steps necessary to conserve in the most efficient manner the helium from the Tip Top Gasfield in Wyoming, the Nation's largest known nondepleting reserve.

Findings/Conclusions: GAO found that, in the past 2 years, no significant Federal helium conservation action has been taken. Additionally, although legislation focusing on helium's energy-related uses has been introduced in Congress, none has been enacted into law. Meanwhile, helium continues to be depleted, the largest private helium extraction plant is still not operating, and very soon only one Federal plant will produce the gas. Furthermore, minimal Government and private conservation efforts have barely added to the existing helium stockpile since 1979. Although research and development funding cutbacks in the proposed 1982 Federal budget have touched on several helium-related technologies, funding for magnetic fusion, a potentially large user of helium, has increased, and the other cuts do not indicate that the ongoing Federal commitment to developing helium dependent technologies will soon end. However, the prospects for future conservation have been aided by the settlement of long-running litigation that has constantly hampered past conservation efforts. Also, the helium value litigation which has impeded conservation seems to be well on the road to settlement.

Recommendations to Agencies: The Secretary of the Interior should direct the Department to develop and make available to the appropriate congressional committees its views on legislation to restructure the Nation's helium conservation program along lines which ensure long range national helium supplies.

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

The Secretary of the Interior should take the necessary steps to conserve helium from the Tip Top Gasfield in the most timely and efficient manner, including preparation of a comprehensive conservation plan and related budget requests.

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

Agency Comments/Action

Interior continues to monitor the development of the Tip Top Gas Field in Wyoming and to evaluate the best and most economical way to conserve the large volume of helium there. It has no definitive plans to do so; it has not proposed further legislation to ensure that it is conserved for national needs.

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.).

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.

Mining on National Park Service Lands--What Is at Stake
(EMD-81-119, 9-24-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Mining in the Parks Act (P.L. 94-429). National Materials and Minerals Policy, Research and Development Act of 1980. Land Policy and Management Act. Mining and Minerals Policy Act of 1970. Defense Production Act of 1950. Strategic and Critical Materials Stock Piling Act.

The Mining in the Parks Act prohibited further mineral exploration in six National Park Service (NPS) areas and placed environmental restrictions on development of existing mining claims in these areas. The Act also required the Secretary of the Interior to submit to Congress studies of the environmental consequences of mining in these areas accompanied by estimated acquisition costs of mining claims. GAO reviewed the adequacy of the reports submitted and looked at the NPS management of present mining operations in the park areas and the Department of Interior's analysis of the mineral policy implications of the Act.

Findings/Conclusions: GAO found that Interior's reports do not provide Congress with the information that it needs to weigh the environmental effects of mining against the cost of acquiring claims in the NPS areas. The environmental reports on mining in Death Valley and Glacier Bay National Monuments are so vague that they are of little use for determining the possible environmental impacts of mining in these areas. They contain little or no discussions of the steps that could be taken to minimize adverse impacts and thereby lessen the need to acquire certain mining claims. Additionally, the acquisition cost estimates submitted to Congress to purchase certain mining claims were not supported by sufficient documentation and were unreliable and misleading. As a result, much disagreement exists as to the worth of the mining claims recommended for acquisition. Further, GAO found that Interior did not perform a thorough analysis of the need and costs of acquiring mineral properties in Death Valley and Glacier Bay National Monuments. GAO believes that the recommendations based on the environmental data submitted to Congress by Interior for the acquisition of the properties could result in court awards substantially in excess of Interior's acquisition cost estimates. In addition, GAO found that Interior has not adequately analyzed the mineral policy implications of the Act. Therefore, the potential long-term effects on mineral resources remains unanswered.

Recommendations to Congress: Congress should consider the need for the Federal Government to acquire additional information regarding the mineral potential of the Death Valley National Monument area. This information could be used for any future land use decision regarding the monument. In order to better understand the economic consequences of limiting mineral production in the monument area, Congress should consider returning the supply and marketing studies concerning borate and talc minerals developed by Interior for revision and updating.
Status: No action initiated: Date action planned not known.

Congress should base no decision on the Secretary of the Interior's recommendations submitted in 1979 to acquire mineral properties in Death Valley and Glacier Bay National Monuments. Before taking any action, Congress should await new recommendations by the Secretary based on more adequate analysis.
Status: No action initiated: Date action planned not known.

Recommendations to Agencies: The Secretary of the Interior should notify Congress that Interior no longer supports the recommendations made in 1979 to Congress to acquire certain valid unpatented and patented mining claims in Death Valley and Glacier Bay National Monuments.
Status: Action in process.

The Secretary of the Interior should reexamine the need to acquire any mining claims in Death Valley and Glacier Bay National Monuments based on the progress to date in regulating mining activities to prevent adverse environmental effects and submit new recommendations to Congress.
Status: Action in process.

The Secretary of the Interior should insure that any future recommendations to Congress to acquire mineral properties on National Park Service lands be made only after determining what is at stake for all aspects of the public interest. Any recommendations should be based on site-specific analysis, acquisition cost estimates based on the best information available, and mineral supply and marketing analyses. This information should be developed in coordination with other pertinent Interior agencies such as the Bureau of Land Management, Bureau of Mines, and the U.S. Geological Survey to insure a consistent Department policy position. In addition, a description of the methodologies and supporting data used to develop the information and any limitations on the use of that information should accompany the recommendations.
Status: Action in process.

The Secretary of the Interior should amend sections 9.9 and 9.10 of the regulations for mining on National Park Service lands to include an economic evaluation of the changes required for mining plan approval.
Status: Action in process.

The Secretary of the Interior should remove the mineral management functions, including the mineral examination function, from the National Park Service.
Status: No action initiated: Date action planned not known.

The Secretary of the Interior should consider the need to consolidate all of the Interior mineral management functions under a single Assistant Secretary.
Status: Action in process.

DEPARTMENT OF THE INTERIOR

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 continued unsuccessful efforts to collect oil and gas royalties on Federal and Indian lands and the serious impact of this problem on 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, the Geological Survey 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, the Geological Survey 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, the Geological Survey 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. The Geological Survey 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, the Geological Survey 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 the Geological Survey 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 in process.

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.

Streamlining and Ensuring Mineral Development Must Begin at Local Land Management Levels
(EMD-82-10, 12-4-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Federal Coal Leasing Amendments of 1975 (90 Stat. 1090). Mineral Leasing Act for Acquired Lands (30 U.S.C. 352).

GAO reviewed the Bureau of Land Management's (BLM) Eastern States Office (ESO) and its responsibilities relating to coal trespass in that area. Rather than managing the surface of huge tracts of public lands as Western BLM offices do, ESO primarily controls the subsurface mineral estate of some 39.7 million acres of Federal lands in 31 states. The surface area of 96 percent of these lands is controlled by other Federal agencies, but the mineral leasing responsibilities lie with BLM. Therefore, the ESO role is critical to the development of Federal minerals in the East.

Findings/Conclusions: This current evaluation is a followup to previous efforts to determine how effectively ESO is dealing with potential Federal mineral trespass, how timely ESO is in issuing mineral leases and permits, and whether ESO is able to deal with new areas of mineral interest. In its review, GAO found that ESO: (1) has not yet effectively dealt with potential Federal minerals trespass in the East, (2) is unable to timely issue mineral leases and permits, and (3) has been unable to effectively deal with new areas of mineral interest because of the Department of Interior's policy toward the development of minerals. Many of the previous problems identified by GAO continue to exist. Therefore, GAO believes that actions are needed to reevaluate and reemphasize these programs. Moreover, efforts to expedite leasing and to protect minerals from trespass at ESO are likely to contribute to increased Federal revenues over the long term.

Recommendations to Agencies: The Secretary of the Interior should expand the use of memoranda of understanding with other Federal surface-managing agencies to enlist their assistance in monitoring mineral trespass.
Status: Action in process.

The Secretary of the Interior should initiate a more active public information mineral trespass prevention program.
Status: No action initiated: Date action planned not known.

The Secretary of the Interior should pursue contracting options to expedite the completion of Federal mineral ownership maps in the East.
Status: Recommendation no longer valid/action not intended. *The Department disagrees. BLM believes in-house map preparation is both more cost effective and more personnel effective. Options were pursued in 1979, but they did not work. Without other comparable experience, it is unlikely GAO can get BLM to reexamine the issue.*

The Secretary of the Interior should direct the Bureau of Land Management to close the Eastern States Office to the public for some period, perhaps 1 day a week, to provide ESO staff uninterrupted time to work on backlogs.
Status: Action completed.

The Secretary of the Interior should direct the Bureau of Land Management to hire a technically knowledgeable person, such as an experienced retiree or annuitant, to work in the public room and answer the public's questions about lease records.
Status: Action in process.

The Secretary of the Interior should direct the Bureau of Land Management to send a task force to the Eastern States Office to audit the public room records and dockets branch.
Status: Action completed.

The Secretary of the Interior should direct the Bureau of Land Management to implement a personnel evaluation of the Eastern States Office, phase two of the March 1980 ESO Policy Study, to determine that its grade levels are comparable to other Bureau of Land Management State offices. If a more equitable pay scale is not possible, the Secretary should examine alternatives, including moving ESO to a lower cost geographic area, to try to alleviate this problem.
Status: Action completed.

The Secretary of the Interior should direct the Bureau of Land Management to evaluate grade levels and technical experience needed by Eastern States Office cartographic technicians and land law examiners to assure that the salaries are competitive and that experience requirements are reasonable.
Status: Action in process.

The Secretary of the Interior should consult with the Director of the Bureau of Land Management and obtain Bureau and Eastern State Office's input to evaluate the impact of policy changes that must be implemented at local levels.
Status: Recommendation no longer valid/action not intended. *BLM feels this action is part of good management practice. The new ESO director says that his relationships with Washington will preclude past communications problems. BLM sees no need for a formal consultation process. Further GAO involvement would belabor the issue; the point has been made to BLM management.*

Agency Comments/Action

BLM has taken steps to address several recommendations. For example, lease backlogs have become the highest priority for action by BLM. Access to files has been limited to certain daily hours and staff members have been detailed to correct files at ESO, so that certain data on the status of leases could be automated. Other actions are planned by BLM. A personnel evaluation of ESO positions has been postponed due to shifting of some staff to assist in working on backlogs. ESO also intends to hire public room staff, as GAO recommended, but the positions have not yet been advertised.

Mining on National Park Service Lands--What Is at Stake?
(EMD-81-119S, 12-14-81)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: Mining in the Parks Act (P.L. 94-429). Mining and Minerals Policy Act of 1970. Strategic and Critical Materials Stock Piling Act.

An analysis and response to the Department of the Interior's delayed comments on the draft of a previously issued report are presented. GAO reviewed these comments at the request of the Chairman of the Subcommittee on Mines and Mining of the House Committee on Interior and Insular Affairs. Interior's comments were received too late to be incorporated into the final report and failed to address all the problems that GAO identified.

Recommendations to Congress: Congress should base no decision on the Secretary of the Interior's recommendations submitted in 1979 to acquire mineral properties in Death Valley and Glacier Bay National Monuments. Before taking any action, Congress should await new recommendations by the Secretary based on more adequate analysis.
Status: Action in process.

Congress should consider the need for the Federal Government to acquire additional information regarding the mineral potential of the Death Valley National Monument area. This information could be used for any future land use decision regarding the monument. In order to better understand the economic consequences of limiting mineral production in the monument area, Congress should consider returning the supply and marketing studies concerning borate and talc minerals developed by Interior for revision and updating.
Status: Action in process.

Recommendations to Agencies: The Secretary of the Interior should reexamine the need to acquire any mining claims in Death Valley and Glacier Bay National Monuments based on the progress to date in regulating mining activities to prevent adverse environmental effects and submit new recommendations to Congress.
Status: Recommendation no longer valid/action not intended. *Interior stated in its Section 236 response that it is unnecessary to reexamine the need to acquire the mining claims because it does not intend to acquire them.*

The Secretary of the Interior should notify Congress that Interior no longer supports the recommendations made in 1979 to Congress to acquire certain valid unpatented and patented mining claims in Death Valley and Glacier Bay National Monuments.
Status: Action in process.

The Secretary of the Interior should amend sections 9.9 and 9.10 of the regulations for mining on National Park Service lands to include an economic evaluation of the changes required for mining plan approval.
Status: Action in process.

The Secretary of the Interior should remove the mineral management functions, including the mineral examination function, from the National Park Service.
Status: Action in process.

The Secretary of the Interior should consider the need to consolidate all of the Interior mineral management functions under a single Assistant Secretary.
Status: Action in process.

The Secretary of the Interior should insure that any future recommendations to Congress to acquire mineral properties on National Park Service lands be made only after determining what is at stake for all aspects of the public interest. Any recommendations should be based on site-specific analysis, acquisition cost estimates based on the best information available, and mineral supply and marketing analyses. This information should be developed in coordination with other pertinent Interior agencies such as the Bureau of Land Management, Bureau of Mines, and the U.S. Geological Survey to insure a consistent Department policy position. In addition, a description of the methodologies and supporting data used to develop the information and any limitations on the use of that information should accompany the recommendations.
Status: Action completed.

Agency Comments/Action

Although Interior generally concurred with many of the report recommendations, the Section 236 response was not detailed enough to determine what precise actions Interior is taking. For example, although Interior agrees that the cost estimates it submitted to Congress are inadequate and, therefore, will no longer attempt to purchase the claims, it has not specifically notified Congress of this fact. Interior agrees with the GAO regulatory change as well, but did not indicate if the regulations have been amended to incorporate the change. Only one of Interior's responses is specific enough to claim on the accomplishment report.

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 will be completed by December 1982.

DEPARTMENT OF THE INTERIOR

Oil and Gas Royalty Accounting--Improvements Have Been Initiated but Continued Emphasis Is Needed To Ensure Success
(AFMD-82-55, 4-27-82)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

GAO was requested to evaluate the development of the new royalty system and to determine the extent to which it will improve the collection of royalties due from Federal and Indian lands.

Findings/Conclusions: Royalty collections have increased rapidly in recent years, primarily because of substantial increases in oil and gas prices and, with oil prices decontrolled, this trend can be expected to continue. Historically, a high priority has not been placed on collecting oil and gas royalties, and major problems have gone unchecked for over 20 years. As a result, large sums of royalty income may be going uncollected each year, and significant amounts of royalty income have been uncollected when due, thus increasing the Government's interest costs. The current royalty accounting system is in disarray. Oil and gas companies are essentially on an honor system to report acccurately and pay royalties when due, and the Department of the Interior has been unable to account for the information reported to it, much less to verify this information. Interior is attempting to correct these longstanding problems and has placed an emphasis on the need for an effective royalty management system, which it is designing. However, Interior has not adequately considered: (1) acquiring data on the number of leases and wells for which it is responsible; (2) verifying the royalty computation; (3) developing a comprehensive plan for audits and inspections; and (4) planning the production phase of the new system which will permit production and sales data to be matched. Some corrective action has been taken; however, the problems confronting Interior in this area cannot be solved immediately.

Recommendations to Agencies: The Secretary of the Interior should, no later than September 30, 1982, develop cost estimates, broken down by fiscal year and function, for the new royalty management program. This information, which should be furnished to cognizant congressional committees, should include milestones for implementation of specific system improvements and, as a minimum, should detail cost of personnel, contractor services, and computer equipment for the: (1) design and implementation of the accounting, production, and enhanced management phases; (2) performance of audits; (3) lease inspection function; and (4) reconciliation of existing lease account records.

Status: Action in process.

Agency Comments/Action

Interior concurs with the recommendation for developing updated cost estimates for the royalty management program. The cost estimates will be updated by September 30, 1982.

Cooperative Leasing Offers Increased Competition, Revenues, and Production From Federal Coal Leases in Western Checkerboard Lands
(EMD-82-72, 4-28-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Mineral Lands Leasing Act (30 U.S.C. 181 et seq.). Hepburn Act (Interstate Commerce) (49 U.S.C. 1(8)). Federal Coal Leasing Amendments Act of 1975. United States v. Delaware & Hudson Co., 213 U.S. 366 (1909). United States v. South Buffalo Ry., 33 U.S. 771 (1948).

GAO evaluated the Department of the Interior's ongoing experiment with cooperative leasing agreements as a possible alternative approach for developing Federal coal in Western checkerboard lands. The basic GAO objective was to determine whether Interior's efforts to plan and conduct a cooperative coal lease sale would result in a fair and reasonable first test for the concept.

Findings/Conclusions: Prior to the actual lease sale, the cooperative coal leasing concept combines the surface and coal rights to checkerboard lands into a single logical mining unit. Interior chose the Red Rim, Wyoming, tract as the test site for the first cooperative lease sale. However, obtaining consent from the private surface owner and unresolved legal issues surrounding participation by the mining affiliates of land grant railroads have complicated the sale. Moreover, the possibility of protracted litigation of either issue may persuade Interior to withdraw the tract for consideration for sale under the cooperative agreement concept. GAO believes that it would be imprudent to decide on the merits of the cooperative leasing concept based solely on the outcome of the Red Rim experiment. Cooperative coal leasing could substantially increase competition, revenues, and production from checkerboard area coal leases. In addition, the concept could lead to the mining of Federal coal that might not otherwise be recovered. However, before meaningful comparisons can be made against other leasing alternatives, more experience with the concept is needed.

Recommendations to Agencies: The Secretary of the Interior should continue efforts leading to the cooperative leasing of the Red Rim tract.

Status: Action in process.

The Secretary of the Interior should, in planning future leasing activities: (1) take steps, such as announcements in the media, which could lead to increased submittals of cooperative coal leasing proposals from private parties holding surface and coal rights to lands adjoining Federal coal holdings; (2) identify to the public where cooperative leasing proposals could be incorporated into the existing coal leasing program; and (3) give priority to cooperative coal leasing proposals containing all of the surface and underlying coal rights.

Status: Action in process.

Agency Comments/Action

Interior generally concurs with the report recommendations and has directed specific actions to implement them. It will examine the use of the concept in its deliberation regarding the lease/sale decision for the Red Rim tract. In addition, it will provide the public with information on how cooperative leasing fits into the existing coal leasing program.

Proposed Colorado and Utah Cooperative Agreements Should Be Modified To Reduce State/Federal Duplication in Mine Plan Review
(EMD-82-87, 5-27-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Surface Mining Control and Reclamation Act of 1977. Environmental Policy Act of 1969 (National).

GAO reviewed the Department of the Interior's environmental analyses of coal mine plans.

Findings/Conclusions: The Interior's Office of Surface Mining Reclamation and Enforcement (OSM) has been making a commendable effort to streamline regulations governing mine-plan reviews as well as other aspects of coal mining. GAO believes that further potential exists with respect to the proposed Colorado and Utah cooperative agreements. These agreements create a significant potential for duplication, are inconsistent with those which Interior already has with two other States, and do not comply with the OSM proposed amendments to the regulations governing future agreements, both of which require States to provide OSM with a combined technical and environmental analysis of mine plans on Federal lands. By requiring States entering cooperative agreements to prepare combined analyses, the Interior can: (1) reduce State and Federal duplication in mine review; (2) decrease review costs; (3) lessen delays in mine-plan approval; and (4) assure that States assume more responsibility for regulating mining on Federal lands.

Recommendations to Agencies: The Secretary of the Interior should require the Director of OSM to (1) modify the proposed cooperative agreements to require Colorado and Utah to prepare a combined technical and environmental analysis of each mine plan on Federal lands; or (2) reduce payment to Colorado and Utah as well as to any other States that do not prepare combined technical and environmental analyses to cover the increased OSM costs.

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

Agency Comments/Action

Interior actions in regards to the recommendations are undecided at this time. As of November 15, 1982, the Section 236 comments were in the Office of the Secretary, Department of the Interior, for review and signature. Agency actions are undecided at this time.

Interior Should Help States Assess Mineral Tax Programs
(EMD-82-48, 6-16-82)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: P.L. 62-386. H. Rept. 96-3364.

An earlier GAO report assessed the impact of Federal and State taxes on the domestic minerals industry and found that their tax actions can have a significant effect on the production as well as the profitability of the domestic minerals industry. It was concluded that institutional means should be considered for better harmonizing Federal and State tax policy with national mineral production objectives. The purpose of this report is to: (1) relay comments received in response to the earlier report; (2) clarify the tax analysis capabilities of the Department of the Interior; and (3) make a final recommendation about the location of an institutional tax service capability for the States.

Findings/Conclusions: Given the critical interaction of Federal mineral policy, State tax policy, and the profitability of domestic mining, a formal institutional focus is needed to help assure that tax policies are compatible with national mineral production objectives, without obstructing the rights of various governmental levels to levy and collect taxes. Although the response from States was limited, none of them disputed the need for such a capability. The Department of the Interior's Bureau of Mines is informally assisting States to assess mineral tax programs, and it appears to be the logical choice to formally assume this responsibility.

Recommendations to Agencies: The Secretary of the Interior should announce formally, both through the Federal Register and other media, his Department's assumption of the responsibility for providing analytical assistance to individual States considering mineral tax alternatives.

Status: Action in process.

Agency Comments/Action

Interior will formally announce its mineral tax analysis capabilities through the Bureau of Mines Technology Transfer Program. It will announce a seminar on the subject in December 1982.

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 that 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.

DEPARTMENT OF THE INTERIOR

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.

Need for Guidance and Controls on Royalty Rate Reductions for Federal Coal Leases
(EMD-82-86, 8-10-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Federal Coal Leasing Amendments of 1976 (30 U.S.C. 207). Mineral Lands Leasing Act (30 U.S.C. 181 et seq.). 43 C.F.R. 3473.3-2. 43 C.F.R. 3451.1.

GAO discussed problems encountered by the Department of the Interior in its procedures for granting or denying requests for royalty rate reductions on Federal coal leases. Since 1979 the Secretary has authorized eight reductions amounting to about $12 million in reduced Federal revenues. Reduction requests were precipitated by recent legislative enactments and a 2-year departmental experiment that raised royalty rates on coal leases to significantly higher levels.

Findings/Conclusions: GAO found that Interior has not sufficiently used its existing accounting and auditing expertise to review reduction applications and that inconsistent use and inequitable application of royalty reduction guidelines have made the approval process erratic. The Interior's Minerals Management Service (MMS) merely restates Interior's reduction authority without defining important terms such as "profit," "rate of return," or "successful operation." Frequently, reduction quidelines were changed to accommodate either a specific applicant's circumstances or a group of similar applicants, such as those with experimental leases that contained royalty rates in excess of the minimums. MMS procedures for verifying the accuracy of lessee data differ among field offices; in addition, the MMS staff in the region most active in reviewing reduction applications consists largely of nonaccountants who have acknowledged problems with reviews of the complex financial data submitted by coal operators. Interior's accounting expertise in its Royalty Management Program has not been used sufficiently in past reviews of reduction requests.

Recommendations to Agencies: The Secretary of the Interior should direct its Minerals Management Service to better use its existing financial and auditing expertise in evaluating royalty rate reduction requests by requiring the various Economic Evaluation Sections to use the financial assistance in the Royalty Management Program or transferring to the Royalty Management Program the authority to either review or review and approve all royalty rate reduction requests.
Status: No action initiated: Date action planned not known.

The Secretary of the Interior should provide guidance to field offices on when the Minerals Management Service can audit the financial statements of companies requesting a royalty rate reduction.
Status: No action initiated: Date action planned not known.

The Secretary of the Interior should submit the Department's reduction policy and procedures to public review and comment and promulgate appropriate royalty rate reduction regulations.
Status: No action initiated: Date action planned not known.

The Secretary of the Interior should develop a departmental policy and accompanying procedures on royalty rate reductions that define the limits and conditions under which a reduction would be entertained and granted.
Status: No action initiated: Date action planned not known.

Data Compiled for Shut-In Oil and Gas Wells on Onshore Federal Lands Are Inaccurate and Probably Unnecessary
(EMD-82-115, 8-16-82)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)

GAO recently completed an evaluation of oil and gas wells on Federal lands that are considered producible but are shut-in. The primary purpose of the review was to determine if Government regulations are precluding these wells from producing.

Findings/Conclusions: GAO found that Government regulations will delay production in some cases, but apparently not for an unreasonable period of time. Economic considerations, such as lack of demand and reserves insufficient to justify the costs to start production, seem to be the primary reasons that such wells are shut-in. The data on shut-in oil and gas wells, compiled at the field level and summarized at the Minerals Management Service (MMS) headquarters: (1) are inaccurate, thereby creating a false impression about the number of wells shut-in on Federal lands, and (2) are probably not needed. Present efforts to gather and summarize the data for MMS headquarters require approximately 300 staff days per year. Maintaining accurate data would cost more. If eliminated and later found to be necessary during another energy crisis, the basic raw data would continue to be available through monthly production reports and could be pulled together and analyzed quickly.

Recommendations to Agencies: The Secretary of the Interior should instruct the Director of MMS to discontinue the collection and reporting of data on shut-in oil and gas wells on Federal lands or, if the shut-in data are still considered to be needed in the present energy climate and the cost to accurately compile the data is justifiable, direct the MMS Regional Offices to put forth the additional effort to keep the information forwarded to headquarters updated so that it properly reflects the shut-in situation.

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

Agency Comments/Action

As of November 15, 1982, the Section 236 comments were awaiting review by the Assistant Secretary of Land and Water Resources, Department of the Interior. The agency's actions are undecided at this time.

DEPARTMENT OF THE INTERIOR

Improvements Needed in the Cash Management Practices of Interior's Simultaneous Oil and Gas Leasing Program in Wyoming
(EMD-82-122, 8-26-82)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Treasury Fiscal Requirements Manual part 6, 8030. Dep't of the Interior Directive 338 DM 1.4B.

GAO reviewed the Department of the Interior's simultaneous oil and gas leasing program in Wyoming to determine whether the Bureau of Land Management's Wyoming State Office is following good cash management practices and is maintaining adequate controls over filing fee payments.
Findings/Conclusions: Despite Treasury and Interior Department requirements, the Wyoming Office does not promptly deposit filing fee payments received from lease applicants, nor does it adequately control and safeguard those payments. As a result, the Government's cash position is adversely affected, and opportunities exist for loss or theft. Timely deposit of such payments increases the Government's cash position and reduces the need to borrow money and pay the corresponding interest charges. Had the Wyoming Office promptly deposited the money it collected from its first three drawings, GAO estimated that the Government could have saved over $250,000 in interest charges, and this figure will continue to increase with the Wyoming Office's increased responsibilities. Instead of recording the filing fee payments upon receipt and separating them from the accompanying lease applications, the Wyoming Office keeps the payments and applications together throughout numerous processing steps, which can take about 6 weeks, before the payments are deposited. Because the Office does not record payments upon their receipt, it does not know how much has been received until the payments are deposited weeks later. The payments and applications are kept in a room located near a large work area for a number of personnel, rather than in a safe, leaving physical security measures suspect.
Recommendations to Agencies: The Secretary of the Interior should require the Director of the Bureau of Land Management to record simultaneous oil and gas filing fee payments upon their receipt and adhere to the prescribed cash management procedures.
Status: Action in process.

Agency Comments/Action

As of November 15, 1982, the Section 236 comments were being rewritten by Interior's Assistant Secretary of Land and Water Resources. Final actions on the report's recommendation are undecided at this time. However, temporary action was taken by Interior for the September 1982 simultaneous lottery.

BUREAU OF MINES

Research Equipment in the Bureau of Mines
(EMD-82-116, 8-31-82)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: 41 C.F.R. 114-60. 41 C.F.R. 101-25.109.

GAO reviewed the Bureau of Mines management of its laboratory research equipment and office furniture. In 1979, the Department of the Interior's Office of the Inspector General reported that the Bureau was seriously deficient in its control of capitalized property. The review dealt primarily with equipment utilization and focused on those conditions which prevent proper control, adequate safeguarding, and maximum usage of all research equipment.

Findings/Conclusions: GAO found that, although property control appears to have improved in the Bureau over the past several years, many laboratories do not give property management high priority when allocating responsibilities to limited support staff. None of the laboratories reviewed had implemented Federal regulations concerning idle and unneeded laboratory and research equipment. As a result, equipment was purchased at one laboratory when equipment stored at another site could have been used. Equipment loans to universities and other non-Federal research groups for purposes other than grant- or contract-related work are made on an open-ended or long-term basis. Some of these loans are not documented. GAO found that the Bureau has no agencywide policies or procedures specifying when such loans are appropriate, the maximum length of such loans, or who should authorize and monitor them. Some property has not been adequately protected against deterioration and destruction, and some condition codes assigned to excess and scrap equipment are inaccurate. As a result, Bureau laboratories suffer reduced availability of equipment and may be making some equipment purchases unnecessarily.

Recommendations to Agencies: The Secretary of the Interior should direct the Bureau of Mines to ensure that an accountable staff person(s) with adequate time for thorough attention to property management is designated at each Bureau laboratory.
Status: Action completed.

The Secretary of the Interior should direct the Bureau of Mines to provide the needed management attention aimed at proper control, adequate safeguarding, and maximum use of equipment in managing Bureau programs.
Status: Action completed.

The Secretary of the Interior should direct the Bureau of Mines to ensure that laboratories regain physical control of all equipment loaned for nongrant or noncontract uses, determine their need for such equipment, and where appropriate, report it as excess to their needs.
Status: Action in process.

The Secretary of the Interior should direct the Bureau of Mines to ensure that its property management officials establish formal policies and procedures for justifying and documenting short-term loans of temporarily idle equipment to non-Federal entities.
Status: Action in process.

The Secretary of the Interior should direct the Bureau of Mines to ensure that laboratories take necessary steps protect idle equipment from unauthorized removal or cannibalization and from deterioration due to weather while being stored.
Status: Action in process.

The Secretary of the Interior should direct the Bureau of Mines to ensure that laboratory property management personnel have updated criteria for classifying the condition of unneeded equipment reported to the General Services Administration, and obtain adequate technical input and cost data to make proper classification decisions.
Status: Action in process.

The Secretary of the Interior should direct that the Inspector General conduct periodic independent reviews of laboratories' compliance with the inspection tour provisions of 41 C.F.R. 101-25.109.
Status: No action initiated: Date action planned not known.

The Secretary of the Interior should direct the Bureau of Mines to ensure that its property management officials (1) establish formal procedures to implement 41 C.F.R. 101-25.109, requiring inspection tours and establishment of equipment pools where appropriate, and (2) establish formal Bureau procedures, in conjunction with implementation of 41 C.F.R. 101-25.109, for circulating Bureau-wide lists of underused and idle equipment available for loan or transfer.
Status: Action in process.

The Secretary of the Interior should require the Bureau of Mines to ensure that laboratories cease making long-term equipment loans to non-Federal entities for uses which are not authorized under a Bureau grant or contract.
Status: Action completed.

Agency Comments/Action

The findings were reviewed by the Bureau and considered "reasonably accurate." The Bureau said that it is developing formal procedures to accommodate most of the concerns addressed in the recommendations.

DEPARTMENT OF THE INTERIOR

Federal Encouragement of Mining Investment in Developing Countries Has Been Only Marginally Effective *(ID-82-38, 9-3-82)*

Budget Function: International Affairs: International Financial Programs (155.0)
Legislative Authority: National Materials and Minerals Policy, Research and Development Act of 1980 (30 U.S.C. 1601). Overseas Private Investment Corporation Amendments Act of 1978. Defense Production Act of 1950.

To assist Congress and Federal agencies in formulating and implementing a strategic minerals policy, GAO assessed the Government's efforts to encourage mining investment in developing countries as one method of assuring that long-term supplies of strategic and critical minerals will be available for domestic industry and defense.

Findings/Conclusions: Recent U.S.-supported initiatives to encourage mining investment in developing countries have been only marginally helpful as a means of securing adequate and economic supplies of strategic and critical minerals. The initiatives were not designed to meet specifically defined minerals needs and cannot be counted on to acquire the needed minerals. Individual differences among minerals are significant and affect strategies to assure access. By carefully analyzing these differences, policymakers can define levels of need more precisely and develop strategies tailored to the geological and market characteristics of an individual mineral. Further, the initiatives have not been implemented as part of a coherent, clearly directed, long-term investment strategy that has considered and weighed the costs and benefits of a variety of domestic and foreign options. The administration's policy pays only passing attention to two untested overseas initiatives, deep seabed mining and the U.S. Trade and Development Program, and is silent on those which are already operating. Consequently, the administration's level of interest in foreign investment initiatives and the importance and expected contribution of those undertaken during the past 5 years are unclear. Significant funding and operational changes would be required to increase the effectiveness of some U.S. efforts to encourage mining investment in developing countries as a means of securing strategic and critical minerals resources.

Recommendations to Agencies: The Secretary of the Interior, as Chairman pro tem of the Cabinet Council on Natural Resources and Environment, should require that acquisition initiatives be based on a clear demonstration of individual minerals needs.

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

The Secretary of the Interior, as Chairman pro tem of the Cabinet Council on Natural Resources and Environment, should clarify the roles that the Overseas Investment Corporation's minerals and energy program, U.S. support for the multilateral development bank programs and the United Nations Revolving Fund for Natural Resources Exploration, and the Export-Import Bank are to play in securing strategic and critical minerals supplies.

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

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 their 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 follow 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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

Agency Comments/Action

In its Section 236 response, 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.

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: No action initiated: Date action planned not known.

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

As of November 15, 1982, the Section 236 comments were with the Office of Congressional and Legislative Affairs and the Office of the Solicitor of the Department of the Interior for review. The agency actions are undecided at this time.

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

Occupational Taxes on the Alcohol Industry Should Be Repealed
(GGD-75-111, 1-16-76)

Budget Function: 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. *Bureau of Alcohol, Tobacco, and Firearms officials indicated that they disagree with the recommendations and that 6 years have passed with no congressional action.*

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

The Bureau of Alcohol, Tobacco, and Firearms officials said that no 6-month letter has been sent in accordance with OMB Circular No. 50; Treasury is currently establishing a new system to handle this requirement. The system will be used department-wide with first priority going to the GAO recommendations.

INTERNAL REVENUE SERVICE

How Taxpayer Satisfaction With IRS' Handling of Problem Inquiries Could Be Increased (GGD-79-74, 9-18-79)

Budget Function: General Government: Tax Administration (803.1)

The U.S. tax system is based on voluntary compliance and each individual and business is responsible for filing all required tax returns, assessing the amount of the tax, and paying that amount. Because the Federal tax laws, publications, and forms are complex, taxpayers often need answers to difficult questions. The Internal Revenue Service (IRS) has two systems through which it handles tax inquiries; normal handling and special handling. The normal system used by district offices is intended to answer most taxpayer inquiries on the first contact. The special system was established to handle problem inquiries. While taxpayers may not always be right, extensive taxpayer dissatisfaction could affect their compliance with the tax laws. As a result, GAO sent out questionnaires to determine taxpayer satisfaction with IRS handling of inquiries.

Findings/Conclusions: The majority of the 2,223 taxpayers responding to the questionnaire were satisfied with the way IRS handled their inquiries. About 32 percent were dissatisfied, most complaining about the way IRS communicated its answers and the fact that resolving, or not resolving, their problems took too many contacts and too much time. GAO estimates that actually 54 percent of the taxpayers handled by the national office and 40 percent handled by service centers were dissatisfied. Due to weaknesses in implementing the special handling system, many problem inquiries which should have received special handling either did not or were referred too late. The control procedures were also found to have weaknesses. Followup of taxpayers with problem inquiries is too limited and taxpayers whose problems are not solved after the first attempt either have to keep trying in frustration or give up. Followup is needed to see that the problems are solved and that the taxpayers are satisfied to the extent possible. Followup would also provide data for the systematic evaluation of possible problem causes. Satisfaction could be increased by making the district offices' special handling units the focal point for controlling more such inquiries since the national office and service centers are further removed and are not primarily intended to handle taxpayer problems.

Recommendations to Agencies: The Commissioner of Internal Revenue should require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that problem inquiries are properly referred for special handling and are controlled.

Status: Action completed.

The Commissioner of Internal Revenue should increase the extent to which problem inquiries are handled and controlled.

Status: Action completed.

The Commissioner of Internal Revenue should increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by the GAO taxpayer questionnaire survey.

Status: Action in process.

The Commissioner of Internal Revenue should send comprehensive followup questionnaires to a statistically valid selection of all taxpayers with problem inquiries.

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

The Commissioner of Internal Revenue should make sure that IRS looks for ways to improve its communication of responses to taxpayers' inquiries as part of its efforts to simplify tax forms and instructions.

Status: Action in process.

Agency Comments/Action

IRS agreed with and has taken action on most of the recommendations.

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 assure 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 special 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.

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: No action initiated: Date action planned not known.

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: Action in process.

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 in process.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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.

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: No action initiated: Date action planned not known.

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: 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.

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 in process.

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 in process.

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: Action in process.

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 insure 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.

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. However, because many of the changes have been completed only recently or are still in process, more time must transpire before a full evaluation of the agency's implementation is performed.

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 IRS 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: Action in process.

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 completed.

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: Action in process.

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 in process.

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 in process.

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 in process.

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.
Status: Action in process.

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 in process.

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.

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, assure 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 assure 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 in process.

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 in process.

Agency Comments/Action

The agency has developed an exception-based branch application system in accordance with one of the recommendations. The system is in final testing and will probably be adopted. The agency is exploring the legal implications of the other recommendation regarding structured bank application formats. No action has been taken to date.

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: (1) on the feasibility of changing tax folder specifications; and (2) to determine if the recommended changes could be implemented. The survey reached a positive conclusion and, in May 1982, IRS decided to buy, in January 1983 on a 1-year test basis, less expensive tax folders of a different composition and configuration. By January 1984, a final decision on this test will determine future tax folder specifications.

DEPARTMENT OF THE TREASURY

OFFICE OF REVENUE SHARING

Removing Tiering From the Revenue Sharing Formula Would Eliminate Payment Inequities to Local Governments

(GGD-82-46, 4-15-82)

Budget Function: General Purpose Fiscal Assistance: General Revenue Sharing (851.0)
Legislative Authority: Revenue Sharing Act (Federal) (31 U.S.C. 1221 et seq.).

GAO reviewed the inequities in the distribution of General Revenue Sharing funds which are caused by the statutory tiering procedure. Under this procedure, funds are first allocated to county geographic areas before being allocated to individual jurisdictions within the county. This review provides Congress with a comprehensive analysis of the effect tiering has on funding distribution patterns.

Findings/Conclusions: GAO found that revenue sharing allocations to city and township governments result from three sources: (1) the three formula elements of population, relative income, and tax effort applicable to each unit of local government; (2) statutory formula constraints; and (3) the statutory tiering distribution procedure. The effect of the three formula elements is well understood; more aid is allocated to units of local government with more people, low per capita income, and high tax effort. What is not generally understood is that the tiering process causes payment inequities at two stages in the distribution process. Throughout a State, the tiering procedure reduces funding to the governmental types with residents, that on an average, have relatively low incomes. In States characterized by rural poverty, tiering benefits most cities and penalizes the governmental type with a higher concentration of low income residents. Therefore, the targeting of revenue sharing funds to those governmental units which, on the average, contain the Nation's low-income population could be enhanced by eliminating the tiering and applying the basic 3-factor formula directly to all units of local government within each State.

Recommendations to Congress: Congress should amend the Federal Revenue Sharing Act, as amended, to eliminate the tiering procedure, thereby making allocations within States directly to all units of local government based on the three factors of population, relative income, and tax effort.

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

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

The Federal Investment in Amtrak's Assets Should Be Secured
(PAD-81-32, 3-3-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Amtrak Reorganization Act of 1979. Rail Passenger Service Act of 1970. Amtrak Improvement Act of 1978 (P.L. 95-421; 92 Stat. 923.; 45 U.S.C. 601 et seq. 923).

Amtrak has not become the profit-making corporation that was originally planned on in 1970. Instead, it has become dependent on Federal funds and subject to greater Federal control while legally remaining a private corporation. As of fiscal year 1980, the Federal Government had given Amtrak over $3 billion for its capital acquisition and improvement programs.

Findings/Conclusions: Only $2.5 billion of the Government's investment in Amtrak is subject to Federal security arrangements. The only probable condition that would cause the Government to exercise its security rights would be under a liquidation of Amtrak's assets. Because of the Government's commitment to rail passenger service and Amtrak's dependence on Federal funds, liquidation is only likely to occur if Congress stops funding the railroad. If liquidation did occur, however, the market for Amtrak's equipment would not be good since the equipment is unique to rail passenger service. Since the Government has funded the majority of Amtrak's assets, this amount should be fully secured so that the Government can recover as much of its investment as possible should liquidation occur.

Recommendations to Congress: Congress should further amend section 601(b) of the Rail Passenger Service Act of 1970 so that any future appropriations for Amtrak's capital program can only be available after Amtrak and the Secretary of Transportation have entered agreements creating a Federal claim and securing, in favor of the United States, all assets acquired in the past and the future using Federal capital funding.

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

Agency Comments/Action

The agency has asked that preferred status be issued or the loan forgiven.

DEPARTMENT OF THE TREASURY

Misleading Projections for Country Loan Repayment
(ID-82-35, 5-13-82)

Budget Function: International Affairs: Military Assistance (152.0)
Legislative Authority: Foreign Assistance Act of 1974.

GAO performed a loan-by-loan reconciliation of the data bases which the Department of the Treasury and certain agencies keep on debts owed to the United States. The data bases are used for reporting to Congress on the value of U.S. foreign assistance loans and guarantees outstanding by category and country and for making debt-service projections. The projections are also used by agencies to analyze the economic situation in various countries, make economic forecasts, develop policy options, and prepare budget estimates and congressional presentations.

Findings/Conclusions: Debt-service projections for loans administered by the Defense Security Assistance Agency (DSAA), the Agency for International Development (AID), and the Export-Import Bank (Eximbank) are not accurately reflected in Treasury projections. Treasury projections differ from fiscal year 1982 agency projections by 78 percent for AID and 45 percent for DSAA loans. The degree of inaccuracies between Eximbank records and Treasury projections could not be determined because Eximbank does not produce a debt-service projection. The problems inherent in the present method of debt projection by Treasury include: difficulty in adjusting projections to reflect debt reschedulings; erroneous information contained in Treasury's central files; and computer controls that exclude loans from the data base without a fixed rate of interest, whereas agencies are moving away from fixed-interest rates to variable-rate interest loans. The use of original interest rates can materially distort estimated interest payments, given the wide swings experienced in the capital market. Erroneous information in Treasury's data base cannot be identified through the use of existing computer controls and will continue to plague the quality of Treasury's output unless corrected. Some of the more common errors include: loans which are repayable in local currency projected as loans repayable in dollars, incorrect last payment dates, incorrect repayment schedules, missing loans committed before the Treasury cutoff date, and amortization bases which are not adjusted to reflect loan sales and other adjustments.

Recommendations to Agencies: The Secretary of the Treasury should develop and implement procedures that remove rescheduled interest and amortization payments and roll these payments into a rescheduled loan at the same time the administering agencies adjust their own projections for debt rescheduling. Special procedures should be developed for debt-service projections.

Status: Action in process.

The Department of the Treasury should furnish the data base to reporting agencies for annual verification and reconciliation.

Status: Action in process.

The Secretary of the Treasury should require reporting agencies to update annually the projected interest rates.

Status: Action in process.

Agency Comments/Action

The Defense Security Assistance Agency concurred with the recommendations and is taking action to correct the problems discussed in the report. While it has responded to the recommendations, as of September 21, 1982, GAO has received no response from the Department of the Treasury. The individual responsible for the subject recommendations is out of the country and is not expected to return until sometime in October.

Improvements in Small Purchasing Activities Can Save Money, Increase Competition, and Achieve Required Goals
(GGD-82-44, 6-8-82)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Small Business Act.

GAO reviewed the small purchasing operations at certain Internal Revenue Service (IRS) and Customs Service offices.
Findings/Conclusions: At all locations, the sample transactions showed that: (1) many purchases were made without competition; (2) purchases were often directed from program offices rather being controlled by procurement officials; (3) various set-aside and sheltered procurement programs were not implemented; and (4) many transactions were for less than $500 but were paid using costly purchase order procedures rather than cash payments which are allowable under the increased imprest fund levels.
Recommendations to Agencies: The Assistant Secretary for Administration, Department of the Treasury, should direct IRS and Customs to increase supervisory reviews on any proposed noncompetitive purchasing to insure that it is justified.
Status: No action initiated: Affected parties intend to act.

The Assistant Secretary for Administration, Department of the Treasury, should direct IRS and Customs to maximize the use of cash transactions under the new, higher imprest fund level, including the use of cash-on-delivery or other procedures which are less expensive and quicker than using purchase orders. Another alternative, proposed by the Office of Federal Procurement Policy, would be to establish the procedures and controls necessary to allow bank check or money order payments on bills for less than $500.
Status: No action initiated: Affected parties intend to act.

The Assistant Secretary for Administration, Department of the Treasury, should direct IRS and Customs to implement procurement preference programs for small, minority- or women-owned, and labor surplus area businesses.
Status: No action initiated: Affected parties intend to act.

Agency Comments/Action

As of October 1982, Treasury is putting together a response to this report which is expected to show that all the recommendations have been implemented. Due to IRS delay in providing input, its response is not expected before November 1982.

DEPARTMENT OF THE TREASURY

Alleged Abuses in the U.S. Savings Bond Division of the Department of the Treasury
(AFMD-82-70, 6-26-82)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)

GAO was requested to review allegations of abuses in the Department of the Treasury's Savings Bond Division that were made by a former bond salesperson. Specifically, GAO was asked to obtain information about: (1) the Treasury's Office of the Inspector General's approach to identify the salespeople who have submitted falsified reports; and (2) the system used to measure a salesperson's performance.

Findings/Conclusions: GAO found that the Inspector General's investigation confirmed the existence of serious abuses prior to the individual's allegations, and available information shows that some abuses continue despite the Division's efforts to discourage them. The Division's performance measurement system contains serious shortcomings and does not provide the data necessary to establish the cost effectiveness of a salesperson's efforts. Although the question regarding the effectiveness of the Division's promotional efforts was raised in 1976 by the Office of Management and Budget and a major public accounting firm, data are still not available to show that the promotional efforts have a significant impact on sales volume. The Division's management recognizes that the individual's allegations surfaced serious problems. It has established new control procedures to verify the calls which savings bond salespeople report on their accounts and has forcefully dealt with those specifically found to be involved in abusive and fraudulent practices. It also contends, along with the Inspector General's office, that the new procedures are effectively deterring abusive and fraudulent practices from continuing.

Recommendations to Agencies: The Secretary of the Treasury should implement the alternative found to be the most cost effective.

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

The Secretary of the Treasury should study alternatives that would provide better control over the salesforce's activities (if Congress continues funding them), including implementation of a productivity measurement system and the expansion of procedures to check accuracy of work reports.

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

The Secretary of the Treasury should provide Congress with specifics on benefits that will result from continuing the promotional efforts.

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

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 in process.

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 in process.

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.

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: Action in process.

Agency Comments/Action

The agency is working to implement all of the recommendations.

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. Aviation Act (49 U.S.C. 1421. Executive Order 12044. 49 Fed. Reg. 65550. DOT Order 5800.2.

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

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 in process.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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.

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

The Federal Investment in Amtrak's Assets Should Be Secured
(PAD-81-32, 3-3-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Amtrak Reorganization Act of 1979. Rail Passenger Service Act of 1970. Amtrak Improvement Act of 1978 (P.L. 95-421; 92 Stat. 923.; 45 U.S.C. 601 et seq. 923).

Amtrak has not become the profit-making corporation that was originally planned on in 1970. Instead, it has become dependent on Federal funds and subject to greater Federal control while legally remaining a private corporation. As of fiscal year 1980, the Federal Government had given Amtrak over $3 billion for its capital acquisition and improvement programs.

Findings/Conclusions: Only $2.5 billion of the Government's investment in Amtrak is subject to Federal security arrangements. The only probable condition that would cause the Government to exercise its security rights would be under a liquidation of Amtrak's assets. Because of the Government's commitment to rail passenger service and Amtrak's dependence on Federal funds, liquidation is only likely to occur if Congress stops funding the railroad. If liquidation did occur, however, the market for Amtrak's equipment would not be good since the equipment is unique to rail passenger service. Since the Government has funded the majority of Amtrak's assets, this amount should be fully secured so that the Government can recover as much of its investment as possible should liquidation occur.

Recommendations to Congress: Congress should further amend section 601(b) of the Rail Passenger Service Act of 1970 so that any future appropriations for Amtrak's capital program can only be available after Amtrak and the Secretary of Transportation have entered agreements creating a Federal claim and securing, in favor of the United States, all assets acquired in the past and the future using Federal capital funding.

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

Agency Comments/Action

The agency has asked that preferred status be issued or the loan forgiven.

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. However, 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.

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.

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.

Better Targeting of Federal Funds Needed To Eliminate Unsafe Bridges
(CED-81-126, 8-11-81)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Federal Aid Highway of 1968 (P.L. 90-495; 82 Stat. 815). Federal Aid Highway Act of 1970 (P.L. 91-605; 84 Stat. 1713). Federal Aid Highway Act of 1973 (P.L. 93-87; 90 Stat. 425). Surface Transportation Assistance Act of 1978 (P.L. 95-599; 92 Stat. 2689). 23 C.F.R. 650.

In response to a congressional request, GAO reviewed the National Bridge Inspection Program and the Highway Bridge Replacement and Rehabilitation Program and found that almost 4 out of every 10 bridges in the United States are deficient, and almost one-fifth of U.S. bridges are structurally weak or unsound and must be closed, restricted to lighter vehicles, or immediately rehabilitated to prevent further deterioration or collapse. The Federal Government has become the major source of funds, particularly through the Federal bridge programs, to replace or rehabilitate deficient bridges, and many State and local governments depend heavily on these funds. Under the bridge programs, the Federal Government contributes up to 80 percent of replacement or rehabilitation costs, and State and/or local governments provide the rest.

Findings/Conclusions: At current funding levels, it will take years to eliminate the deficient bridges already identified. In view of the size of the bridge problem and the limited amount of funds available, it is essential that program funds be used for bridges most in need. However, GAO found that: (1) the Federal Highway Administration's (FHWA) project eligibility criteria do not concentrate on bridges in the worst condition and most in need; (2) many worthy projects are funded, but bridges most in need are not always selected; and (3) funds have been apportioned to the States based on incomplete needs data. The major aspect of the National Bridge Inspection Program is that State and/or local governments maintain a bridge inventory and comply with inspection standards. GAO found that State and local governments have made progress since the program's start, but they are not fully complying with the standards. For example: (1) some inspectors do not meet the minimum qualifications for training and experience; (2) some State and local governments are not inspecting their bridges at least every 2 years as required by the standards, and some local governments are not inspecting their bridges at all; (3) the initial inventory and inspection of bridges, particularly bridges off the Federal-aid highway system, has not been completed; and (4) structurally weak bridges are not always being properly closed or posted for lower weight limits to protect against bridge collapses. Even if bridges are properly posted or closed, the postings and closings are often ignored by the public.

Recommendations to Congress: Congress should, in future bridge program authorizations, have the Secretary of Transportation use the latest available needs data, including off-system bridges and culverts eligible for the program, to annually revise the allocations to the States.
Status: Action completed.

Congress should consider allowing the States greater flexibility to address severe off-system bridge problems by using more than 35 percent of the bridge funds for off-system bridges.
Status: Action completed.

Congress should require Federal agencies that own bridges to comply with the National Bridge Inspection Standards and report bridge data to the national bridge inventory for monitoring by FHWA.
Status: Action completed.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of FHWA to develop a reasonable method to establish width data for culverts that are eligible for bridge program funds, but have not been included in the needs data used to establish funding apportionments because the width is not in the national inventory.
Status: No action initiated: Date action planned not known.

The Secretary of Transportation should direct the Administrator of FHWA to define "fair and equitable distribution throughout the State" and formally monitor distribution of funds within the States.
Status: Action in process.

The Secretary of Transportation should require the Administrator of FHWA to revise the project eligibility criteria for the Federal bridge program to concentrate on bridges in the worst condition and most in need of replacement or rehabilitation, but still provide some flexibility for State and local governments.
Status: No action initiated: Date action planned not known.

The Secretary of Transportation should require the Administrator of FHWA to develop a formal selection process for discretionary projects to properly weigh factors such as sufficiency ratings, costs, and benefits.
Status: Action completed.

The Secretary of Transportation should direct the Administrator of FHWA to assess the States' and local governments' compliance with the National Bridge Inspection Standards and develop a strategy for bringing about full compliance. As part of the assessment, the Administrator should determine (1) whether any of the requirements should be strengthened or lessened, (2) whether FHWA should encourage State Governments to assume authority for off-system inspections, and (3) the need to penalize or take other action against those governments that do not comply.
Status: Action in process.

The Secretary of Transportation should direct the Administrator of FHWA to increase efforts to ensure that the national bridge inventory is complete, accurate, and current and that inspection procedures and bridge ratings are consistent. At a minimum, these efforts should include (1) more FHWA monitoring, including a greater number of

FHWA Bridge Division and regional office management reviews, (2) development of a standard for the timely processing of inspection data, and (3) more descriptive and better defined bridge condition rating codes to be used in all of the States.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of FHWA to specifically consider encouraging States to (1) give State government agencies the authority for posting and closing of local government bridges, (2) increase weight limit enforcement efforts, (3) increase penalties for violating weight limits and vandalizing posting signs, and (4) establish public information programs to inform the public about the danger of violating bridge weight limitations and removing posting signs.

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

The Secretary of Transportation should direct the FHWA Administrator to take appropriate actions to ensure that the national bridge inventory data are accurate and adequate so that FHWA can properly monitor bridge postings and closings.

Status: Action in process.

Agency Comments/Action

DOT stated that it generally agreed with the report's findings and conclusions. It indicated that the recommendations may have the overall effect of increasing Federal intervention in State and local government at a time when significant national policy efforts are being made to reduce the oversight burden. DOT agreed with the recommendation to Congress to use the latest needs data, including off-system bridges, to allocate program funds and has submitted several bills with such a provision. The Surface Transportation Assistance Act of 1982 contains the provision. DOT said that FHWA will continue to promote better compliance with bridge inspection standards and will make every effort, within budget constraints, to improve program management review. FHWA also sent report copies to its field offices and recommended that their annual work plans contain elements to address problems noted in the report.

Status of the Center City Commuter Connection Project, Philadelphia, PA
(MASAD-82-1, 10-6-81)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Urban Mass Transportation Act of 1964.

GAO examined the status of the Center City Commuter Connection Project in Philadelphia, Pennsylvania, which will link two commuter rail lines currently in operation. The project is primarily financed with a capital assistance grant from the Urban Mass Transportation Administration (UMTA).

Findings/Conclusions: GAO found that the costs of other related projects not part of the Center City Commuter Connection construction grant had not been determined and, therefore, were not considered when the grant was awarded. When these costs are considered, the cost of the project is substantially increased. Further, UMTA and Philadelphia city officials have not assured that all grant conditions have been met. In addition, current operating problems in Philadelphia's commuter rail system have led to decreased ridership which, if it continues, would make the value of the tunnel questionable.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of the Urban Mass Transportation Administration to assist the Southeastern Pennsylvania Transportation Authority in determining ways to reduce operating costs so that commuter rail ridership can be maintained and the use of the tunnel can be ensured.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of the Urban Mass Transportation Administration (UMTA) to require the UMTA Philadelphia regional office to increase its monitoring efforts to ensure that all grant conditions are met.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of the Urban Mass Transportation Administration to identify and consider all costs of related projects when making grant awards.

Status: Action in process.

Agency Comments/Action

UMTA is making every effort to consider all associated project costs, whether Federal, State, or local. UMTA Region III engineers attend Philadelphia's weekly project meetings, and it believes sufficient monitoring of the project is being provided and grant conditions are being met. UMTA has information and technical assistance on operational techniques that can help control costs and expects to provide this information to Philadelphia (SEPTA).

State Highway Agencies Need To Employ Independent Auditors for Audits of Federal Funds
(AFMD-82-5, 10-30-81)

Budget Function: Financial Management and Information Systems: Internal Audit (998.3)
Legislative Authority: Federal Aid Highway Act (23 U.S.C. 302(a)). OMB Circular A-87. OMB Circular A-102.

GAO reviewed the Department of Transportation's (DOT) plan for auditing federally funded State highway programs because of concern that this plan could violate the independence standard for Government auditing.

Findings/Conclusions: If DOT carries out its plan to allow State highway agencies to engage their own internal auditors as the principal auditors of Federal funds, the auditing standard relating to independence would be compromised. According to the standard, the internal auditors could not be presumed independent since they are organizationally located inside the State agencies. Office of Management and Budget Circular A-102 requires Federal grant recipients to arrange for independent audits of their operations at least every 2 years. Although the Circular does not define independent, it requires that audits be performed in accord with generally accepted Government auditing standards. To help achieve maximum independence, the standard states that the auditors should not be part of the organization under audit. The State highway agencies' own internal auditors cannot be considered independent when they audit their own organizations for the Federal Government. The main objective of internal auditors is to serve the organizations to which they report. This can impair their ability to be objective in citing violations by the agencies they serve. It would be in the best interest of the Government and DOT to arrange for independent audits. The independent audit requirement can be met in several ways, and the costs can be minimized by fully using the internal auditor's work after appropriate tests are made. If the reimbursement issue becomes an obstacle to obtaining independent audits, DOT may want to reexamine the position that audit costs for the Federal-Aid Highway Program are not allowable costs.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of the Federal Highway Administration to immediately change the draft regulations and inform State highway agencies of this change so that they will engage principal auditors external to their organizations, such as State auditors, State legislative auditors, or certified public accountants. These external auditors should fully test and maximally use the internal auditors' work to reduce costs and avoid duplication.

Status: Action in process.

Agency Comments/Action

On April 12, 1982, DOT basically implemented the GAO recommendation by issuing a revision to the Federal Highway Administration Federal-Aid Program Manual. (See paragraph 5.C., Part 1-9-1-1. Federal-Aid Highway Program Manual, dated April 12, 1982, and Federal Register, Volume 47, No. 48, March 11, 1982, 23 C.F.R. 12.7c.) As of October 21, 1982, DOT was still in the process of determining whether it would be necessary to issue a letter clarifying paragraph 5.C., Part 1-9-1-1, Federal-Aid Highway Program Manual, dated April 12, 1982. DOT has agreed, in a June 1, 1982, meeting with GAO and OMB representatives, to issue a clarification letter to provide additional guidance to DOT/Inspector General regional staff, State auditors, and State highway internal auditors.

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.

DEPARTMENT OF TRANSPORTATION

Internal Controls at Department of Transportation's Federal Highway Administration
(AFMD-82-22, 12-10-81)

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Antideficiency Act (31 U.S.C. 665). Accounting and Auditing Act (31 U.S.C. 66(a)). 1 Treasury Fiscal Requirements Manual 6-8030. 2 GAO 12.4. 7 GAO 11.1. 7 GAO 11.2. 7 GAO 12.2. 7 GAO 17. 7 GAO 24.5. 7 GAO 24.8. 7 GAO 25.6.

GAO made a survey of the accounting controls over revenue and expenditures of nine accounting stations within the Federal Highway Administration (FHWA). The survey was based on questionnaires designed to identify potential internal control problems and on interviews with accounting station officials. When responses indicated potential weaknesses, GAO tested selected transactions to determine if the weaknesses existed, but did not attempt to establish their extent or the precise corrective actions which were needed.

Findings/Conclusions: The survey disclosed that collections were not adequately controlled at many accounting stations. Collections were not properly logged in, correctly accounted for, or adequately safeguarded. Duties of employees were not adequately divided between handling of collections and other functions, and collections were not promptly deposited. Accounts receivable were improperly handled at most FHWA offices. They were not recorded in the accounting records or included in periodic aging schedules. Travel advances were not properly managed at several FHWA offices. They were not periodically reviewed or promptly recovered. Disbursement controls were weak at most locations. Vouchers were not adequately preaudited, payments were often not scheduled to coincide with due dates, and reasons for lost cash discounts were not documented. Government transportation requests were ineffectively controlled at several offices. They were not adequately safeguarded or periodically reconciled. Imprest funds at most locations were not properly managed or adequately safeguarded, basic control procedures were not in use, and reviews of funds were insufficient. Obligations were not adequately controlled at some locations and were not properly documented, promptly recorded, or periodically reviewed. Internal audit coverage of financial management functions was insufficient at several accounting stations. Adequate internal audit coverage could have detected most of the control weaknesses noted in the survey, thus, providing management with the opportunity to take timely corrective action.

Recommendations to Agencies: The Secretary of Transportation should instruct the Administrator of the Federal Highway Administration to ensure that adequate followup actions are taken to correct the weaknesses which GAO identified.

Status: Action in process.

The Secretary of Transportation should instruct the Administrator of the Federal Highway Administration to issue instructions emphasizing that the Transportation Department's fiscal procedures and instructions must be followed.

Status: Action in process.

The Secretary of Transportation should instruct the Office of Inspector General to increase its audit coverage of the Federal Highway Administration's internal financial operations with particular emphasis on internal controls.

Status: Action completed.

Agency Comments/Action

Steps by the agency to implement the recommendations and specific plans for actions to correct most weaknesses noted include: (1) developing improved procedures for controlling and safeguarding collections; (2) initiating collection efforts to recover unjustified and excessive travel advances; (3) implementing an invoice aging system to control timing of disbursements; (4) developing procedures to help prevent duplicate payments; (5) reviewing, strengthening, and reiterating instructions for safeguarding imprest funds; (6) reviewing size of imprest funds and reducing cash balances where appropriate; and (7) strengthening procedures governing the obligation of funds. FHA financial operations need greater internal audit coverage. The Inspector General plans to review the FHA control over the collection and use of fines and civil penalties in fiscal year 1982 and will be involved in internal controls in its review of the FHA implementation of Circular A-123.

URBAN MASS TRANSPORTATION ADMINISTRATION

UMTA's Research and Development Program Should Pay Closer Attention to Transit Industry Needs
(CED-82-17, 1-20-82)

Budget Function: Transportation: Other Transportation (407.0)
Legislative Authority: Urban Mass Transportation Act of 1964.

GAO reviewed the Urban Mass Transportation Administration's (UMTA) research and development program to identify management weaknesses in the program. UMTA improves long-term mass transportation productivity, efficiency, and service by providing its grantees with innovative equipment, service concepts, and management techniques for providing transit services.

Findings/Conclusions: GAO found that UMTA: (1) does not have a means of ensuring that the projects it undertakes are addressing the transit industry's most important needs; (2) is spending research funds and efforts on solving problems that the private sector is addressing on its own; and (3) does not identify or consider barriers that prevent intended users from accepting research results. Also, other than formal statements made from time to time before congressional committees, UMTA has not developed research policies or procedures that would provide its research offices and staff with standard criteria for planning and carrying out their research activities. While UMTA recognizes that its research should be directed toward the needs of the transportation industry, it has not designed a means of ensuring that its research programs are directed toward the most important, widespread industry needs.

Recommendations to Agencies: The Administrator of the Urban Mass Transportation Administration should establish a policy requiring UMTA research offices to identify systematically the industry's needs within their individual mission and responsibility areas and to analyze those needs to determine research priorities.

Status: Action in process.

The Administrator of the Urban Mass Transportation Administration should require program managers to assess thoroughly the transit industry's willingness and ability to carry out a proposed research project on its own. In cases where industry is developing or experimenting with innovative equipment, concepts, or techniques, the UMTA involvement should be limited to testing, evaluating, and disseminating the results.

Status: Action in process.

The Administrator of the Urban Mass Transportation Administration should require program managers to explore and identify potential barriers to industry's acceptance and use of proposed research and to work to overcome these barriers as part of the research process.

Status: Action in process.

Agency Comments/Action

In the report it was stated that, if a proposed reorganization of the UMTA Research and Development Program was carried out and procedures for implementing a research policy were developed, the UMTA research funds could be used more efficiently and effectively. UMTA has restructured its program but does not yet have procedures for implementing its research policies.

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 DPA for the acquisition to be conducted under OMB A-109. DOT has not responded to the report recommendation to revise DOT 1370.2A to eliminate the present blanket exemption of ATC computers and substitute language closer to that of GSA on ADP.

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.

URBAN MASS TRANSPORTATION ADMINISTRATION

UMTA Needs To Ensure That Adequate Testing and Evaluation Is Done on Future Mass Transit Rail Vehicles (MASAD-82-25, 3-22-82)

Budget Function: Transportation: Ground Transportation (401.0)

The Department of Transportation Test Center is a facility operated and administered by the Federal Railroad Administration which conducts research and development testing for the railroads. The Administration is planning to vacate the test center raising concerns whether a sufficient testing facility will be available in the future to do essential tests on mass transit vehicles to ensure that performance requirements are met.

Findings/Conclusions: The Administration recently recommended that the test center be taken over by the private sector because the use of the facility did not appear to justify the expense. The railroad industry was the first group considered to take over the center. However, if the industry does not want to buy the test facility, it may be offered for sale to other groups in the private sector. Transferring the Administration's control of the test center would be unlikely to affect the existing Urban Mass Transportation Administration (UMTA) testing program for mass transit vehicles. However, if the center is closed, testing would be limited to that which could be done on transit authority tracks. Since 80 percent of the cost of the transit vehicles is paid for by UMTA through grant programs, UMTA is concerned about the adequacy of testing done on transit authority tracks and about the quality and safety of the transit vehicles. Although the transit authorities can conduct many of the tests done at the test center on their own tracks, testing would be limited and less comprehensive. The test center has significant capabilities and the tests done at the center have been beneficial to the transit authorities because they save time, improve performance, and return the cars to revenue service on a timely basis. Obviously, testing is an important function in the total acquisition process, and it is the responsibility of the Administrator of UMTA to retain testing efficiency and effectiveness regardless of the future of the test center.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator, UMTA, to fully consider future testing requirements for Federally supported transit systems.

Status: Action in process.

Agency Comments/Action

The Federal Railroad Administration is in the process of developing a contract with the American Association of Railways to have it take care, custody, and control of the Pueblo test facility. The test facility will remain available for UMTA use. UMTA will conduct tests at the test facility.

DEPARTMENT OF TRANSPORTATION

The Federal Approach to Rail Safety Inspection and Enforcement: Time for Change
(CED-82-51, 4-19-82)

Budget Function: Transportation: Other Transportation (407.0)
Legislative Authority: Railroad Safety Appliance Act (45 U.S.C. 1 et seq.). Hours of Service Act (Railroads) (45 U.S.C. 61 et seq.). Employers' Liability Act (Railroads) (45 U.S.C. 51 et seq.). Ash Pan Act (Railroads) (45 U.S.C. 17 et seq.). Railroad Safety Act of 1970 (Federal) (45 U.S.C. 421 et seq.). Railroad Safety Authorization Act of 1980 (P.L. 96-423).

In response to a congressional request, GAO reviewed the program, policies, and practices of the Federal Railroad Administration's rail safety program.

Findings/Conclusions: The Federal Railroad Administration is not accomplishing its goal of ensuring railroad safety by monitoring the railroads' safety efforts. The Federal safety enforcement program mainly involves making individual routine inspections of track or railcars. These inspections often result in identifying defects and suggesting enforcement actions. However, the narrow focus of this approach, the limited inspection force, and the questionable deterrent value of the violations process have not encouraged broad-based railroad compliance with safety standards. The program's primary effect has been to get individual defects corrected and not to motivate railroads to improve their overall safety programs. If the Federal Railroad Administration shifted its emphasis from the program of individual inspections to broad-based systems assessments which were comprehensive evaluations of the railroads' entire systems and operations, the program would be more effective and deficiencies could be brought to the attention of the railroads' top management. Many inspectors are unable to cover their assigned territories due to a lack of consistency in the size of the territories, vacant inspector positions, travel fund restrictions, and unreliable railroad inspection records. The deterrent value of the violations process is questionable due to a reporting system that does not have adequate controls. A program whereby the Federal Railroad Administration reimburses State Governments for up to 50 percent of the expenses for State railroad inspectors needs improvement.

Recommendations to Agencies: The Secretary of Transportation should require the Administrator of the Federal Railroad Administration to decrease emphasis on individual, routine inspections and allocate a larger proportion of inspector resources to system assessments.
Status: Action in process.

The Secretary of Transportation should require the Administrator of the Federal Railroad Administration to select railroads for broad-based system assessments based on factors beyond accidents and injury data. These would include information such as high defect ratios, defects not being corrected, higher numbers of complaints, and knowledge obtained by inspectors during individual, routine inspections.
Status: Action in process.

The Secretary of Transportation should require the Administrator of the Federal Railroad Administration to determine the scope of the individual broad-based system assessments based on comprehensive planning that considers all information available on a railroad's safety performance, including the adequacy of railroad inspection records.
Status: Action in process.

The Secretary of Transportation should require the Administrator of the Federal Railroad Administration to periodically reexamine the allocation of Federal inspectors until a shifting of inspector resources to system assessments is achieved.
Status: Action in process.

The Secretary of Transportation should direct the Administrator of the Federal Railroad Administration to establish goals for the timely processing of violation reports at all levels and to monitor staff ability to meet these goals.
Status: Action completed.

The Secretary of Transportation should direct the Administrator of the Federal Railroad Administration to monitor the status and disposition of violation reports at all phases of the civil penalty process.
Status: Action in process.

The Secretary of Transportation should direct the Administrator of the Federal Railroad Administration to require the Chief Counsel and the Associate Administrator for Safety to provide the regional offices with a monthly list of all violation reports received.
Status: Action completed.

The Secretary of Transportation should require the Chief Counsel to notify the originating regional office when a violation is terminated in claims conference and provide the reason.
Status: Action in process.

The Secretary of Transportation should direct the Administrator of the Federal Railroad Administration, prior to attempting to significantly expand the program, to determine, based on factors such as the flow of hazardous materials, density of passenger and freight traffic, and number of accidents and causes, the number of State inspectors for which the Federal Railroad Administration can provide reimbursement.
Status: Action in process.

The Secretary of Transportation should direct the Administrator of the Federal Railroad Administration, prior to attempting to significantly expand the program, to assign or reassign Federal inspectors based, in part, on changes in the level of State participation.
Status: Action completed.

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: Action in process.

Agency Comments/Action

The Department of Transportation generally agreed with the GAO conclusions and recommendations, and indicated that the Federal Railroad Administration (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.

Examination of the Federal Aviation Administration's Plan for the National Airspace System--Interim Report *(AFMD-82-66, 4-20-82)*

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: P.L. 89-306.

GAO was asked to review the Federal Aviation Administration's (FAA) planning, management, and acquisition of automated systems for air traffic control and management purposes, and the plan for upgrading the current computer and communications systems for air traffic control and making extensive improvements to the National Airspace System (NAS).

Findings/Conclusions: The stated aims of the NAS plan are: (1) consolidation of facilities; (2) standardization of computer hardware and software; and (3) greater reliance on automation for improved safety, fuel efficiency, and productivity. To determine if the plan's objectives are reasonable, they should be quantified, linked to implementing systems and actions, and compared with their associated cost. The plan needs more detail to support: increased future demands, improved safety and services, reduction of operating costs, and replacement of facilities and equipment. It should also include cost information on individual programs, projects, or systems as well as information on the plan's benefits and savings. A major issue is whether FAA will comply with Public Law 89-306 in procuring computers for the air traffic control (ATC) system. Although GAO has recommended that FAA comply with the law and with General Services Administration implementing procedures for computer procurements, in a testimony before a congressional committee, an FAA official said that the agency does not intend to do so. Serious omissions have been made in planning the procurement of computer systems and, as a result, FAA is procuring new computers that may not be needed. FAA has experienced many problems in developing less complex ATC automation and related projects. The successful implementation of the NAS plan depends on many factors, including the support of all parties involved. To have lasting use, the plan must be revised annually.

Recommendations to Agencies: The Secretary of Transportation should direct FAA to conduct a comprehensive information requirements analysis including the identification and ranking by priority of future software applications

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

The Secretary of Transportation should direct FAA to prepare a long-range plan to obtain needed processing and telecommunication capability.

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

The Secretary of Transportation should direct FAA to cancel its procurements for replacing the regional computer systems and the computer for the Aeronautical Center.

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

Agency Comments/Action

DOT generally disagreed with the GAO recommendations and proposed no action to implement them. House Appropriations Committee staff met with GAO, DOT, and FAA representatives. It is considering action to withhold some ADP procurement funds from FAA pending implementation of the recommendations to comprehensively identify information requirements and prepare a long-range plan. A final GAO report to the requester is being processed.

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 whether 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 the Urban Mass Transportation Administration (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: No action initiated: Date action planned not known.

The Secretary of Transportation should direct the Administrator of the Urban Mass Transportation Administration 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: No action initiated: Date action planned not known.

The Secretary of Transportation should direct the Administrator of the Urban Mass Transportation Administration 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: No action initiated: Date action planned not known.

The Secretary of Transportation should direct the Administrator of the Urban Mass Transportation Administration (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: No action initiated: Date action planned not known.

The Secretary of Transportation should direct the Administrator of the Urban Mass Transportation Administration to recover $5.6 million used to purchase and install three boilers for the Massachusetts Bay Transportation Authority Immediate Needs Power Program.

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

The Secretary of Transportation should direct the Administrator of the Urban Mass Transportation Administration (UMTA) to establish guidelines for UMTA-supported projects involving external funding to ensure that sufficient funds will be available to complete projects.

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

Agency Comments/Action

The Department of Transportation 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.

Small Car Safety: An Issue That Needs Further Evaluation
(CED-82-29, 4-26-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Traffic and Motor Vehicle Safety Act (15 U.S.C. 1381 et seq.). Highway Safety Act of 1966 (23 U.S.C. 401 et seq.). Highway Safety Act of 1973.

GAO conducted a review because of concern about smaller car safety and because of disagreement over alleged safety problems. GAO reviewed numerous research studies as well as analyzed accident data gathered from New York, Michigan, and the National Highway Traffic Safety Administration (NHTSA).

Findings/Conclusions: Few conclusions concerning current or future smaller car safety problems have been unanimously agreed upon by the vehicle and highway safety experts and the automobile industry. Major issues concern whether smaller cars are in more accidents, how well they protect occupants during accidents, and the adequacy of roads to safely contain smaller cars. GAO found that many studies concurred with New York and Michigan data indicating that smaller cars were not overrepresented in total vehicle accidents when compared with the numbers of smaller vehicles registered in those States. However, smaller cars were generally overrepresented in single-vehicle accidents with guardrails and, to a lesser degree, median barriers. When smaller cars collided with larger cars, smaller car occupants received from 2 to 4 times more severe and fatal injuries than the larger car occupants, according to NHTSA and New York data. NHTSA and New York data did not agree on the performance of smaller cars in collision with each other. New York data indicated that in single-vehicle accidents, the smaller the car, the more severe the injuries. Michigan and some NHTSA data showed no consistent trend between occupant injury and all classes of car injuries and fatalities in the heaviest cars. New York data indicated that severe and fatal injuries were more prevalent with smaller cars than with larger cars in single-vehicle collisions with utility and light poles.

Recommendations to Agencies: The Secretary of Transportation should determine which smaller car safety issues need the Nation's greatest attention and which countermeasures can be used to reduce accidents, injuries, and fatalities involving small cars. The Secretary should examine all relevant sources of available accident and test information, but emphasis should be given to using accident data. The Secretary should also: (1) establish standard units of measure to define all sizes of passenger cars; and (2) include an examination of the contributing effects of both the driver and roadway on smaller car performance.
Status: Action in process.

The Secretary of Transportation should use one or more of the following techniques to determine which small car safety issues are most important: (1) organize a task force composed of Federal Highway Administration and NHTSA personnel, advisors from Federal agencies, States, and industry, and vehicle and highway safety experts; (2) develop a special studies program on smaller cars to be carried out with the National Accident Sampling System teams and to be reviewed by both NHTSA and FHWA; and (3) develop a program to use accident data from several selected States on a continuing basis to supplement test data which is available.
Status: Action in process.

The Secretary of Transportation should use the results of this examination to rank research priorities.
Status: Action in process.

Agency Comments/Action

The Department of Transportation replied that it already has a number of activities underway that address the small car performance discussed in the GAO report. As a result of the report, DOT will review its current efforts to analyze the small car safety issues with emphasis on greater use of accident data to identify problems needing program changes or new research efforts. However, detailed DOT comments indicate a general disagreement with GAO conclusions and recommendations; it is doubtful that actions envisioned by GAO will be accomplished.

Improved Planning and Management of the Central and Southern Florida Flood Control Project Is Needed *(MASAD-82-35, 5-14-82)*

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Flood Control Act of 1948 (P.L. 80-858).

GAO reviewed the effectiveness of Corps of Engineers project planning and management for the Central and Southern Florida Flood Control Project which the Corps currently estimates will cost about $2.2 billion.

Findings/Conclusions: GAO believes that the Corps' planning and management of the project needs to be improved. The project plan is inadequate, because it contains proposed work that will require major modifications or may never be done due to potential adverse environmental impacts or lack of support by the local sponsor. The Flood Control Act of 1968 expanded the project to provide for increased storage and conservation of water and for improved water distribution. Some authorized project components were placed on an inactive status or deleted from project plans or cost estimates and may never be completed. Both the Corps and the State of Florida are currently in the process of identifying and evaluating many alternatives to alleviate water supply concerns. The 1999 completion estimate is extremely optimistic. Since long-term priorities and valid schedule milestones have not been established for the remaining work to ensure that it is completed in the most orderly, efficient, and effective manner. The funding levels used by the Corps to estimate the completion schedule were too high. The uncertain scope of the project has prevented the Corps from preparing and reporting meaningful cost estimates, since the estimates contain costs for work which may not be done and do not recognize costs for new work. In addition, inflation has been understated in the cost estimates.

Recommendations to Agencies: The Secretary of the Army should require the Chief of Engineers, based on the best information available, to identify and set long-term priorities for project segments that the Corps and local sponsors agree are essential to complete the project and should either place the remaining work segments in a deferred or inactive status or submit them for deauthorization.
Status: Action in process.

The Secretary of the Army should require the Chief of Engineers, based on the best information available, to provide Congress in the next annual budget submission a restructured project plan containing a realistic completion date, a revised cost estimate, and priorities for the remaining major work segments.
Status: Action in process.

Agency Comments/Action

The Corps of Engineers has initiated and said that it will continue a process to establish priorities for completion of essential project segments. As part of its annual budget process, the Corps has said that it will review remaining separable elements of the Central and Southern Florida Flood Control Projects which are proposed for initial construction funding and, based upon such review, make recommendations which appear appropriate at that time.

Changes in DOT's Grants to Public Transportation Projects in Nonurbanized Areas Would Be Beneficial
(CED-82-24, 5-28-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Surface Transportation Assistance of 1978. Older Americans Act of 1965. Comprehensive Employment and Training Act of 1973. Mass Transportation Assistance Act of 1974. Social Services Amendments of 1974. Urban Mass Transportation Act of 1964.

In response to a congressional request, GAO reviewed the Department of Transportation's Formula Grant Program for Areas Other Than Urbanized Areas, referred to as the section 18 program. Specifically, GAO was asked to obtain information on: (1) how the program is working; (2) program requirements for labor protection, elderly and handicapped accessibility, and service to the general public; and (3) rural transportation coordination.

Findings/Conclusions: GAO found that: (1) the practice of funding operating costs and project administrative costs at the maximum allowable levels provides the opportunity for program funds to be substituted for funds previously provided by other sources; and (2) the opportunity for substitution could be eliminated by limiting section 18 funding to the increase in a transportation system's operating loss from what it was in its last year of operation before section 18 funding. However, it is uncertain whether funding from other sources could be maintained at previous levels in the face of recent and proposed funding cutbacks in the other Federal programs involving funds to rural transportation systems. The section 18 legislation does not prohibit the Federal Highway Administration (FHWA) from classifying certain noncapital costs as project administrative costs and funding them at a higher level than is allowed for the same type of costs under a similar program. FHWA guidance is not specific about what specialized transportation systems can do about serving the general public to qualify for section 18 funding. In the absence of more specific guidance, States are establishing differing requirements. Because of the numerous errors in the program expense categories, FHWA does not know how much of the program funds are being obligated nationwide for capital, administrative, and operating costs. Also, because the data it does collect are limited, monitoring and assessing program accomplishments is impeded. As a result, FHWA cannot accurately inform Congress about the program.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of FHWA to provide formal guidance on the public service requirement. Such guidance should clearly identify the full range of actions that specialized providers could take and that FHWA will accept as satisfying the public service requirement.

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

The Secretary of Transportation should direct the Administrator of FHWA to identify the elements of information that are critical for program management and evaluation and to ensure that such data are collected. Also, to the extent possible, FHWA should correct the existing inaccuracies in the data base and ensure that future data are accurately reported.

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

Agency Comments/Action

GAO recommended that Transportation clarify what requirements must be met to satisfy the general service provision of grants for nonurbanized areas in addition to improving the program's management information system. In response to these recommendations, Transportation stated that any adjustments in program policy at this time would be unproductive because it is currently working with Congress to revise legislation related to grants for nonurbanized areas.

Fresh Look Is Needed at Proposed South Florida Jetport
(CED-82-54, 6-15-82)

Budget Function: Transportation: Air Transportation (402.0)
Legislative Authority: Aviation Act (49 U.S.C. 1348).

To protect the Everglades, the United States entered into the Jetport Pact of 1970 with the the State of Florida, and Dade County, Florida. The Pact provides, as one alternative, that a suitable replacement site at which to locate a regional airport be found in south Florida and training facilities equivalent to those now at the Everglades Jetport be constructed without cost to the county. GAO reviewed the Pact to determine whether: (1) the replacement training facility is still needed based on changing circumstances in the past decade and on projections of future need; and (2) plans for a new commercial jetport at site 14, the recommended replacement, have adequately shown that the site is suitable for air carrier airport development.

Findings/Conclusions: The need for a south Florida air carrier training airport, which was a primary condition leading to the Pact, has almost disappeared because advances in air carrier training simulator technology and changes in the Federal Aviation Administration's regulations have virtually eliminated the need for hands-on training. Another condition which led to the Pact, the need for a regional commercial airport, has also changed. The Pact did not directly address general aviation training needs, but apparently the need to accommodate this demand is the justification for constructing training facilities at site 14 to replace the Everglades Jetport. However, the capacity available at existing airports, coupled with expansions to them, will adequately satisfy expected general aviation training demands. The 1981 estimate to acquire site 14 and construct the training facility is $161.9 million. Potential operational problems which would apparently face a regional airport at site 14 and have not been adequately resolved. Significant airspace conflicts may be created by commercial operation at that site, which could reduce overall airport system capacity, even with the additional capacity provided by the site. Also, ground access planning for site 14 is inconsistent with established policy and assumptions.

Recommendations to Agencies: The Secretary of Transportation should, as one of the signatories to the Jetport Pact, not consent to renewing the Pact unless it is revised to recognize that a training facility is no longer needed and that the claimed need for a regional airport has been moved 15 years into the future.

Status: Action in process.

The Secretary of Transportation should satisfactorily resolve the airspace conflicts that commercial development at site 14 may create and the inconsistent ground transportation access planning for site 14.

Status: Action in process.

Agency Comments/Action

The Federal Aviation Administration has fully recognized the factors identified in the report as having a significant bearing on the decision whether or not to develop a replacement airport at site 14 in accordance with the Jetport Pact's provisions. All Federal Aviation Administration evaluations are targeted to be completed before the end of calendar year 1982, so that it will be in a position to recommend appropriate action to DOT when the Pact comes up for renewal in January 1983.

Highway Right-of-Way Program Administration by Wisconsin and Michigan and the Federal Highway Administration
(CED-82-110, 7-13-82)

Budget Function: Transportation: Ground Transportation (401.0)
Legislative Authority: Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. 23 U.S.C. 108. 23 U.S.C. 108(c)(3).

GAO selected two States with large right-of-way acquisition programs that are active in Federal aid revolving fund, property management, or property disposal programs in order to determine whether (1) the Federal Highway Administration (FHWA) is effectively administering the right-of-way acquisition funds; and (2) States are effectively using the land acquired for rights-of-way in their highway construction programs.

Findings/Conclusions: GAO found that several weaknesses in the administration of the program exist in the States reviewed. Wisconsin did not promptly return to the Federal Government several million dollars in revolving fund advances used to acquire land for projects that would not be built within the 10-year time limit for construction. In Michigan, construction did not begin within the 10-year time limit on right-of-way projects for which the State received approximately two million dollars in regular Federal-aid funds. In both States, land was erroneously acquired under the requirement to purchase uneconomic remnants. GAO concluded that, in cases where projects are not progressing and will not be built within the 10-year time limit for construction, FHWA should not wait until the expiration of the time limit before requiring the State to either repay the funds or justify retaining them. Although regulations are not specific as to when the time limit expires and extensions may be granted, GAO believes that the State should be required either to formally request an extension or to refund the Federal funds. GAO also found that Michigan and Wisconsin accumulated a large inventory of excess land and that it had been erroneously charged to the Federal Government. FHWA has successfully made efforts to correct the improper charges.

Recommendations to Agencies: The Secretary of Transportation should direct FHWA to recover such revolving fund advances from Wisconsin as are appropriate.
Status: Recommendation no longer valid/action not intended. *The recommendation was predicated upon statements by State officials that projects would not be built. Subsequently, FHWA informed GAO that it has determined that none of the projects have been dropped, and that the State claims that it plans to advance the projects to construction. Accordingly, FHWA informed GAO that it has no basis to dispute the State's claim.*

The Secretary of Transportation should direct FHWA to: (1) emphasize to its division offices their authority to initiate such actions; and (2) instruct the divisions to review their revolving fund projects and, where appropriate, to require the States to justify retaining the revolving fund advances or to refund them.
Status: Action in process.

The Secretary of Transportation should direct FHWA to emphasize to its division offices how this limit is to be computed and to instruct them to review their converted right-of-way projects to assure that they comply with the limitation.
Status: Action in process.

Agency Comments/Action

FHWA has determined that no revolving fund recoveries are due as the States plan to advance the projects to construction. FHWA will remind its field officers of their responsibility to recover funds when it is demonstrated that a project will not be built. FHWA will issue a policy clarification on computing the 10-year limitation right-of-way advances.

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 in process.

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

DOT stated that it shared the concerns of GAO with improving the effectiveness of the motor vehicle recall program and intended to use all reasonable means to implement the recommendations. It stated that it disagreed with the conclusion that there was inadequate coordination and direct communication between the NHTSA Office of Chief Counsel (OCC) and Office of Defects and Investigations (ODI). Nevertheless, DOT stated that it had already taken certain steps to speed up OCC processing of ODI cases. With respect to increasing consumer responsiveness to recalls, DOT stated that NHTSA had contracted with an outside expert and would work with several manufacturers, if appropriate, to improve notification letters.

Strengthening Transportation Policy Development and Implementation
(CED-82-102, 9-9-82)

Budget Function: Transportation: Other Transportation (407.0)

GAO conducted a study to determine whether a system for policy development and implementation could benefit the Department of Transportation.

Findings/Conclusions: Incoming Secretaries of Transportation have not found a system in place for formulating and implementing Department-wide long-term policy. Although a unit exists with the responsibility to develop such policy, it has often been bypassed in favor of other offices headed by persons who are personally close to the Secretary, or the unit has concentrated on quick response analyses. In an environment of frequent top-level turnover, a system for formulating and implementing long-term policy can promote continuity and long-range policy development and implementation. A staff to develop such a system should be insulated from having to react to day-to-day concerns and immediate issues. A Department-wide development and implementation system should: (1) focus on a few issues of highest priority to the Secretary; (2) identify objectives which the Department should be achieving for those issues; (3) analyze alternative programs and determine which mix of programs the Department should support to achieve the objectives; (4) prepare plans to implement objectives at the program level for Secretarial approval; and (5) monitor how the Department carries out adopted plans.

Recommendations to Agencies: The Secretary of Transportation should assure that attention will be provided to long-term policy development and implementation Department-wide in implementing the Management Objectives System. In addition, he should make certain that the staff that perform this mission direct their attention to addressing long-term rather than day-to-day concerns.

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

Agency Comments/Action

While DOT agreed with GAO on the importance of good longer-term policy development, it disagreed with the specific means of accomplishing that objective. It believes that other measures already instituted are better suited for this purpose. DOT does not agree with the interpretation that GAO has placed on its past experience in this area on which it has premised its conclusions and recommendations.

Runways at Small Airports Are Deteriorating Because of Deferred Maintenance
(CED-82-104, 9-13-82)

Budget Function: Transportation: Air Transportation (402.0)
Legislative Authority: Airport and Airways Development Act of 1970. Airport and Airway Improvement Act of 1982.

GAO reviewed airport runway maintenance nationwide to determine whether airport owners are properly maintaining their runways. Between 1970 and 1981, the Federal Aviation Administration (FAA) invested approximately $750 million to construct and improve many of the Nation's runways in return for the owners' assurances to properly maintain the airports.

Findings/Conclusions: GAO found that, in a substantial portion of the airports it visited, critical runway pavement maintenance was being deferred, and there is evidence that the problem is nationwide. Most of these cases involved the failure to promptly repair pavement cracks. Delaying needed repairs often leads to structural problems in the underlying pavement, thereby increasing rehabilitation costs. Lack of funds was the primary reason airport representatives cited for deferring maintenance; however, FAA failure to report poor maintenance conditions and practices during routine airport inspections and to require the owners to make timely repairs was a contributing factor. Despite recent FAA efforts to improve pavement maintenance guidelines, GAO believes that FAA may have to use administrative or judicial actions to obtain compliance, if owners do not comply voluntarily.

Recommendations to Agencies: The Secretary of Transportation should direct the Administrator of FAA to complete the advisory circular on pavement maintenance and provide a copy to all airport owners, together with any necessary training on how to apply it.

Status: Action in process.

The Secretary of Transportation should direct the Administrator of FAA to require the agency's airport inspectors to report airport owners' unsatisfactory maintenance of runways.

Status: Action completed.

The Secretary of Transportation should direct the Administrator of FAA to require the agency's regional offices to aggressively pursue airport owners' compliance with maintenance obligations, including taking administrative or judicial actions against owners who fail to satisfactorily maintain their runways.

Status: Action completed.

The Secretary of Transportation should direct the Administrator of FAA to require the agency's regional offices to contact aviation officials in the States that are not currently assisting small airports to see if such financial assistance can be arranged.

Status: Action completed.

Agency Comments/Action

DOT concurred with the four recommendations to the Secretary and advised that action was nearing completion on the recommendations.

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.

CABINET COUNCIL ON NATURAL RESOURCES AND THE ENVIRONMENT

Actions Needed To Promote a Stable Supply of Strategic and Critical Minerals and Materials
(EMD-82-69, 6-3-82)

Budget Function: Natural Resources and Environment: Other Natural Resources (306.0)
Legislative Authority: National Materials and Minerals Policy, Research and Development of 1980 (P.L. 96-479). Strategic and Critical Materials Stock Piling Act. Strategic and Critical Materials Stock Piling Revision Act of 1979 (P.L. 96-41; 50 U.S.C. 98 et seq.). Defense Production Act of 1950 (50 U.S.C. App. 2061 et seq.).

The National Materials and Minerals Policy and Development Act of 1980 was enacted to provide a national policy for minerals and materials and to strengthen related research and production capabilities. The Executive Office of the President is implementing this policy primarily through the Cabinet Council on Natural Resources and the Environment. GAO reviewed the strides that have been made in developing legislative, budgetary, and programmatic proposals to promote an adequate and stable supply of minerals and materials needed to maintain national security, economic well-being, and industrial production as required by the Act.

Findings/Conclusions: The Act gives high priority to the issue of strategic and critical and minerals and materials. However, the President's program plan, while identifying measures to diminish U.S. minerals and materials vulnerability, does not adequately address the fundamental, rudimentary issues of: (1) what constitutes a strategic and critical mineral or material; (2) what the magnitude of potential U.S. vulnerability in a given nonfuel mineral and material market; and (3) what the proper Federal role. Unless these issues are resolved, a coherent plan to reduce U.S. mineral and materials vulnerability may be difficult to implement, and the limited Federal funds available may not be expended in the most cost-effective manner. The President's plan addresses general solutions for reducing increasing U.S. dependency on foreign sources for strategic and critical minerals and materials, including: (1) long-term, high-risk research and development with potential wide generic application to materials problems and increased productivity; (2) strategic and critical minerals impact analyses on proposed future congressional land withdrawals; and (3) congressional approval to dispose of excess materials in the National Defense Stockpile and to acquire stockpile materials. A growing consensus of opinion is that assuring U.S. access to future strategic and critical mineral and material supplies will require a long-term plan that is tailored for a specific mineral or material and that considers its extraction, processing, and consumption system.

Recommendations to Agencies: The Chairman of the Cabinet Council on Natural Resources and the Environment should define the term "strategic" to relate to the probability of a supply disruption or sharp price increase in a given nonfuel mineral or material market and its expected duration and the term "critical" to relate to the adverse impact that would occur if supplies are disrupted or prices are sharply increased.

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

The Chairman of the Cabinet Council on Natural Resources and the Environment should develop an approach to measure the magnitude of the potential problem by quantifying the degree of U.S. vulnerability in a given market.

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

The Chairman of the Cabinet Council on Natural Resources and the Environment should assure that legislative, budgetary, and programmatic proposals articulate how each short-term action: (1) will promote long-term, national nonfuel minerals and materials goals; and (2) relates to the long-term goals of other Federal policies.

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

COMMODITY FUTURES TRADING COMMISSION

Commodity Futures Regulation: Current Status and Unresolved Problems
(CED-82-100, 7-15-82)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Commodity Exchange Act (Futures). Commodity Futures Trading Commission Act of 1974 (P.L. 93-463; 88 Stat. 1389). Futures Trading Act of 1978. Independent Offices Appropriation Act, 1952 (31 U.S.C. 483a). Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.). Administrative Procedure Act. Securities Exchange Act of 1934. OMB Circular A-25. OMB Circular A-123. Commodity Futures Trading Comm. Reg. 1.35(g)(1). Commodity Futures Trading Comm. Reg. 1.50. Commodity Futures Trading Comm. Reg. 1.51. Commodity Futures Trading Comm. Reg. 1.52.

GAO conducted a review of the programs of the Commodity Futures Trading Commission to assess whether the Commission's programs meet the objectives established by Congress and measure up to the Commission's own stated objectives. This review was conducted to assist Congress in evaluating the Commission's performance in conjunction with its reauthorization.

Findings/Conclusions: GAO stated that the Commission has made progress in developing a regulatory framework to protect commodities customers and that the principal Federal programs for commodities futures regulation must continue if futures trading is to operate reasonably free from abuse. Even if the exchanges assume increasing responsibility for key aspects of regulating futures trading, the Federal Government must continue to monitor exchange performance to determine whether self-regulation is working. The Commission's program to review the exchanges' rule enforcement procedures and performance have not covered all aspects of exchange programs often enough and have not promptly followed up on previously identified deficiencies. The Commission more thoroughly analyzes information submitted to support contract approval than it previously did; however, it still needs to strengthen and clarify its approval requirements and devote more effort to existing contracts to determine if they are actually meeting their economic function. Weaknesses in the Commission's automatic data processing programs prevent it from collecting and analyzing market data in a way that can effectively support its surveillance program. The Commission's efforts to register industry professionals and to identify and remove unfit individuals can also be improved. The reparations program is not meeting its objectives as it takes an average of 3 years to complete the reparations process, complainants have difficulty understanding the program, and the process is expensive.

Recommendations to Congress: Congress should reauthorize the existing Federal commodity regulatory programs.
Status: Action in process.

Congress should amend section 8a(6) of the Commodities Exchange Act to authorize the Commodity Futures Trading Commission to routinely disclose large-trader information to contract markets for market surveillance purposes with adequate safeguards to protect the information's confidentiality.
Status: Action in process.

Congress should: (1) amend section 8a of the Commodities Exchange Act and insert a new subsection to allow applicants/registrants to appeal to the Commodity Futures Trading Commission any registration decision made by a registered futures association; (2) amend sections 4f and 4n of the Act to authorize a registered futures association to register futures commission merchants, commodity trading advisors, commodity pool operators, and floor brokers in lieu of registration with the Commission; and (3) amend section 4p of the Act to allow for the testing of commodity trading advisors and commodity pool operators and to allow any registered futures association to develop and administer such tests for all categories of Commission registrants upon Commission approval.
Status: Action in process.

Congress should clarify section 17(b)(4)(E) of the Commodities Exchange Act to ensure that any registered futures association, upon approval by the Commodity Futures Trading Commission, can collect the fingerprints of its members and submit those fingerprints to the Federal Bureau of Investigation for identification and processing.
Status: Action in process.

Congress should: (1) raise the dollar limitation on the amount customers can compel exchange members to arbitrate from $15,000 to $25,000; (2) authorize the Commodity Futures Trading Commission to periodically adjust this dollar limitation as warranted by inflation and to reflect the size of claims submitted to the reparations program; (3) raise the dollar limitation on the amount that customers will be able to compel National Futures Association members to arbitrate from $15,000 to $25,000; and (4) authorize the Commission to periodically adjust this dollar limitation as warranted by inflation and to reflect the size of claims submitted to the reparations program.
Status: Action in process.

Recommendations to Agencies: The Commodity Futures Trading Commission should encourage NFA to expeditiously establish proficiency testing and qualification standards for Commission registrants.
Status: Action in process.

The Commodity Futures Trading Commission should develop a plan for transferring specific audit functions to NFA.
Status: **No action initiated: Date action planned not known.**

The Commodity Futures Trading Commission should work with the American Institute of Certified Public Accountants to provide for the timely publication of audit guidelines for use by independent public accountants in performing audits of futures commissions merchants.
Status: Action in process.

The Commodity Futures Trading Commission should develop a plan for the NFA takeover of registration functions. This plan should be preceded by an analysis of the role NFA can and should play in registration, the Commission's residual role in registration, how the Commission will perform oversight of NFA registration activities, and the information that will be needed to perform this oversight.
Status: Action in process.

The Commodity Futures Trading Commission should computerize all management information concerning the reparation program.

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

The Chairman of the Commodity Futures Trading Commission should report pertinent program statistics to Congress on a regular basis to enable it to make informed judgments concerning the performance and future of the reparations program.

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

The Commodity Futures Trading Commission should work with industry officials and NFA to encourage the use of the association as an arbitration forum.

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

The Commodity Futures Trading Commission should: (1) adopt the proposed Guideline I revisions; (2) establish procedures for analysis economists to follow in contacting cash market participants including use of the expertise of Commission surveillance economists; and (3) require analysis economists to contact a significant portion of the potential hedgers who submit statements on behalf of an exchange applying for contract approval.
Status: Action in process.

The Commodity Futures Trading Commission should establish an effective approach for reviewing existing contract markets which include: (1) adopting the proposed rules on dormant and low-volume contracts; (2) identifying contracts that may not be serving an economic purpose and requiring exchanges to demonstrate that these contracts continue to comply with economic requirements; and (3) using surveillance economists to review terms and conditions of existing contracts for conformity to current cash market practices.
Status: Action in process.

The Commodity Futures Trading Commission should: (1) require exchanges to supply, at the time of their application, all the relevant support they intend to submit to demonstrate economic purpose; (2) establish written staff deadlines for all phases of the review process; and (3) require senior level officials to perform an initial contract review and brief the assigned economist on contract aspects that should be explored.
Status: Action in process.

The Commodity Futures Trading Commission should charge a fee to collect contract approval process costs.

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

The Commodity Futures Trading Commission should: (1) establish and implement a project to improve its large-trader reporting system which includes defining surveillance economists' needs regarding large-trader data and reporting outputs, exploring the use of machine-readable inputs, and identifying resources needed to maintain the necessary accuracy level; and (2) establish a program to improve the application of automatic data processing in routine analysis of surveillance data, and to develop more sophisticated analytical techniques for surveillance.
Status: Action in process.

The Commodity Futures Trading Commission should comprehensively address how to assure that exchanges have available adequate large-trader data. This can be accomplished by using the Commission's planned options program to test the ability of exchanges to successfully collect and process large-trader data and by broadening the August 1980 proposed rules on large-trader data collection to assess the issues surrounding the Commission's routine supply of large-trader data to exchanges in return for a fee.
Status: Action in process.

The Commodity Futures Trading Commission should: (1) implement by the July 1, 1982, target date associated persons sponsorship and the fingerprinting of registration applicants; (2) review the fitness of registrants against Security and Exchange Commission and Federal Bureau of Investigation files on a spot check basis during reregistration; and (3) revise its rules to require the registration of sales and supervisory personnel of commodity trading advisors and commodity pool operators.
Status: Action in process.

The Commodity Futures Trading Commission should: (1) reduce the number of audits of member future commission merchants (FCM's) and rely instead upon the exchanges to be the primary monitors of these FCM's; (2) devote additional audit resources to monitoring nonmember FCM's and commodity pool operators; (3) provide additional specific guidance on how to conduct exchange audit and financial surveillance programs; (4) perform more frequent reviews of the exchanges' audit and financial surveillance programs and perform more active followup so that exchanges modify their audit and financial surveillance programs to comply with the Commission's recommendations; and (5) conduct reviews of exchange audit and financial surveillance programs in conjunction with rule enforcement reviews.
Status: Action in process.

The Commodity Futures Trading Commission should: (1) reallocate its resources to provide greater support to the rule enforcement review program; (2) place greater emphasis on reviews that cover carefully selected aspects of exchange activities, but only after a period of comprehensive reviews has established that exchanges have effectively functioning self-regulatory programs; (3) increase the frequency of selective reviews once the transition from comprehensive reviews has been accomplished; (4) establish substantive followup procedures to ensure that exchanges correct identified rule enforcement deficiencies with reasonable promptness; (5) supplement the rule enforcement review process with a requirement that exchanges provide

necessary evidence to demonstrate that their compliance programs satisfy statutory and Commission requirements; (6) develop more specific standards for exchange self-regulatory programs and more objective criteria to assess exchange self-regulatory performance; and (7) establish a firm link between contract market designation and compliance with exchange rule enforcement responsibilities, designating additional contracts only on those exchanges able to demonstrate satisfactory compliance with self-regulatory responsibilities.

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

The Chairman of the Commodity Futures Trading Commission should direct the agency's Executive Director to: (1) establish a comprehensive information resource management planning process; (2) establish a standard agency-wide project management process that will be applicable to each major software development project; (3) emphasize the importance of strong and effective ADP management; and (4) present for Commission consideration and approval a charter establishing the newly organized executive steering committee as a standing Commission committee and setting forth clearly its responsibilities and authority.

Status: Action in process.

The Chairman of the Commodity Futures Trading Commission should consult with the chief administrative law judge to: (1) assign all reparations complaints to the administrative law judges' dockets as soon as the complainants' filing fees have been received; and (2) establish objective performance standards for administrative law judges that would explain what is expected in terms of performance and productivity.

Status: Action in process.

The Chairman of the Commodity Futures Trading Commission should direct that the reparations rules be rewritten in plain English and simplified as much as possible.

Status: Action in process.

The Chairman of the Commodity Futures Trading Commission should collect and analyze the detailed processing information needed to effectively manage the reparations program and assess its performance.

Status: Action in process.

The Chairman of the Commodity Futures Trading Commission should direct the staff to perform an evaluation of all exchange arbitration programs to determine whether they are meeting all legal requirements.

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

Agency Comments/Action

The Commodity Futures Trading Commission commented that the GAO report made a significant contribution to this year's reauthorization process. The Commission welcomed the report's detailed critique of its operations over the past 4 years and its proposal for changes to improve Federal commodities regulation. It prepared detailed responses to the 51 report recommendations, has implemented many of the GAO proposals, and has pending plans for many others.

Corps of Engineers Should Reevaluate the Elk Creek Project's Benefits and Costs
(CED-82-53, 3-15-82)

Budget Function: Natural Resources and Environment: Water Resources (301.0)
Legislative Authority: Area Redevelopment Act (P.L. 87-27). Clean Water Act of 1977 (P.L. 95-217). Flood Control Act (33 U.S.C. 701a). Flood Control Act of 1962 (P.L. 87-874). Flood Disaster Protection Act of 1973 (P.L. 93-234). Water Resources Development Act of 1974 (P.L. 93-251). Water Supply Act of 1958 (P.L. 85-500). 18 C.F.R. 704.39. S. Doc. No. 97 (87th Cong.). National Wildlife Federation vs. Gorsuch, Civ. Act. No. 79-0915 (D.D.C. 1982). 43 U.S.C. 390.

GAO was requested to review the Army Corps of Engineers' benefit-cost analysis of the Elk Creek Project under construction in Jackson, Oregon. The review focused on the latest benefit-cost analysis which was prepared in 1981 for the fiscal year (FY) 1982 budget.
Findings/Conclusions: GAO questioned the 76 percent of the $5,457,000 in annual benefits estimated by the Corps in 1981 for the FY 1982 budget. Specifically, GAO questioned whether the: (1) flood control benefits developed in 1974 reflect a subsequent lower potential population and property value growth rate and more stringent flood plain zoning laws passed by local governments in the Elk Creek flood plain area; (2) Corps included water supply benefits without assessing the future water needs predicted by the Rogue River Basin communities; (3) Corps developed recreation benefits in 1973 and 1974 on the basis of now outdated recreation use patterns; (4) Corps based irrigation benefit estimates on an irrigation plan discarded in 1975 by another Federal agency because it was no longer economically feasible; and (5) Corps computed area development benefits for the county in which the project is to be constructed and a neighboring county. GAO is not questioning the fish and wildlife benefits other than those related to irrigation. However, some agencies have expressed concern about the possible adverse effects of the project on water quality and the fishery in the Rogue River. GAO found that project costs are understated by $65,000 annually because, contrary to applicable benefit-cost procedures, costs associated with interest on construction expenditures and the acquisition of project lands and timber were not updated.
Recommendations to Agencies: The Secretary of the Army should require the Chief, Corps of Engineers, to reexamine the economic feasibility of the Elk Creek Project and to resolve the questions on project benefits and costs.
Status: Action in process.

Agency Comments/Action

The Army concurs with the GAO recommendation for a new examination of the economic feasibility of the project to resolve the questions on benefits and costs before actual funds are requested for resumption of construction. Although no funds were included for this project in the Presidential 1983 budget request, the Army has not as yet determined when the reexamination will be done.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Problems in Managing and Planning of Information Resources Persist at the Army Corps of Engineers *(CED-82-28, 6-9-82)*

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Paperwork Reduction Act of 1980 (P.L. 96-511). A.R. 18-1. OMB Circular A-71. FIPS Pub. 49. GSA Federal Management Circular 74-5.

GAO was asked to review the Army Corps of Engineers' effectiveness in planning, acquiring, managing, and using information resources, specifically automatic data processing.

Findings/Conclusions: The Corps has become increasingly dependent on information resources, including computers and telecommunications, software systems, and personnel, to accomplish its mission and program objectives. However, the agency has experienced numerous problems in the management, acquisition, and use of its automatic data processing resources. Its organizational structure and management approach have a number of weaknesses, including the lack of: (1) a single focus of responsibility or coherent system for managing information resources; (2) a formal oversight mechanism to ensure effective management and use of information systems and computer software; (3) an enforcement mechanism for controlling and coordinating the development of software applications; (4) a comprehensive planning process to help manage, acquire, and use information resources; and (5) a uniform method for evaluating the use and performance of computers and related information resources. A major computer hardware replacement program, CE-80, has been plagued by planning and management problems which raise doubts that the program will provide the most effective and efficient way to meet future requirements. A central office for implementing a comprehensive management program for information resources is needed. GAO believes that the Paperwork Reduction Act offers the Corps an appropriate framework for strengthening its management of information resources, including automatic data processing.

Recommendations to Agencies: The Secretary of the Army should direct the Chief of Engineers to establish a separate information resource management office with clearly defined authority over information resource activities. This office should include the functions of information resources management, the Automation Management Office, and the CE-80 Project Office.

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

The Secretary of the Army should direct the Chief of Engineers to direct the senior official to conform the organizational structure, policies, and programs of the information resource management office to those of the Army as they become available.

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

The Secretary of the Army should direct the Chief of Engineers to direct staff and program offices and field offices to establish a direct and systematic reporting relationship with the central information resource management office.

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

The Secretary of the Army should direct the Chief of Engineers to issue a directive establishing clear authority and responsibility of the senior official for information resource management issues.

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

The Secretary of the Army should direct the Chief of Engineers to direct the recently designated senior official to develop and implement a comprehensive program for managing the Corps information resources. Also, the comprehensive program should include: (1) a formal oversight mechanism to guide and direct the use and management of information systems; and (2) formal procedures and policies to control software and system development projects.

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

The Secretary of the Army should direct the Chief of Engineers to establish a comprehensive planning process for information resources, including automatic data processing (ADP). This process should provide a mechanism to: (1) establish strategies, goals, and objectives; (2) identify and define functional information requirements; (3) establish priorities for these requirements; and (4) measure the use of ADP resources and report on their performance.

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

The Secretary of the Army should direct the Chief of Engineers to develop a comprehensive software plan to facilitate the transition of software systems to a future computer system.

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

The Secretary of the Army should direct the Chief of Engineers to systematically update and define functional user requirements to better justify the acquisition of additional computer resources, evaluate alternative acquisition strategies, and determine requirements for communications and software.

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

The Secretary of the Army should direct the Chief of Engineers to determine existing computer performance capabilities which have been increased by recent computer acquisitions and evaluate the impact on long-range plans and workload projections.

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

The Secretary of the Army should direct the Chief of Engineers to perform a detailed review and analysis of major software systems to determine whether they should be continued, redesigned, or eliminated.

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

The Secretary of the Army should direct the Chief of Engineers to conduct a thorough cost-benefit analysis of alternative redesign strategies for the Corps of Engineers' Management Information Systems to assure that the Government incurs the lowest total life-cycle cost.

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

Agency Comments/Action

DOD has prepared a Section 236 response, but has not officially transmitted it to the required committees and GAO.

Corps of Engineers Procedures for Acquiring and Altering Leased Space Need Revision
(PLRD-82-86, 7-1-82)

Budget Function: General Government: General Property and Records Management (804.0)

GAO reviewed selected Corps of Engineers' practices and procedures for acquiring and altering leased space to determine whether the Corps is following sound leasing procedures and practices.

Findings/Conclusions: GAO found that the Corps: (1) usually did not advertise for space and seldom sought or obtained competition for lease awards; (2) usually did not prepare independent cost estimates when it contracted on a sole-source basis with lessors for alterations; (3) did not comply fully with delegated authority to enter into multiyear recruiting office leases; (4) agreed to annual escalation of net rent on one lease; (5) paid rent and maintenance charges of about $646,000 for vacant space in one building during layout preparation and alteration; and (6) did not make the required determination that the negotiated rent on three major leases was within the Economy Act limitation prior to signing the leases.

Recommendations to Agencies: The Secretary of the Army should direct the Chief of Engineers to monitor the leasing program to ensure that space requirements are normally advertised and maximum competition is obtained through formal solicitations for offers. Whenever space requirements are not advertised, the lease file should contain written justification for not advertising.

Status: Action in process.

The Secretary of the Army should direct the Chief of Engineers to revise the Corps' real estate handbook to require independent detailed cost estimates based on final plans and specifications when the Corps contracts on a sole-source basis with lessors for alteration work anticipated to cost over a specified threshold amount.

Status: Action in process.

The Secretary of the Army should direct the Chief of Engineers to issue instructions to district real estate officials not to enter into year-to-year leases which are contingent on the availability of appropriated funds for the payment of rent when leasing under multiyear authority delegated by the General Services Administration.

Status: Action completed.

The Secretary of the Army should direct the Chief of Engineers to attempt to reach agreement with the lessor to eliminate the provision for escalation of net rent in the International Tower Building lease and issue instructions to district real estate officials not to accept such a lease escalation provision in future leases.

Status: Action completed.

The Secretary of the Army should direct the Chief of Engineers to issue instructions requiring the Corps, whenever possible, to avoid paying rent for space before it is ready for occupancy. In those cases where rent is paid before occupancy, the Corps should attempt to negotiate a reduction in rent for reduced maintenance and other operating costs during vacancy periods.

Status: Action in process.

The Secretary of the Army should direct the Chief of Engineers to issue instructions to contracting officers to determine whether negotiated rentals on applicable leases are within the Economy Act limit prior to signing the leases.

Status: Action in process.

Agency Comments/Action

The Department of the Army generally concurred with the recommendations. The Army Corps of Engineers issued guidance to its divisions on September 30, 1982, on four of the recommendations. However, this guidance was limited to the recruiting facilities program although three of the recommendations are also applicable to leased facilities other than recruiting offices. No guidance has been issued on the recommendation concerning paying rent for unoccupied space. Corrective action has been taken on the recommendation concerning lease escalation provisions. The Corps has agreed to issue further guidance on the remaining recommendations by January 31, 1983.

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: No action initiated: Affected parties intend to act.

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: No action initiated: Affected parties intend to act.

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: No action initiated: Affected parties intend to act.

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: No action initiated: Affected parties intend to act.

Agency Comments/Action

The Assistant Secretary of the Army (Civil Works) will meet with appropriate Corps of Engineers officials in November 1982. At this time, the Lake Pontchartrain Hurricane Protection Project will be reviewed to precisely determine its current status, the Corps of Engineers' plans for its completion, and all key engineering, policy, and financial assumptions upon which such plans are founded. Soon after this meeting, a detailed report on the resolution of the problems and issues raised in the GAO report will be provided.

DISTRICT OF COLUMBIA

Delays in Developing and Implementing the District of Columbia Government's Elements of a Comprehensive Plan for the National Capital
(GGD-80-18, 2-12-80)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: Self-Government and Governmental Reorganization Act (District of Columbia). Comprehensive Plan Goals and Policies Act of 1978 (District of Columbia).

The comprehensive plan for the National Capital will guide the District of Columbia's future development including land use, housing, transportation, health, social services, and the environment. The proposed completion date for the plan was originally set for September 1978 but has been extended to late 1980 because of delays. Before Home Rule, the National Planning Commission was responsible for development such a plan. That group proposed a plan in 1967, but as of 1974, only 4 of 19 plan elements had been adopted because of executive work sessions which overburdened Commission members and Commission staff working on other matters. Under Home Rule, the Mayor of the District of Columbia was made responsible for coordinating planning activities and preparing and implementing the District's elements of a new comprehensive plan.

Findings/Conclusions: The District has experienced delays in developing its comprehensive plan elements. According to District officials, the development steps were time-consuming and caused the delays. Timely development was impeded also by: (1) other duties and responsibilities of the office, (2) planning process complexities set out in the Home Rule Act, and (3) the lack of adequate staff. GAO felt that the District should establish and monitor formal completion timetables and determine definitively the number of elements to be included in the plan. The District and the National Planning Commission differ on the timing of the Commission's review of plan elements. Because of this, the goals and policies element approved by the District in October 1978 had not yet been implemented. The disagreement has not been resolved and could delay implementation of other plan elements.

Recommendations to Agencies: The Mayor of the District of Columbia should establish and monitor a realistic schedule for completing the District's comprehensive plan elements. This schedule should: (1) include appropriate benchmarks; and (2) review timeframes for each phase of the plan's development.

Status: Action in process.

The Mayor of the District of Columbia should give top priority to implementing the goals and policies and land use elements.

Status: Action in process.

The Mayor of the District of Columbia should work with the National Capital Planning Commission and the Council to reach agreement on the timing of the Commission's review of plan elements.

Status: Action completed.

Agency Comments/Action

The District of Columbia is required to respond to GAO recommendations under provision of the District of Columbia Self-Government and Governmental Reorganizational Act (Section 736(b)). GAO has not received information indicating that the Mayor has responded to these requirements. The City Administrator, in a letter dated February 27, 1980, advised GAO that the District is reassessing its ability to prepare a composite plan within the next 2 years. In response to our inquiry, the City Administrator advised in December 1981 that the District expects to complete a draft local plan by September 1982.

DISTRICT OF COLUMBIA

Improved Collections Can Reduce Federal and District Government Food Stamp Program Costs (GGD-81-31, 4-3-81)

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). Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.).

GAO studied collection procedures for amounts owed to the District of Columbia by food stamp vendors for cash and food stamp shortages and by recipients who were overissued stamps.

Findings/Conclusions: The District has collected a minimal amount due from food stamp vendors and recipients. Inadequate collection efforts, lack of systems for identifying improper issuances and for monitoring collection efforts, and poor controls over recipient participation cards contributed to the problem. As a result, District and Department of Agriculture costs were unnecessarily increased. The District was not claiming all reimbursable costs incurred in administering the program. Amounts owed by recipients may be written off as uncollectible after required collection efforts have been exhausted. There are no criteria, however, to provide guidance concerning maximum timeframes within which various processing steps should be accomplished, and there is no reporting system to monitor the progress of claims processing or highlight problem claims. The District has not identified and attempted to collect overissuances resulting from duplicate redemptions or from redemptions of expired, altered, and unsigned participation cards. The District's participation card system does not provide control over the cards, results in increased costs, and does not safeguard the cards to prevent unauthorized use. Transaction cards which have been returned by vendors were improperly filed and stored without adequate physical control to prevent reintroducing the cards into the system.

Recommendations to Agencies: The Mayor should require the Director of the Department of Human Services to establish controls over unused cards in the hands of the computer operators.
Status: Action in process.

The Mayor should require the Director of the Department of Human Services to remind issuers that they are liable and will not be paid fees for improper issuances.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to adopt a policy to consistently offset shortages against transaction fees earned by the vendors.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to investigate all shortages and institute recovery actions when District employees are determined responsible.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to establish maximum time frames within which certain claim processing steps must be accomplished.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to terminate the vendor's participation in the program after taking steps to minimize impact on food stamp recipients served by the vendor if he is unable to reach such agreements with a private vendor within a reasonable period of time.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to establish a policy and procedures for initiating and settling claims for food stamp shortages incurred at District agency issuing outlets.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services (DHS) to include offsetting agency food stamp shortages against moneys due that agency by DHS for operating such outlets.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to establish a procedure to submit claims for unpaid shortages to vendor insurance companies where appropriate.
Status: Action in process.

The Mayor should require the Director of the Department of Human Services to establish a system to record and control serial numbers of participation cards received, distributed, and used.
Status: Action in process.

The Mayor should instruct the Directors of the Department of Human Services (DHS) and the Department of Housing and Community Services (DHCS) to finalize the agreement under which DHCS issues food stamps at its locations to enable DHS to recover reimbursable administrative costs from the Department of Agriculture.
Status: Action in process.

The Mayor should require the Director of the Department of Human Services to devise a system that will insure that all voided cards are rendered unusable, are appropriately recorded, and are destroyed within established timeframes.
Status: Action in process.

The Mayor should require the Director of the Department of Human Services to reemphasize to issuers and personnel working in the Food Stamp Program the importance of assuring that participation cards presented for redemption have not expired, have not been altered, and have been signed by eligible recipients.
Status: Action in process.

The Mayor should require the Director of the Department of Human Services to establish a system to sample redeemed participation cards to evaluate the extent of compliance with

program requirements concerning expired, altered, and unsigned cards. As appropriate, redemption of expired, altered, and unsigned cards should be considered as unauthorized issuances for which issuers are liable for the value of the stamps and any fees paid.
Status: Action in process.

The Mayor should require the Director of the Department of Human Services to assure that the Office of Fair Hearings expedites food stamp fraud hearings and reports on the status of all food stamp fraud cases until the backlog has been eliminated.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to expand collection efforts for large outstanding amounts to include personal contacts with recipients who do not respond to inquiries concerning food stamp overissuances or do not execute or comply with repayment agreements.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to require that the proposed computerized report on claims be modified to show the status of each claim, the length of time the claim was in each status, and whether the claim was progressing in accordance with established timeframes.
Status: Action in process.

The Mayor should require the Director of the Department of Human Services to revise the filing system for transacted cards so that they are accessible by serial or case number and provide secured storage to prevent their reintroduction into the system.
Status: Action in process.

The Mayor should instruct the Director of the Department of Human Services to execute food stamp contracts with all vendors and obtain documentation that vendors have secured insurance and bonding coverage required by their contracts.
Status: Action in process.

Agency Comments/Action

The D.C. Government is required to respond to GAO reports under provisions of Section 236 of the Home Rule Act. A response was provided on June 29, 1981. The response and the agency comments received on the GAO draft report concurred with most of the recommendations and provided some guidelines to improvements that would be initiated to implement the various recommendations.

Federal Payment to the District of Columbia: Experience Since Home Rule and Analysis of Proposals for Change
(GGD-81-67, 4-23-81)

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). Supplemental Appropriations and Rescission Act, 1980 (P.L. 96-304).

In 1973, Congress passed the home rule legislation that set up the District of Columbia's first elected government, which took office in 1975. This legislation increased the District's Federal payment authorization so that presently about $300 million, or 21 percent, of the District's operating budget comes from a direct Federal payment. Congress is faced with the issues of whether to increase the $300 million now authorized for the Federal payment to the District and whether to make other changes in the way the payment is provided to the District government. District officials would like to have the Federal payment determined by some formula, preferably a set percentage of District revenues. GAO investigated the role of the Federal payment in financing the budget of the District of Columbia and evaluated proposals to establish the payment on a formula basis.

Findings/Conclusions: Although the Federal payment has increased since home rule, the payment has declined in relation to the District's total budget and in purchasing power. Local tax collections have increased by more than the general rate of inflation, and the tax burden on moderate and upper income households is higher than in surrounding jurisdictions. However, the District's tax base is strong and should continue to almost keep up with inflation without rate increases. GAO believes that the issues associated with the desirability of a Federal formula payment would be easier to resolve if: (1) there were an explicit effort by Congress, the Office of Management and Budget, and the District government to establish service goals for the District's population and service groups in an inflationary environment; (2) the informative content and reliability of budget information provided by the District government to the City Council, the public, and Congress were improved; and (3) the District government made improvements in program and financial management. GAO also believes that some of the benefits associated with a formula approach could be achieved by other changes in the way the Federal payment is authorized and appropriated and in the way the District budget is reviewed by Congress.

Recommendations to Agencies: The Mayor of the District of Columbia should present meaningful comparisons of past trends and assumptions about the future in such areas as the relationship of the budget to changes in the city's population and service groups and the impact of inflation and other changes in the economy on revenues and expenditures.

Status: Action in process.

The Mayor of the District of Columbia should specifically show the relationship between each year's appropriations, each year's actual obligations, and each year's revenue and cash position.

Status: Action in process.

The Mayor of the District of Columbia should comply with the Self-Government Act provision to present consistent information for the current budget year, for the 3 previous fiscal years and, (on a projected basis) for the following 4 fiscal years. All of the information should be readily identifiable in the city's budget. Such information is needed for all revenues by: major types, appropriations, and obligations for personnel and other major categories of expense; annual full-time equivalent employment in positions actually filled; and grant and other data. If budget categories change, such as changing the definition of the general fund, sufficient information should be provided to allow reasonably accurate comparisons to be made, as the Self-Government Act intended.

Status: Action in process.

Agency Comments/Action

The District of Columbia Government is required to respond to GAO recommendations under provisions of the District of Columbia Self-Government and Government Reorganization Act (Section 736 (b)). The Mayor's comments were dated October 28, 1981, and he expressed general agreement with the recommendations in the report.

DISTRICT OF COLUMBIA

OFFICE OF THE INSPECTOR GENERAL

Some Restructuring Needed in District's Contracting Program To Serve Minority Businesses
(GGD-81-68, 6-24-81)

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). Minority Contracting Act.

The Minority Contracting Program, established in March 1977, is designed to expose qualified minority firms to increased business opportunities and to aid them in overcoming barriers in their attainment of professional and financial independence. The Minority Business Opportunity Commission is responsible for implementing, administering, and monitoring the program.

Findings/Conclusions: The program has had some positive benefits for a few firms, but the majority of the recipients report to GAO little or no business development, increased minority employment, or expansion of the District's tax base. Over half of the money from contracts that GAO reviewed went to a small number of firms least in need of help. Other firms receiving contracts acted as middlemen to nonminority firms which did all the work. Amendments to D.C. law were meant to assure at least 50 percent participation in the contract work by minority business. However, several months after enactment, the practice of minority firms acting as middlemen was still continuing. Agency procuring officials believe certification should cover both minority status and business capability, whereas the Commission intended certification to cover only minority status and relied upon the firm's statement as to its business capability. Most certified firms submitted incomplete data. The files generally showed neither data verification nor chain of Commission review responsibility. The Commission has recently set up a new certification process to overcome these problems. Although the program affects nearly every District operating agency, neither general acceptance nor understanding of it had occurred at the time of the GAO review. Also, untimely regulations, lack of Commission guidelines, and unclear legislative provisions have resulted in differences among operating officials. GAO compared features of the District's program with those of other cities to provide workable alternatives available to the District.

Recommendations to Agencies: The Mayor of the District of Columbia should explore attributes of other programs and consult with the business community, majority and minority, on ways to improve the District program.

Status: Action completed.

The Mayor of the District of Columbia should strengthen management and administration of the program by: (1) clarifying program goals, designing standards to reach these goals, and measuring progress towards their accomplishment; (2) checking to see if the new certification review procedures are working; (3) establishing criteria for what is an acceptable price increase for setting aside contracts for minority firms; and (4) clarifying the differences over how the program is supposed to operate and the roles of the Commission, its staff, and the procurement agencies.

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

The Inspector General's Office should review procurement agency compliance with the 1980 amendments to assure that minority firms are actually participating in the contract work and not merely acting as conduits.

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

Agency Comments/Action

The District is required to respond to GAO recommendations under provisions of the District of Columbia Self-Governmental and Governmental Reorganization Act. The response was received on November 9, 1981. The Mayor stated that the District Government is fully committed to the minority contracting program and is making substantial progress toward accomplishing program goals. Specifically, he stated that: (1) the District continually solicits feedback from minority and nonminority firms on ways to improve the minority contracting program; (2) setting clear, precise goals consistent with the District's legal mandate has been an objective since the program's inception; (3) the current procedures for certifying minority firms are working; (4) the rolls of the District agencies involved in the minority program are well-defined; (5) prices bid by minority firms are consistently fair and reasonable; and (6) instances of minority firms acting as fronts for nonminority contractors are rare.

DEPARTMENT OF HUMAN SERVICES

District Needs To Improve the Process for Identifying Misuse of Its Medicaid Program
(GGD-81-78, 7-13-81)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)
Legislative Authority: Social Security Amendments of 1965. Social Security Amendments of 1967.

GAO reviewed the effectiveness of the District of Columbia's Department of Human Services (DHS) surveillance and utilization review procedures in identifying and controlling misuse and abuse of medical services.

Findings/Conclusions: The DHS Surveillance and Utilization Review (SUR) program, which was designed to identify and safeguard against Medicaid fraud, misuse, and abuse, could be improved. DHS has not established and implemented effective methods and procedures to identify and safeguard against recipient misuse and abuse of medical services. As a result, the Department could not determine the extent of recipient misuse or abuse. Since audits are not made of all providers' records, some overpayments could exist that are not identified. The GAO review showed that there was a need for: (1) a better system to identify potential misuse/abuse cases for review; (2) more effective procedures for counseling, monitoring, and controlling persons misusing or abusing medical services; (3) more effective controls for processing cases and an improved reporting system to facilitate management reviews; and (4) improved procedures for recovering improperly billed Medicaid payments. A new Medicaid Management Information System, expected to be operational in mid-1981, will correct some of the deficiencies noted in the review. However, to realize the full benefits of the system, other operational improvements should be made.

Recommendations to Agencies: The Director of the Department of Human Services should establish and implement effective procedures to require that (1) all recipients referred to the Health Education Section are counseled and (2) where appropriate, their future medical service use is monitored. Additionally, the Director should: (1) take action to implement a policy to restrict identified misusers/abusers of medical services; (2) prescribe reasonable standards and controls to assure timely processing of cases; (3) establish a system for effective reporting on the Surveillance and Utilization Review (SUR) operations; and (4) require that complete and accurate records be maintained on all cases reviewed and processed by SUR.

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 Reorganizational Act (Section 736(b)). On January 4, 1982, the Mayor advised Congress that the District is in substantial agreement with the report findings and recommendations and is in the process of correcting these long-standing problems. The Mayor said that, once the new Medicaid Management Information System is fully installed and operational, the District expects to have fully resolved any deficiencies in its Medicaid program.

DISTRICT OF COLUMBIA

More Vigorous Action Needs To Be Taken To Reduce Erroneous Payments to Recipients of AFDC *(GGD-82-15, 11-9-81)*

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).

The Income Maintenance Administration (IMA) in the District of Columbia's Department of Human Services (DHS) is responsible for administering the Aid to Families with Dependent Children (AFDC) Program. GAO assessed the DHS efforts to reduce erroneous payments and concentrated on the AFDC program because it comprises the majority of the IMA workload. GAO examined the erroneous payment problem, including a review of selected AFDC case files, quality control reports, and overpayment reports. GAO also identified and evaluated the effectiveness of DHS policies and practices to prevent or reduce the incidence of erroneous payments, including the DHS Special Initiatives Management System.

Findings/Conclusions: IMA is aware of the causes of many AFDC erroneous payments and has developed a plan which, if implemented, could significantly reduce the error rate. However, slow progress in implementing the plan will probably make it impossible for IMA to reduce the current 11-percent rate to the federally mandated 4-percent rate by the end of fiscal year 1982. The IMA plan includes: (1) developing and implementing a workload planning system; (2) recertifying AFDC cases 3 months after application approval; (3) reviewing all AFDC cases not reviewed in the past 12 months; (4) developing and updating policy and procedures manuals; (5) implementing improved training and testing of eligibility workers, supervisors, and clerks; and (6) creating an Office of Management Systems. The District of Columbia has been lax in collecting overpayments and prosecuting welfare fraud to recoup money erroneously paid to recipients. Overpayments occur because of administrative errors by DHS workers and because of misunderstanding or willful deception by recipients. According to DHS personnel, requests for repayment are only made from persons who voluntarily sign restitution agreements. GAO found no evidence that welfare or AFDC fraud has been prosecuted in the District of Columbia since at least 1978.

Recommendations to Agencies: The Mayor of the District of Columbia should direct the Corporation Counsel to develop and prosecute large dollar welfare fraud cases and publicize the results of those successfully prosecuted.
Status: Action completed.

The Mayor of the District of Columbia should require the Director, Department of Human Services, to assign a high priority to developing and implementing procedures to immediately collect money erroneously paid to recipients who have the means to make restitution.
Status: Action in process.

The Mayor of the District of Columbia should require the Director, Department of Human Services, to reemphasize to the staff the importance of reducing the error rate to the federally mandated 4 percent and take the necessary action to ensure that the Special Initiatives Management System plan is implemented without further delay.
Status: Action in process.

The Mayor of the District of Columbia should require the Director, Department of Human Services, to ascertain from the Office of the District Corporation Counsel the type of information needed to prosecute fraud and direct caseworkers to maintain complete and fully documented evidence.
Status: Action in process.

Agency Comments/Action

The Mayor indicated that the District is on schedule in implementing its Special Initiative Plan for reducing the welfare error rate. He advised GAO that action has been taken to automatically recoup AFDC overpayments and outlined other steps in process concerning recovery of overpayments in suspected fraud cases. None of the actions planned or underway have been verified by GAO. 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 response was received on February 12, 1982.

DISTRICT OF COLUMBIA

District Could Get More for Urban Renewal Property, but HUD Debt Will Be Repaid
(GGD-82-32, 3-8-82)

Budget Function: Community and Regional Development: Community Development (451.0)
Legislative Authority: Housing Act of 1949 (42 U.S.C. 1441). Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.). Self-Government and Governmental Reorganization Act (District of Columbia) (P.L. 93-198; 87 Stat. 774).

GAO was requested to examine selected aspects of the District of Columbia's urban renewal property disposition activity.

Findings/Conclusions: The review showed that District urban renewal property sales should generate sufficient revenues to satisfy the remaining indebtedness to the Department of Housing and Urban Development (HUD). However, GAO is not certain that the District is receiving the best possible price for such properties. Sales prices are based on appraised values and are not set through competitive bidding or public auction; awards are made based on design competition and other criteria. The District has no formal procedures for disposing of urban renewal property, although it generally follows HUD guidelines which offer local agencies substantial latitude. GAO did find some instances where HUD guidelines were not followed. The basis for selecting one developer over another is not clear, and the District's records provide little documentation in this regard.

Recommendations to Agencies: The Mayor of the District of Columbia should require the Redevelopment Land Agency to formalize and implement procedures for property disposition which provide for the following: (1) use of either sealed bids or public auction, within the parameters of the intended uses and restrictions applicable to the property, to determine what buyers are willing to pay; (2) criteria for developer selection; (3) orderly and complete property disposition files; (4) documentation of the process of selection and price determination; and (5) a public record of the reasons a particular developer is selected.

Status: Action in process.

Agency Comments/Action

The District concurred with most of the recommendations, but provided little in the way of defining actions planned to deal with the problems reported. It was stated that the recommendation to develop a new process to dispose of land had merit and deserved the District's full attention. It was also stated that the recommendation for better ways of testing the market was instructive; procedures would be developed to implement the recommendation. The District Government is required to respond to GAO reports under the provisions of Section 236 of the Home Rule Act. The response was provided in July 1982.

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: No action initiated: Affected parties intend to act.

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 devel-

opment 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

The Mayor's report to the Chairman, Council of the District of Columbia, on actions taken in response to GGD-82-47, indicates (1) agreement with the report, and (2) that action has been taken to implement the recommendations.

DISTRICT OF COLUMBIA

BOARD OF ELECTIONS AND ETHICS

Limited Review of the District of Columbia Board of Elections and Ethics' Voter Registration System *(GGD-82-70, 4-19-82)*

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: D.C. Code 1-1311(h). D.C. Code 1-1313(d). D.C. Code 1-1313(e).

Pursuant to a congressional request, GAO reviewed the District of Columbia's automatic data processing (ADP) operations to determine: (1) how voter registration problems in a recent election might have jeopardized voters' rights, and (2) what steps the D.C. Board of Elections and Ethics should take to secure normal election participation by registered voters.

Findings/Conclusions: The Board's internal controls over its computerized voter registration process, as well as its software development and maintenance practices, are totally inadequate. The voter registration list used for the recent elections was inaccurate because the Board did not check the accuracy of updates or maintain control over the computerized master file system. Voter master file inaccuracies were discovered, but were not corrected before the election. The computer master file and the manually maintained voter registration card file were not reconciled, nor were they identical. Many voters were inconvenienced because they had to cast challenged ballots. The absence of a full-time Elections Administrator, together with other vacancies in the Elections Office and a lack of written procedures, adversely affected preparations for the elections. In several cases, people could not vote because ballots were not available for them to use.

Recommendations to Agencies: The Board of Elections and Ethics should develop a complete and accurate list of qualified registered voters.

Status: Action in process.

The Board of Elections and Ethics should verify that the computer software used to produce, update, and print the voter registration list is accurate and reliable.

Status: Action in process.

The Board of Elections and Ethics should establish strict control and accountability over custody of the computer software, use of the software, and changes to and testing of the software.

Status: Action in process.

The Board of Elections and Ethics should establish strict internal controls over the entire voter registration process, manual and automated, to ensure that all additions, changes, and deletions are handled accurately.

Status: Action in process.

The Board of Elections and Ethics should adequately staff the Elections Office to prepare for and conduct the upcoming election.

Status: Action in process.

The Board of Elections and Ethics should: (1) establish policies, standards, and procedures for all aspects of ADP operations such as long-range planning, software development and maintenance, computer processing, computer file library, and computer file backup and disaster recovery; (2) establish written procedures for election preparations; (3) establish clear lines of authority and responsibility over the ADP unit; and (4) prepare conversion and implementation procedures for the new online voter registration system, including strict internal controls over operation of the system.

Status: Action in process.

Agency Comments/Action

The Mayor has not yet forwarded his comments to the Chairman of the D.C. Council.

DISTRICT OF COLUMBIA

Uncollected Rent Continues To Reduce Revenue for the District of Columbia
(GGD-82-55, 5-20-82)

Budget Function: General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852.0)

GAO evaluated the District of Columbia's efforts to record, bill, and collect accounts receivable to determine whether the District is collecting all rents that should be collected and whether procedures, accounting methods, and collection actions are supporting the revenue effort.

Findings/Conclusions: The District continues to lose large amounts of revenue annually, because it fails to effectively manage rent collections from public housing and urban renewal tenants, thereby requiring increased levels of Federal subsidies or additional District funding. GAO was unable to determine the annual rental loss for fiscal year 1981 due to poor recordkeeping and documentation, but GAO believes that the District is losing substantial amounts. Delinquent rents for both programs amounted to about $4.2 million for fiscal year 1981 with over $2 million uncollectible. Collection efforts have been hampered due to a failure to maintain accurate accounts receivable for both public housing and urban renewal properties. Public housing financial records, although automated, do not provide accurate and reliable delinquent rent balances which can be used to identify delinquent tenants. The documents which substantiate automated financial records are not regularly maintained and actions taken against delinquent tenants are not recorded in the tenant files or elsewhere. Housing managers do not uniformly apply collection actions, allowing many tenants to remain delinquent. Urban renewal tenant financial records are not automated and do not show current rent balances, because they are not maintained in a timely and accurate manner. Even when delinquencies are identified, vigorous collection actions are not pursued.

Recommendations to Agencies: The Mayor of the District of Columbia should direct the Department of Housing and Community Development to immediately institute procedures guaranteeing a timely and accurate automated tenant billing system and organized and easily accessible manual delinquent tenant files which can be used to verify the automated system.

Status: Action in process.

The Mayor of the District of Columbia should direct the Department of Housing and Community Development to begin taking prompt, aggressive, and consistent collection action against newly identified delinquent tenant accounts and initiate action to verify and collect amounts of delinquent rent due from older delinquent accounts on a prioritized case-by-case basis.

Status: Action completed.

The Mayor of the District of Columbia should direct the Department of Housing and Community Development to bring all urban renewal property tenant accounts up to date and require that the accounts be periodically reviewed to better assure they are kept up to date.

Status: Action completed.

The Mayor of the District of Columbia should direct the Department of Housing and Community Development to establish and use uniform collection procedures for public housing and urban renewal tenants.

Status: Action in process.

The Mayor of the District of Columbia should direct the Department of Housing and Community Development to initiate legal action against urban renewal tenants where such action is appropriate and necessary to collect delinquent rent and establish and use procedures for eviction in appropriate cases.

Status: Action in process.

Agency Comments/Action

The District Government is required to respond to GAO reports under the provisions of Section 236 of the Home Rule Act. The comments were provided in July 1982. The District agreed with the recommendations and indicated the actions taken or planned to implement them. The District reported that intensified collection efforts including legal action reduced the amount of delinquent rent; urban renewal rent files were scheduled for automation, and rent policies and procedures were being reviewed to assure uniform collection actions.

DISTRICT OF COLUMBIA

The District of Columbia's Banking and Short Term Investment Management
(GGD-82-71, 6-23-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Self-Government and Governmental Reorganization Act (District of Columbia). D.C. Code 47-342.

GAO evaluated the economy and efficiency of the banking, cash management, and short-term investment operations of the District of Columbia government.

Findings/Conclusions: In general, the District has a sound cash management system and utilizes bankwire, lockbox, and other auxiliary services and maximizes the investment of idle funds. However, GAO found that there were several areas where cash management could be improved. The wide range of bank service charges indicated that the District may be paying inappropriate prices to some banks. Competitive bidding for banking services is a good cash management tool for obtaining the best price for the services. Cash forecasting is made difficult by inadequate information and control over anticipated cash receipts.

Recommendations to Agencies: The Mayor of the District of Columbia should require the District cash managers to maintain balances only as needed to compensate banks and to maximize the use of surplus funds for investment purposes.

Status: Action completed.

The Mayor of the District of Columbia should expedite the deposit of afternoon Treasury receipts to increase the available deposit funds.

Status: Action in process.

The Mayor of the District of Columbia should require all agency controllers to furnish daily information concerning anticipated receipts and disbursements to the cash manager for more effective cash flow forecasting and management.

Status: Action in process.

The Mayor of the District of Columbia should bring the four bank accounts maintained for collection of delinquent payments into the District's cash management system under the control of the cash managers.

Status: Action in process.

Agency Comments/Action

The Mayor's report to the Chairman of the Council of the District of Columbia on actions taken in response to the report indicates agreement with the recommendations and describes the actions taken or underway.

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: No action initiated: Date action planned not known.

The Mayor of the District of Columbia should require that all agencies document billing and collection actions taken on each account.

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

The Mayor of the District of Columbia should require that all agencies notify the credit bureau when accounts become uncollectible.

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

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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 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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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. Elizabeth's Hospital so that the rate would be geared to recover at least the amounts the District pays to St. Elizabeth's.
Status: Action in process.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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 Government is required to respond to GAO reports under the provisions of Section 236 of the Home Rule Act. Such a response was not provided as of November 22, 1982. In commenting on the draft report, the District agreed to implement the recommendation that the city establish guidelines and standards for billing and collection. The remaining comments did not deal with the specific GAO recommendations. The District did, however, increase billings for St. Elizabeths patients as recommended which should increase revenues from that source.

DEPARTMENT OF GENERAL SERVICES

Procurement Costs of Ammunition Used for Practice and Training Can Be Reduced
(GGD-82-87, 9-16-82)

Budget Function: Procurement - Other Than Defense (990.4)

GAO reported on the District of Columbia's Department of General Services formally advertised, fixed price, small arms ammunition contracts which fulfill the police and corrections departments' ammunition requirements.

Findings/Conclusions: The Department of General Services is currently purchasing only new ammunition. However, GAO stated that it could save about $43,000 each year if it purchased quality reloaded ammunition for training and practice. These savings would be realized without any adverse effect on the training program standards and, at the same time, the District would be using safe, reliable, and accurate ammunition. Reloaded ammunition is produced on the same machines using the same process and, except for the cartridge case, with the same new components as new ammunition. Firearms and ammunition experts disagree on the use of reloaded ammunition. Some experts feel that there are potential problems and dangers associated with reloaded ammunition. Others believe that it is safe to use for practice and training, does not present any more problems than new ammunition, and offers substantial savings. Many law enforcement agencies have used reloaded ammunition without any injury to personnel or damage to weapons. The key to successful use of reloaded ammunition is quality control. If the same standards are required for reloaded ammunition as are required for new ammunition, there is no reason for there to be more problems with reloaded ammunition than with new ammunition. The District can specify the type of bullet, powder, and primer to be used in reloaded ammunition. This would insure quality performance without restricting competition or incurring excessive costs.

Recommendations to Agencies: The District of Columbia's Department of General Services should procure reloaded ammunition for training and practice. The Department should work with the firearms technical staffs at the Police Department and the Department of Corrections to develop specifications for reloaded ammunition.

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

The District of Columbia's Department of General Services should combine the ammunition requirements of the Police Department and the Department of Corrections under one solicitation rather than buy separately for each District agency.

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

Agency Comments/Action

Officials from the Metropolitan Police Department, the Department of Corrections, and the Department of General Services do not agree that the District should be using reloaded ammunition. These officials believe that the quality of reloaded ammunition is inferior and presents a serious potential safety hazard which would offset any potential savings. The Department of General Services agrees with the combining of ammunition requirements of the Department of Correction and the Police Department under one solicitation and plans to take action.

Secondary Treatment of Municipal Wastewater in the St. Louis Area: Minimal Impact Expected
(CED-78-76, 5-12-78)

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. 33 U.S.C. 1251. Clean Water Act of 1977.

The objective of the Federal Water Pollution Control Act Amendments of 1972 was to restore and maintain the chemical, physical, and biological integrity of the Nation's waters. Publicly owned treatment works were required to provide secondary treatment by July 1, 1977, and to use the best practicable technology by 1983. To assist publicly owned treatment works in providing secondary treatment, the Act authorized the Environmental Protection Agency (EPA) to make grants of up to 75 percent of the costs. Federal funds approximating $163 million are planned to be spent for the construction of two municipal secondary treatment facilities in the St. Louis, Missouri, area.

Findings/Conclusions: No significant change in Mississippi River water quality is expected to result from the planned investment of about $216 million (including $163 million in Federal funds) in secondary treatment facilities in St. Louis. Although EPA and other officials have mentioned possible long-range reductions in potentially cancer-causing materials, these benefits have not been validated or quantified. Large increases in energy use and large accumulations of sludge from secondary treatment operations are expected. These considerations will have an impact not only on energy and environmental issues but also on the St. Louis area residents who will have to bear increased operation and maintenance costs. According to St. Louis Sewer District officials, these costs will more than double. Sewer District officials felt that little benefit would result from upgrading two treatment plants from primary to secondary status. However, both Missouri and Illinois officials believed that more benefits would result if Federal funds were used for other projects in their States.

Recommendations to Congress: Congress should amend the law to eliminate the mandatory requirement for secondary treatment of discharges and to permit the Administrator of EPA to grant waivers, deferrals, or modifications on a case-by-case basis to this requirement.

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

Recommendations to Agencies: The Administrator of EPA should reevaluate its policy of subordinating combined sewer overflow and collector sewer projects to municipal plant projects, in view of the Clean Water Act of 1977 which allows States more flexibility in determining construction grant priorities.

Status: Recommendation no longer valid/action not intended. *The 1981 amendments to the Clean Water Act authorized that combined sewer overflow projects be limited to those affecting bays and estuaries, and that no combined sewer overflow projects for fiscal years 1983-1985 be funded beyond fiscal year 1985. This action by Congress effectively eliminates the combined sewer overflow program.*

Agency Comments/Action

EPA said that its procedures allow for consideration of sewer overflow projects ahead of secondary treatment projects if certain requirements are met. The GAO analysis of the procedure showed that the EPA assertion was not correct, and the recommendation was not adopted.

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 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. Advanced treatment (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' advanced treatment portion to the environment, effect on public health, significance of the advanced waste treatment portion on established waterway uses, or 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 advanced waste treatment, with few exceptions, may not be justified at this time. GAO concluded that funding of advanced waste treatment 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.

ENVIRONMENTAL PROTECTION AGENCY

Indoor Air Pollution: An Emerging Health Problem
(CED-80-111, 9-24-80)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Clean Air Act Amendments of 1977. Toxic Substances Control Act.

While Government and industry have concentrated on cleaning up the Nation's outdoor air, they have paid little attention to the quality of indoor air in the nonworkplace. Harmful pollutants have been found in various indoor environments in greater concentrations than the surrounding outdoor air. In some cases, indoor pollution exceeds the national standards set for exposure outdoors. Harmful pollutants which have been found in indoor air environments include: higher than average levels of radioactive radon; unhealthy levels of carbon monoxide; formaldehyde from foam insulation; nitrogen dioxide from poorly ventilated gas stoves; and smoking, a major indoor source of respirable particles. Some measures intended to reduce energy use in buildings contribute to the buildup of indoor air pollution. One material qualifying for a Federal tax credit for home insulation is a source of potentially harmful indoor air pollution.

Findings/Conclusions: While Federal officials agree that indoor air pollution poses a potentially serious health problem, they have been reluctant to study it, because they lack a clear responsibility for doing so. The lack of clear responsibility and authority has caused a duplication of some efforts. Agencies also find themselves assuming adversarial roles when assessing Federal actions on indoor air quality. Environmentalists and those concerned with energy conservation disagree about programs. Some European countries have recognized the significance of the indoor air quality standards for certain pollutants, and have taken measures to control the problem. There are low-cost ways to minimize indoor air pollution, including proper ventilation and use of ventilating equipment and filtering devices. A massive new Federal program is not necessary now, but the Environmental Protection Agency (EPA) could develop a comprehensive, coordinated program using existing resources in both the public and private sectors.

Recommendations to Congress: Congress should amend the Clean Air Act to provide EPA with the authority and responsibility for the quality of air in the nonworkplace.
Status: Action in process.

Recommendations to Agencies: The Administrator of EPA should establish a task force which will: (1) identify research activities of other Federal agencies and private institutions relating to indoor air pollution; (2) request and compile available data on indoor air pollution and use this data to inform the public of the problem and available actions; and (3) provide advice to the Administrator on what EPA research and development efforts are needed to deal with the indoor air pollution problem.
Status: Action completed.

Agency Comments/Action

EPA said that it agreed with the GAO conclusions and recommendations. It reported that it was addressing the three specific recommendations through an in-house coordinating group and an interagency research group. GAO agreed that the EPA actions would provide a needed clearinghouse function for questions, coordination, and research on indoor air pollution problems. GAO issued an accomplishment report for this action on January 14, 1981.

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 and requested that the mayor of Thayne send the payment due to the Federal Government for the industrial cost recovery payments.

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.

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.

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

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 assure 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 in process.

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. The GAO liaison at EPA said that EPA was not aware of the OMB A-50 requirement revision and, as a result, the second report required by OMB on each GAO report has not been prepared.

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 assure they can be implemented.

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 assure 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.*

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.

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: (1) 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; and (2) its ocean disposal regulations to provide a balance of disposal alternatives and consideration on the use of the ocean as part of an integrated waste management program. EPA is 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. The Administrator, EPA, does not intend to approve treatment plant upgrading or expansion without first having an approved program for sludge disposal.

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.

States' Compliance Lacking in Meeting Safe Drinking Water Regulations
(CED-82-43, 3-3-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Safe Drinking Water Act (42 U.S.C. 300f et seq.).

The National Interim Primary Drinking Water Regulations established drinking water quality standards and water testing requirements to ensure the quality of drinking water provided by the Nation's public water systems. However, compliance with these regulations by the Nation's public water systems seems minimal at best. GAO reviewed the Safe Drinking Water Program to determine how effectively the Environmental Protection Agency (EPA) and primacy States, those granted authority by the EPA Administrator to operate the program, have implemented the provisions of the Safe Drinking Water Act.

Findings/Conclusions: GAO found that: (1) many small community public water system supplies are not meeting the drinking water quality standards and are not being tested as required by Federal regulations; and (2) as defined in the Act, the effectiveness of the public notification process in informing drinking water users of violations is questionable. GAO believes that a combination of factors including the lack of full-time and properly trained operators, water system operator apathy, failure of States to perform water sampling activities, and insufficient State resources are the primary factors causing the water quality standards problems. GAO also found that the enforcement actions in the three EPA regional offices and the seven States included in its review to bring water systems into compliance ranged from none to minimal, followed no particular pattern, and were not as timely as they should have been. EPA has recently initiated several measures to deal with the mounting noncompliance problem, and GAO believes that the current action is a step in the right direction. If properly carried forward, this effort should result in actions designed to improve the water quality program.

Recommendations to Agencies: The Administrator, EPA, should direct the Office of Drinking Water to develop and implement specific guidelines that the States can use when developing the enforcement strategy section of their State plans. The guidelines should include a model for ranking water systems for enforcement action, including, as a minimum, such factors as: (1) the type of violation, exceeding water quality standard or the failure to test; (2) the degree of violation, the extent to which the drinking water quality standard is exceeded or the number of months the water supplier failed to test; and (3) the size of population affected by the violation. The guidelines should also identify the various types of enforcement actions available. Finally, the guidelines should clearly define the terms "serious violators" and "less serious violators." The guidelines will help States to more effectively use their limited resources and provide for consistent application of enforcement actions.

Status: Action in process.

Agency Comments/Action

EPA generally agreed with the recommendation. The Office of Drinking Water has drafted a compliance strategy to serve as guidance for the States in developing the drinking water enforcement procedures. As recommended in the report, the strategy identifies factors which the States should consider in ranking noncomplying water systems for enforcement action. However, the strategy does not, as recommended, define the terms "serious violator" and "less serious violator." EPA contends that the final decision in this regard is the responsibility of the individual States based on the knowledge of the particular circumstances surrounding the noncomplying system and the States' enforcement resources. The Director, EPA Office of Drinking Water, expects the strategy to be finalized during the first quarter of 1983.

ENVIRONMENTAL PROTECTION AGENCY

A More Comprehensive Approach Is Needed To Clean Up the Great Lakes
(CED-82-63, 5-21-82)

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (304.0)
Legislative Authority: Ocean Pollution Research and Development and Monitoring Planning Act (P.L. 95-273). Clean Water Act of 1977. Municipal Wastewater Treatment Construction Grant Amendments of 1981 (P.L. 97-117). P.L. 96-108. H.R. 3600 (97th Cong.).

GAO made a review to determine whether the United States is meeting the objectives of the U.S.-Canadian Great Lakes Water Quality Agreement.

Findings/Conclusions: GAO found that, although the Great Lakes are cleaner, the United States is finding it difficult to meet the objectives of the Agreement. U.S. efforts have been hampered by a lack of effective strategies for dealing with Great Lakes water quality problems, a lack of knowledge about the extent of pollution problems and the impact of control programs, and a need for improved management of the Great Lakes pollution cleanup activities. There have been unrealistic timetables for constructing facilities, problems in obtaining and using Federal grant funds, a lack of local support for construction activities, and budget reductions. Information is lacking about the nature, extent, and source of toxic pollution. State and areawide plans to address pollution from agricultural, forestry, and urban runoff have not been comprehensive and may not be completed as Federal funding has been cut off. Current water quality monitoring is not providing the data needed to address the pollution problems due to a lack of funds. The Environmental Protection Agency (EPA), the principal U.S. agency for carrying out water quality activities and implementing the Agreement, has broad and complex responsibilities requiring cooperation with a variety of Federal, State, and local agencies as well as with the International Joint Commission and Canadian environmental agencies. EPA has had difficulty obtaining this cooperation which is needed to assure that the Great Lakes water quality program can compete with other national issues.

Recommendations to Congress: Congress, in consultation with the Secretary of State and the Administrator of EPA, should determine: (1) whether the 1978 Great Lakes Water Quality Agreement objectives and commitments are overly ambitious; and (2) whether sufficient funding to meet agreement objectives and commitments can be provided given current economic and budgetary conditions.
Status: No action initiated: Date action planned not known.

Congress should pass legislation currently pending which would amend the National Ocean Pollution Research and Development and Monitoring Planning Act of 1978 to require the National Oceanic and Atmospheric Administration to establish a Great Lakes research office.
Status: Action in process.

Recommendations to Agencies: The Administrator of EPA should direct the Great Lakes National Program Office (GLNPO) to develop a comprehensive plan and strategy to address phosphorus, nonpoint, and toxic pollution problems in the Great Lakes Basin. The Administrator should direct GLNPO to: revise its interagency agreement to include other Federal agencies with responsibilities for nonpoint programs affecting the Great Lakes; serve as the coordinating mechanism for Great Lakes Basin water quality plans being developed by areawide agencies and the States and consolidate the individual State and areawide plans into an overall basin plan; and enter into an interagency agreement with the National Oceanic and Atmospheric Administration (NOAA) to define the responsibilities of NOAA and EPA concerning Great Lakes research activities.
Status: Action in process.

The Administrator of EPA should direct the Great Lakes National Program Office to develop a surveillance and monitoring plan for the U.S. portion of the Great Lakes. Such a plan should: (1) delineate the agencies involved in Great Lakes surveillance and monitoring activities; (2) include methods and procedures to ensure that monitoring activities are carried out promptly and that the data gathered are complete and consistent in order to provide meaningful evaluations and comparative analyses; and (3) include procedures to ensure that U.S. and Canadian monitoring efforts are consistent.
Status: Action in process.

The Administrator of EPA should raise the Great Lakes National Program Office to a high level in the organization and give it the authority and resources necessary to: (1) develop and implement specific action plans to carry out U.S. responsibilities under the agreement; (2) coordinate internal EPA actions aimed at improving Great Lakes water quality; (3) coordinate with other Federal agencies and the States to ensure their input in developing water quality strategies and their support in achieving agreement objectives; and (4) serve as the liaison with and provide input to the International Joint Commission and EPA counterparts in Canada.
Status: No action initiated: Date action planned not known.

The Administrator of EPA should direct the Great Lakes National Program Office and the various EPA organizational elements involved in Great Lakes activities to enter into agreements specifically delineating: (1) the Great Lakes duties and responsibilities of each entity; (2) timeframes for carrying out assigned duties and responsibilities; and (3) the resources to be committed to these duties and responsibilities.
Status: Action in process.

Agency Comments/Action

EPA indicated it was in general agreement with the intent of the recommendations to improve, focus, and coordinate Great Lakes cleanup efforts. EPA believes the problems raised can be addressed through changes to existing control strategies and plans and within current organizational

arrangements. EPA is studying a number of specific changes or refinements which it says address the concerns, but no final decisions have been made nor action taken as of the date of this followup. An EPA task force has been created to examine the broader issues raised, as well as other Great Lakes issues. It is chaired by the Assistant Administrator for Water and includes the Director, Office of International Affairs; the Director, Office of Management Systems and Evaluation; the Assistant Administrator for Research and Development; and the Regional Administrator, Region V. A work group, under the overall direction of the task force, is to develop a number of issue or option papers by November 1982.

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: No action initiated: Date action planned not known.

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 franchisee loan applications 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 is reviewing the need to define a franchise in its standard operating procedures.

The Environmental Protection Agency Should Collect Overdue Industrial Cost Recovery Payments
(CED-82-92, 6-3-82)

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). P.L. 96-483.

GAO reviewed the Industrial Cost Recovery (ICR) Program to determine the extent of the Environmental Protection Agency's (EPA) control over collections of ICR payments which municipalities had collected from industrial users. The specific objectives of the review were to: (1) identify the grantees that might have collected ICR payments, (2) determine the amounts due the Federal Government from these grantees, (3) suggest procedures to collect the Federal share, and (4) determine if EPA has the authority to collect ICR payments from grantees that had or had not received payments from industrial users.

Findings/Conclusions: Not all grantees that collected ICR payments from industries have remitted the Federal share to EPA as required by legislation. GAO discovered a lack of control over ICR payments in one EPA region that may exist in other regions. None of the eight regions reviewed had set up accounting entries for ICR payments due and amounts collected. EPA officials were unsure about the magnitude of the problem, because EPA has not conducted a nationwide survey to identify the extent of ICR payments due the Federal Government. In one region, officials suggested that all the ICR funds that EPA collected should be given back to the grantees for the operation and maintenance or upgrading of the treatment systems. EPA has no authority to do this. GAO believes that EPA has the authority to collect the Federal share of ICR payments that grantees have already received from industrial users, but that EPA no longer has the authority to require grantees to collect ICR payments from industries which have not made payments to the grantees before the program's repeal. Grantees owing ICR payments could be identified quickly by using the Grants Information Control System. ICR coordinators and project engineers with knowledge of when the treatment facilities began functioning could contact those grantees that are likely to have collected ICR payments from industrial users. Minimal cost should be involved to collect these funds.

Recommendations to Agencies: The Administrator of EPA should require the regional administrators to identify those grantees that have collected ICR payments from industrial users and require the grantees to remit the Federal share of these collections to EPA.

Status: Action in process.

Agency Comments/Action

EPA agreed with the recommendation that it must require grantees to remit to EPA the Federal share of ICR payments that they have collected. EPA disagreed with the opinion that it did not have authority to require grantees to remit to EPA the Federal share of ICR that grantees have not collected. EPA believes that it has the authority to collect ICR payments from grantees who should have collected the payments from their industrial users. In a September 24, 1982, letter to all Regional Administrators, the EPA Assistant Administrator for Water listed the following actions that each regional office must take to implement the recommendation: (1) notify grantees of their statutory obligation to remit ICR money to the Federal Government; (2) determine the ICR payments that were due to EPA prior to December 27, 1977; and (3) initiate action to collect them where due.

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.

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: No action initiated: Date action planned not known.

The EPA Administrator should designate the Director, Monitoring and Data Analysis Division, as the air quality data base manager.

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

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 and that all of the monitors would be under approval plans by the end of 1982. According to EPA, these results preclude the need to implement the recommendations.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Equal Employment Opportunity Commission Needs To Improve Its Administrative Activities
(HRD-81-74, 4-21-81)

Budget Function: Nondiscrimination - Equal Opportunity Programs (990.3)
Legislative Authority: Civil Rights Act of 1964 (42 U.S.C. 2000e). EEOC Order 321. Treasury Imprest Fund Manual 3. Treasury Imprest Fund Manual 1008.

The Equal Employment Opportunity Commission (EEOC) reorganized its field offices. It eliminated the regional offices and litigation centers and transferred their functions to 22 enlarged district offices and 25 area offices. Each district office has an operations service unit which provides administrative support, with headquarters guidance, in such matters as budgeting, personnel, supplies, and maintenance of records and a reporting system. GAO undertook a general review of the administrative activities of EEOC partly in response to complaints received alleging abuses in this area. GAO wanted to assess how well the district offices' operations services units were carrying out their activities and how adequate and useful were the supervision and guidance they received from headquarters. GAO looked into the full range of EEOC administrative activities, including procurement practices, furniture and equipment use and control, imprest funds, personnel activities, and resource allocations.

Findings/Conclusions: The operations services units in the Indianapolis and Cleveland district offices were not fully carrying out their administrative functions. This was partly attributable to inexperienced staff, insufficient training, and key personnel concentrating on only certain tasks. The problems in staffing the unit chiefs' positions, the limited work done by the program analysts, and problems in personnel activities were echoed in EEOC officials' comments about the units in other district offices. The Indianapolis and Cleveland legal units were overstaffed, and this might be true elsewhere. EEOC headquarters authorized district offices to acquire certain office equipment, such as word processing and micrographic equipment. The equipment has not been used enough to justify its purchase or continued lease. The two district offices lacked controls over the accountability for office furniture and equipment. They neither required receipts when portable equipment was issued to employees nor maintained adequate inventory records for property or affixed required Federal ownership tags to all furniture or equipment. The imprest funds in the two district offices were not administered in accordance with the Department of the Treasury requirements. Fund levels exceeded needs, and quarterly cash verifications were not made. These conditions may also exist at other district offices.

Recommendations to Agencies: The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to have unneeded leased word processing equipment and other equipment returned to the lessors.

Status: Action in process.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to expedite the completion of audiovisual training materials.

Status: Action in process.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to ensure that, in the reorganized operations services units, adequate training is provided to staff.
Status: Action completed.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to ensure that, in the reorganized operations services units, all required tasks are performed by the assigned staff.
Status: Action completed.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to ensure that, in the reorganized operations services units, performance is monitored by the Office of Administration.
Status: Action completed.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to reassess district office legal units' resource allocation and potential workload and adjust their staffs as appropriate.
Status: Action completed.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to institute controls to ensure that equipment is purchased only after needs have been assessed and alternatives considered.
Status: Action in process.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to ensure that accurate property inventory records are established, maintained, and monitored at its offices as soon as possible.
Status: Action in process.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to ensure that district offices administer their imprest funds in accordance with Treasury regulations by reviewing all offices' imprest fund use and reducing their fund levels to the amount needed for 2 months.
Status: Action completed.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to ensure that district offices administer their imprest funds in accordance with Treasury regulations by emphasizing to office directors the need for quarterly cash verifications.
Status: Action completed.

The Equal Employment Opportunity Commission Acting Chairman should direct the Executive Director to ensure that, in the reorganized operations services units, qualified persons are assigned to key positions.
Status: Action completed.

Agency Comments/Action

The Equal Employment Opportunity Commission generally agreed with the recommendations and has taken or planned action to implement them.

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 in process.

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 completed.

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 completed.

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 in process.

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 in process.

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 in process.

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 completed.

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 completed.

Agency Comments/Action

The agency 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. When completed, EEOC should have adequate control over its financial resources.

EXPORT-IMPORT BANK OF THE UNITED STATES

Review of Selected Aspects of Claims Division Operations and Certain Allegations Concerning Claim Payments and First-Class Air Travel
(ID-82-49, 7-20-82)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)

GAO was requested to review certain allegations concerning the use of first-class air travel by Export-Import Bank officials and the processing and payment of claims by the Bank's Claims Division.

Findings/Conclusions: The GAO findings did not reveal any discrepancies regarding the use of first-class air travel to support the allegations. However, other matters did come to the attention of GAO during its review. Because the Claims Division acts to minimize financial loss, its effective operation has a direct impact on the ultimate expenditure of Bank resources. The lack of clearly established policies and guidelines for the Claims Division makes it extremely difficult to judge the efficiency and effectiveness with which the Division is operating. GAO believes that formalized operating policies and guidelines would provide a framework to help the Board of Directors determine how well the Division is performing this mission. Responsibilities for processing various stages of travel are not clearly defined.

Recommendations to Agencies: The Chairman of the Export-Import Bank should direct the Vice President of Administration and the Treasurer-Controller to: (1) affix responsibilities for each procedure in processing travel and ensure that employees are cognizant of their responsibilities; (2) establish procedures ensuring that the least expensive airfare is obtained; (3) routinely verify the payment of airline fares; and (4) ensure that unused airline tickets and coupons are promptly recovered.

Status: Action in process.

Agency Comments/Action

The Export-Import Bank is preparing a staff memorandum, to be issued to and discussed with all of its employees and senior staff, which denotes responsibilities for each procedure in travel processing. Personnel in the Travel and Administrative Expense unit are being instructed on procedures to be used in monitoring fares to ensure that the least expensive airfares are obtained and that the proper fare is paid. The appropriate travel personnel have been counseled to ensure that no further oversights will occur in redeeming unused airline tickets and coupons.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Federal Electrical Emergency Preparedness Is Inadequate
(EMD-81-50, 5-12-81)

Budget Function: Energy: Emergency Energy Preparedness (274.0)
Legislative Authority: Defense Production Act of 1950. National Security Act of 1947. Civil Defense Act of 1950. Executive Order 11490. Executive Order 12148.

GAO reviewed the vulnerability of the Nation's electric power systems to disruptions from acts of war, sabotage, and terrorism and analyzed the Federal role in dealing with major, long-term electrical emergencies resulting from such acts.

Findings/Conclusions: Federal leadership for electrical emergency planning and preparation is unorganized and ineffective. GAO found that: (1) the Department of Energy (DOE) has an inadequate program for dealing with major electrical disruptions; (2) DOE Emergency Electric Power Administration representatives are unsure of their status, roles, authority, and responsibility, and doubtful that the organization could operate during an emergency; (3) DOE does not have adequate plans to manage and mitigate electric power disruptions; (4) emergency plans to manage such disruptions and restore the power system are needed; and (5) problems exist in Federal coordination with respect to electric emergency preparedness.

Recommendations to Congress: Congress should enact legislation requiring that appropriate plans be developed by a specified date.

Status: Action in process.

Recommendations to Agencies: The Secretary of Energy should carry out his responsibility for electrical emergency preparedness and provide adequate resources to the Electric Emergency Power Administration.

Status: Action completed.

The Director of the Federal Emergency Management Agency should (1) actively monitor DOE efforts to vitalize its emergency electric power program and develop associated plans; (2) require progress reports from DOE and review its progress; and (3) actively assist, support, and coordinate DOE efforts especially with respect to other Federal agencies.

Status: Action completed.

Agency Comments/Action

DOE has been reorganized to include an Assistant Secretary for Environmental Protection, Safety, and Emergency Preparedness. Issue-action papers on sabotage and terrorism and on the revitalization of the Emergency Electric Power Administration are to be prepared. DOE is working with several electric power organizations and is developing plans for electrical emergencies. It believes that electric power should be managed by the electric power industry and that it has authority to establish curtailment priorities under certain Defense Production Act criteria. DOE declined to identify key electric facilities and does not believe in the need for electrical equipment stockpiling. It is considering the need for the Emergency Electrical Power Administration to conduct regular meetings. FEMA is in the process of developing a readiness review program to follow emergency preparedness programs and has proposed developing, with DOE, suitable coordinating mechanisms for periods between reviews.

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: No action initiated: Date action planned not known.

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 in process.

The Director of FEMA should use computer models, such as those developed by GAO, as a tool for program decision-making and evaluation.

Status: Action in process.

The Director of FEMA should reevaluate and improve the FEMA assessment criteria for evaluating major disaster and emergency requests.

Status: Action in process.

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 in process.

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 in process.

The Director of FEMA should require the documentation of all substantive discussions and evaluation meetings held by FEMA.

Status: Action completed.

Agency Comments/Action

The agency has essentially agreed with all recommendations and is in the process of taking action on them.

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 (FEMA) 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.

FEDERAL EMERGENCY MANAGEMENT AGENCY

Weaknesses in Internal Financial and Accounting Controls at the Federal Emergency Management Agency *(AFMD-82-87, 6-17-82)*

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (998.1)
Legislative Authority: Claims Collection Act. Accounting and Auditing Act (31 U.S.C. 66a). Antideficiency Act (31 U.S.C. 665). 4 C.F.R. 101. 4 C.F.R. 102. 4 C.F.R. 103. 4 C.F.R. 104. 4 C.F.R. 105. 1 Treasury Fiscal Requirements Manual 5-4010. 2 GAO 12.4. 7 GAO 12.2. 7 GAO 11. 7 GAO 11.2. 7 GAO 25.6. 7 GAO 24.2. 7 GAO 24.3. 7 GAO 27. 7 GAO 27.4.

In response to a congressional request, GAO reviewed the internal controls over the Federal Emergency Management Agency's (FEMA) financial and accounting operations.

Findings/Conclusions: The review identified serious weaknesses in internal controls over most aspects of these operations, including accounts receivable, collections, disbursements, imprest funds, and obligations. Also noted were administrative deficiencies in control over several major areas in the accounting and financial management operations, and the FEMA Office of the Inspector General had not undertaken any comprehensive reviews of the FEMA accounting systems.

Recommendations to Agencies: The Director of FEMA should ensure that adequate followup actions are taken to correct the identified weaknesses.

Status: Action in process.

The Director of FEMA should develop and issue written procedures covering all aspects of financial and accounting operations, including related internal controls, to all appropriate department offices.

Status: Action in process.

The Director of FEMA should assign qualified staff to all accounting functions of the agency.

Status: Action completed.

The Director of FEMA should issue instructions emphasizing that the agency's fiscal procedures and instructions must be followed.

Status: Action completed.

The Director of FEMA should instruct the inspector general's office to increase its audit coverage of the agency's internal financial operations, with particular emphasis on internal controls.

Status: Action in process.

The Director of FEMA should develop an accounting system conforming to the Comptroller General's standards and submit the system's design to GAO for approval.

Status: Action in process.

Agency Comments/Action

FEMA officials have taken action to correct weaknesses in FEMA financial and accounting controls. FEMA formed a task force to implement actions necessary to correct control problems in all financial areas reviewed. FEMA has also made several improvements in its accounting operation. For example, more professional accountants have been hired, and employees have been issued written job descriptions and are being trained regularly. The FEMA accounting system is now under the complete control of FEMA personnel and is producing various reports for its accounting division.

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.

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 in process.

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 ENERGY REGULATORY COMMISSION

Additional Management Improvements Are Needed To Speed Case Processing at the Federal Energy Regulatory Commission
(EMD-80-54, 7-15-80)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Natural Gas Policy Act of 1978. Public Utility Regulatory Policies Act of 1978. Powerplant and Industrial Fuel Use Act of 1978. 18 C.F.R. 2.80. 18 C.F.R. 2.82. 18 C.F.R. 1.1.

Created as an independent regulatory agency within the Department of Energy (DOE), the Federal Energy Regulatory Commission (FERC) is primarily responsible to regulate directly or indirectly electric power, natural gas, and oil in interstate commerce. Under the law, it has also been assigned most of the functions of the former Federal Power Commission, jurisdiction over oil pipeline rates, and other functions previously the responsibilities of the Federal Energy Administration, the Energy Research and Development Administration, and other agencies. The Natural Gas Policy Act of 1978 imposed upon FERC new additional regulatory responsibility for 45 percent of the market for natural gas by bringing much of the previously unregulated intrastate market under FERC jurisdiction. Effective administration of these responsibilities is necessary to provide consumers adequate supplies of energy at reasonable prices and give energy producers the incentives necessary to increase domestic supplies. FERC carries out its assigned functions either through rulemaking or adjudicatory procedures. However, its ability to carry out its responsibilities has been severely hampered by an inefficient case management process; it has a backlog of more than 10,000 unresolved cases, some as old as 17 years.

Findings/Conclusions: Despite the progress FERC has made toward improving case management, it needs to be even more aggressive in expediting case processing in each of its major case processing phases of technical analysis, hearings, and Commission decisionmaking. Two major factors contributing to unnecessary delays in processing time are the large numbers of deficient or incomplete applications received and the extensive delays in the FERC preparation of environmental impact statements. Deficient applications are caused by the FERC lack of clarity in defining the required data. Delays in completing environmental impact statements are attributable to poor interagency coordination and inordinate delays in starting environmental reviews. While less than 1 percent of the FERC cases go to hearing, they include almost half of those having a significant impact on the Nation's nonnuclear energy supplies and policy. The hearing process can take from 2 to 5 years. The principal cause of this delay was inadequate incentives for administrative law judges (ALJ) and for FERC itself to expedite the hearing process. Decisionmaking, the final phase of the caseload management process, often consumes one-half to three-fourths of total case processing time. Procedural problems collectively delaying this phase for over 1 year include: inefficient intermediate legal review procedures, inadequate managerial accountability for new cases and reconsiderations, and insufficient delegation of authority to expedite considerations of high priority energy decisions.

Recommendations to Congress: Congress should, to increase incentives for ALJ's to expedite the hearings process, 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 periodic evaluation of ALJ performance to an organization other than the employing agency, such as the Office of Personnel Management or the Administrative Conference of the United States Courts.
Status: No action initiated: Date action planned not known.

Recommendations to Agencies: FERC should impose reasonable, but strict, deadlines on applicant response time to staff inquiries and on staff review time.
Status: Action in process.

FERC should use fines and reject incomplete applications to discourage unnecessary applicant delays in resolving deficiencies, when such action is in the public interest.
Status: Action in process.

FERC should discontinue the present practice of routinely accepting and processing incomplete or deficient filings.
Status: Action in process.

FERC should continue and expand efforts to simplify and clarify current application data requirements.
Status: Action completed.

FERC should develop and use a centralized filing requirements sourcebook and conduct seminars for the education of industry and FERC staff regarding current FERC rules on filing requirements.
Status: Action in process.

FERC should require its staff to begin preparing environmental impact statements immediately after completion of its initial review of an application.
Status: Action in process.

FERC should urge ALJ's to review all settlements and provide FERC with position statements on the fairness and public interest of these settlements to expedite and enhance reasoned FERC decisionmaking.
Status: No action initiated: Date action planned not known.

FERC should establish a mandatory rather than voluntary rule that FERC staff schedule uncontested settlements on the agenda within 30 days after the settlement offer.
Status: Action completed.

The Chairman, FERC, should improve the efficiency and effectiveness of FERC legal review procedures by summarily affirming all ALJ initial decisions not meeting the aforementioned criteria.

Status: Action in process.

FERC should expand the use of generic rulemaking to prevent unnecessary relitigation of common, or generic, issues and include these rulemakings among what FERC considers to be its highest priority actions.
Status: Action in process.

FERC should intensify its efforts to enter into written interagency coordination agreements with cognizant agencies which establish a reasonable time period for these agencies to comment on the environmental impact of hydroelectric projects.
Status: No action initiated: Date action planned not known.

FERC should direct its Chief Administrative Law Judge to encourage more active exercise of ALJ controls over unnecessary delays during the hearing process by urging that all ALJ's more critically evaluate requests for time extensions, particularly those which violate the FERC four-fifths rule, and grant them only in the most exceptional circumstances, in accordance with specific criteria established by FERC and set forth in its rules of practice.
Status: Action in process.

FERC should direct its Chief Administrative Law Judge to encourage more active exercise of ALJ controls over unnecessary delays during the hearing process by urging that ALJ's resolve discovery requests as early as possible, preferably at the prehearing conference, and to establish strict deadlines for submission of discovery data and completion of settlement negotiations.
Status: Action in process.

FERC should direct its Chief Administrative Law Judge to encourage more active exercise of ALJ controls over unnecessary delays during the hearing process by urging that all ALJ's require all parties to a proceeding to at least agree on what the major issues are at the prehearing conference or prior to the commencement of formal hearings.
Status: Action in process.

FERC should direct its Chief Administrative Law Judge to encourage more active exercise of ALJ controls over unnecessary delays during the hearing process by requesting that ALJ's include in their initial decisions a brief summary of (1) specific findings of fact and conclusions of law, and (2) more frequent transcript citations to expedite subsequent review of ALJ decisions.
Status: Action in process.

FERC should direct its Chief Administrative Law Judge to encourage more active exercise of ALJ controls over unnecessary delays during the hearing process by using the FERC monthly hearing status report to aid in assigning cases, consulting ALJ's on their performance, and making recommendations to the Office of Personnel Management on the need for disciplinary action.
Status: Action in process.

FERC should revise current rules of practice and procedure to require applicants, staff, intervenors, and all other parties to a proceeding to file statements of issues and position prior to the commencement of hearings, preferably at the prehearing conference and also at the close of hearings.
Status: Action in process.

FERC should strictly adhere to its own rules on interlocutory appeals by allowing exceptions to the FERC automatic denial of these appeals only in the most extraordinary circumstances. In addition, FERC should seriously consider whether it can delegate the review of interlocutory appeals to a single Commissioner to expedite and enhance reasoned FERC decisionmaking.
Status: Action in process.

FERC should impose reasonable deadlines on final FERC action on all settlements, particularly uncontested ones.
Status: Action completed.

The Chairman, FERC, should improve the efficiency and effectiveness of FERC legal review procedures by encouraging the heads of the Office of the General Counsel and technical staff offices to meet periodically to resolve their mutual concerns and establish reasonable constraints on the format, content, and support of technical staff input to the Office of the General Counsel.
Status: Action in process.

The Chairman, FERC, should improve the efficiency and effectiveness of FERC legal review procedures by requiring technical staff to prepare memos in the form of draft orders as a means of accelerating the Office of the General Counsel review process.
Status: Recommendation no longer valid/action not intended. *FERC stated that this recommendation is not feasible because technical memos contain staff analyses it does not wish to make available to the public by including this information in a draft order. FERC has initiated an alternative method of expediting OGC review of cases. Specifically, on many "routine" cases OGC merely agreed with them rather than preparing a legal analysis.*

The Chairman, FERC, should improve the efficiency and effectiveness of FERC legal review procedures by encouraging the Director of the Office of Opinions and Review (OOR) and the Chief ALJ to meet periodically to resolve their mutual concerns and establish reasonable constraints on the form, content, citations, support, and summary of ALJ initial decisions.
Status: Action in process.

The Chairman, FERC, should improve the efficiency and effectiveness of FERC legal review procedures by reviewing options for limiting and expediting the OOR review process and revising OOR review policy to reflect those options which would best accomplish this objective.
Status: Action completed.

The Chairman, FERC, should improve the efficiency and effectiveness of FERC legal review procedures by requiring exception briefs filed subsequent to an initial decision to: follow a standard format; list errors of fact or law asserted; summarize the writer's arguments; and present a concise discussion of policy considerations that warrant FERC review.
Status: No action initiated: Date action planned not known.

The Chairman, FERC, should improve the efficiency and effectiveness of FERC legal review procedures by developing and periodically updating a legal precedents manual for use throughout FERC, particularly the Office of the General Counsel, OOR, and ALJ's. Once developed, the manual

should then be used as a research tool to speed the identification of appropriate legal precedents, trends in FERC policy, and issues conducive to generic rulemaking.
Status: Action in process.

FERC should increase managerial accountability for cases pending final FERC action or reconsideration by developing a more reliable program branch recordkeeping and casetracking system to monitor cases pending completion of Office of the General Counsel review and final FERC decision.
Status: No action initiated: Date action planned not known.

FERC should increase managerial accountability for cases pending final FERC action or reconsideration by 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 and thereafter allowing further extensions only upon finding certain exceptional case characteristics specifically defined in its rules of practice and procedure.
Status: No action initiated: Date action planned not known.

FERC should increase managerial accountability for cases pending final FERC action or reconsideration by formally requesting from Congress appropriate legislative authority to permit FERC to waive rehearing provisions in appropriate cases.
Status: No action initiated: Date action planned not known.

FERC should increase the delegation of agency authority for routine, noncritical case decisionmaking by reviewing all nondelegated functions to determine which can be transferred or delegated to key staff, subject to appeal, and delegating these functions immediately.
Status: Action completed.

FERC should increase the delegation of agency authority for routine, noncritical case decisionmaking by formally requesting from Congress authority to delegate final decisionmaking authority for those remaining functions it deems appropriate.
Status: No action initiated: Date action planned not known.

FERC should increase managerial accountability for processing delays, efficiency, and overall work performance by: (1) increasing the number of staff members designated as project managers; (2) expanding the role of project managers to include full accountability to top management for delays in case processing until a case reaches hearing or final FERC decision; and (3) holding project managers responsible for supervising and coordinating staff reviews on all their cases.
Status: Action in process.

FERC should increase the accuracy, completeness, and efficiency of the present management information system by: (1) incorporating verified historical data on average case processing time; (2) centralizing the Management Information System (MIS) subsystem data bases; (3) supplementing the present MIS manual report system with more detailed information to meet the needs of lower level management; and (4) fully automating the current manual method for preparing monthly MIS status reports.
Status: Action in process.

FERC should increase incentives for expediting case processing by: (1) establishing and strictly enforcing reasonable target dates and deadlines for all parties to a case with the deadlines based on periodically updated historical case completion times; (2) requiring project managers to provide explanations for failure to meet prescribed deadlines in the FERC monthly MIS case status reports for all cases assigned and identify the appropriate actions needed to resolve these cases within the prescribed timeframes; and (3) using currently available monetary penalties as well as seeking authority to dismiss cases in order to discourage unnecessary delay by applicants when prescribed deadlines have not been met and such action is in the public interest. FERC should also actively seek from Congress new legislative authority to imposed increased monetary civil penalties of up to $25,000 per day.
Status: Action in process.

Agency Comments/Action

FERC stated in its section 236 response that: (1) it did not concur with some of the recommendations; (2) the report did not sufficiently note the agency's ongoing attempts to improve its case processing; and (3) the report did not sufficiently acknowledge the increased burden placed on FERC by recent legislation. At a subcommittee's request, GAO is currently examining FERC progress on each of the recommendations. It tentatively appears that the agency has acted or is acting on many of the recommendations. GAO anticipates that the report will be issued in February 1983, at which time it can better assess the status of each recommendation. Some recommendations were previously identified as implemented and an accomplishment report was approved in 1981.

FEDERAL ENERGY REGULATORY COMMISSION

Federal Energy Regulatory Commission Needs To Act on the Construction-Work-In-Progress Issue
(EMD-81-123, 9-23-81)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Economic Recovery Tax Act of 1981 (P.L. 97-34).

GAO reviewed the overall financial environment under which the utility industry is presently operating.

Findings/Conclusions: The financial indicators of the electric utility industry have deteriorated due to high inflation, high interest rates, accelerating construction costs, decline in demand, and a less than adequate rate of return. This has led to uncertainty about the industry's ability to attract investment capital needed to complete ongoing and planned construction programs. GAO sees the real issues as being whether companies need rate relief to maintain financial integrity and whether construction programs which depend on such relief are needed to meet future electric energy demands. There are differing views on the extent of these problems and how they should be solved. Industry and the financial community have proposed immediate rate relief options; some States believe more can be done through improved load forecasting, conservation, load management, and use of alternative sources. Some companies have adopted many of these methods to alleviate their financial burdens.

Recommendations to Agencies: The Chairman of the Federal Energy Regulatory Commission should pursue, with the Department of Energy, the customizing of the Energy Information Administration model to use in analyzing construction work in progress requests.

Status: Action in process.

The Chairman of the Federal Energy Regulatory Commission should develop a generic rulemaking for construction-work-in-progress which better defines financial hardship criteria that can be applied to a utility seeking regulatory rate relief. This criteria should address how to take into consideration on a case-by-case basis a utility's current generation mix, such as: (1) how dependent a company is on oil and gas; (2) an analysis of a utility's demand forecast to verify that capacity expansion is, in fact, necessary; and (3) an analysis of whether the utility is following least-cost supply options.

Status: Action in process.

Agency Comments/Action

The section 236 comments stated that the Federal Energy Regulatory Commission had presented to the public a rulemaking proposal to determine the eligibility of a utility for construction-work-in-progress relief. At present the rulemaking proposal has not been acted upon by the Commission.

FEDERAL ENERGY REGULATORY COMMISSION

FERC Expenditures for the Trans-Alaska Pipeline System (TAPS) Case
(EMD-82-132, 9-29-82)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)

GAO reviewed the Federal Energy Regulatory Commission's (FERC) contracting and small purchases procedures as they related to the Trans Alaska Pipeline System rate case.

Findings/Conclusions: In the course of its review, GAO discovered a need to initiate actions to recover about $71,800 from Alyeska for records reproduction services paid for by FERC under a cost-sharing agreement between FERC, Alyeska, and the State of Alaska. The FERC staff made at least one attempt to begin collecting the moneys in late 1980. An Alyeska representative reported that he had agreed with the FERC proposal for payment; however, he requested documentation for the expenditures prior to making a commitment. Because no documentation was provided, no off-setting discovery expenditures were made. Later attempts to collect a larger sum owed the Government were also fruitless. GAO believes that, based on the procurement records, FERC should be able to support the amount due from Alyeska. Because of the interest cost on Treasury borrowings, further delay in recovering the moneys due the Government will add to the interest costs incurred to date of approximately $18,600. Therefore, the appropriate supporting documentation should be assembled and presented to Alyeska for immediate payment.

Recommendations to Agencies: The Chairman, Federal Energy Regulatory Commission, should direct that appropriate supporting documentation be assembled and presented to Alyeska for immediate payment.

Status: Action in process.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Federal Examinations of Financial Institutions: Issues That Need To Be Resolved
(GGD-81-12, 1-6-81)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)

Key issues were identified which the Federal Financial Institutions Examination Council (Council) must address if it is to be successful in developing uniform examination principles and standards. Examination philosophies and practices followed by five Federal regulatory agencies in examining financial institutions were described and the effects and differences of the practices noted. The five agencies described included the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration.

Findings/Conclusions: GAO surveyed the practices followed by the agencies in examining the commercial activities of financial institutions and found that: (1) there are differing practices among and even within agencies regarding acceptance of examinations made by State regulatory agencies in lieu of their own; (2) the agencies have different criteria for scheduling examinations which generally do not adequately weigh the risks of institutional failure or problems against the cost and burden of examinations, with the result that some institutions may be examined more frequently or less frequently than necessary; (3) the use of timesaving techniques varies among the agencies; (4) the agencies have different policies regarding reliance on institutions' internal review groups, with the result that some work that is competently performed by these groups is duplicated; (5) the amount of data included in the examination reports varied among the agencies, and some data included in the reports did not appear to be useful to either the regulator or the financial institution; (6) the agencies place varying emphasis on examining management activities in the institutions even though there appears to be little difference in examination objectives among the five Federal agencies; and (7) the agencies have different policies regarding specific guidelines for conducting and documenting examinations.

Recommendations to Agencies: The Federal Financial Institutions Examination Council should develop a system for determining the timing of examinations which is based on a perceived need to examine rather than on the basis of a static timeframe.

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

The Federal Financial Institutions Examination Council should develop examination standards which limit the amount of detailed work performed during a routine examination unless potential problems are detected.

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

The Federal Financial Institutions Examination Council should develop examination principles which require Federal examiners to rely on functions adequately performed by others such as internal and external audit and internal loan review departments.

Status: Action in process.

The Federal Financial Institution Examination Council should develop uniform standards for reporting the results of examinations which limit the amount of detailed data to that which is necessary for effective supervision.

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

The Federal Financial Institutions Examination Council should develop a Federal Government-wide policy under which Federal regulators, using the criteria, developed to assess the quality of examinations performed by State agencies, would assess and monitor the quality of State examinations and accept examinations that are competently performed by State agencies in lieu of their own.

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

The Federal Financial Institutions Examination Council should define the various regulators' supervisory role, in particular as it relates to the routine and systematic examination of management in financial institutions without unsafe and unsound financial conditions.

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

The Federal Financial Institution Examination Council should prescribe uniform principles and standards consistent with the above identified supervisory role and commensurate with an acceptable level of risk and cost.

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

The Federal Financial Institution Examination Council should define, with the guidance of the congressional legislative oversight committees, how forcefully the regulators should promote the establishment and maintenance of sound management.

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

The Federal Financial Institutions Examination Council should include in its prescribed principles and standards the requirement that Federal regulators develop examination procedures that clearly identify (1) examination objectives; (2) examination tasks required to achieve the objectives; and (3) documentation required to fully support report comments, conclusions, and recommendations and to provide a basis for supervisory review.

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

The Federal Financial Institutions Examination Council should develop criteria for Federal regulators to assess the quality of examinations performed by State agencies, and to monitor the State's examination programs to assess changes which may affect the acceptability of the States' programs for Federal needs.

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

Agency Comments/Action

GAO made numerous recommendations to the Federal Financial Institutions Examination Council to develop Government-wide policies, procedures, and standards relating to the Federal examination of financial institutions. The

Council stated that the recommendations regarding examination techniques and strategies will be addressed during the course of a study it is conducting on examination philosophies, concepts, and procedures. With regard to the recommendation that the Council develop criteria for use by the Federal regulators in assessing the quality of State examinations, the Council stated that its interagency staff group of senior supervisory officials will explore a way in which Federal agencies can place greater reliance on examinations performed by the States.

FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL

Information About Depository Institutions' Ancillary Activities Is Not Adequate for Policy Purposes
(GGD-82-57, 6-1-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: National Bank Act. Banking Act of 1933. Bank Holding Company Act. Home Owners' Loan Act of 1933. Depository Institutions Deregulation and Monetary Control Act of 1980. Spence Act (Savings and Loan Holding Companies). Paperwork Reduction Act of 1980. Securities Exchange Act of 1934. S. 1720 (97th Cong.).

GAO reviewed the adequacy of information on the ancillary activities of the Nation's banks, savings and loan associations and their related holding companies, and on commercial firms' growing involvement in traditional banking activities. U.S. banking policy and regulations have long maintained a separation of banking and commerce. However, in recent years a number of changes have blurred the distinctions between banking and commerce and have fostered an industry structure quite different from that which existed previously.

Findings/Conclusions: GAO found that banks and savings and loan associations conduct a wide range of ancillary activities which are outside the scope of their deposit and lending activities. Banks and savings and loan holding companies frequently engage in nonbanking activities. In contrast to the limited activities authorized for bank holding companies, savings and loan holding companies owning only one savings and loan association are not restricted in the type of business they may conduct. Commercial firms have captured a significant share of the financial services market and are continuing to actively expand their market shares through the provision of more bank-like services. Commercial banks and savings and loan associations are exploring and finding new ways to broaden the financial services they can offer to answer the challenge of their competitors. Overall, 16 percent of the holding companies with nonbanking subsidiaries were experiencing problems, while only about 6 percent of the companies without nonbanking subsidiaries were experiencing problems. Adequate data to evaluate the impact of ancillary and nonbanking activities are not readily available to Federal policymakers and regulatory officials. The banking regulators currently require depository institutions and holding companies to report their activities and the results of their operations. However, these reports do not provide adequate information on the nature and scope of their activities.

Recommendations to Agencies: The Federal Financial Institutions Examination Council should identify the needs for information about ancillary activities and design, test, and implement a collection instrument that would efficiently capture only the minimal amount of information that is necessary and useful, thus minimizing respondents' paperwork burdens.

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

Agency Comments/Action

The Examination Council plans to take no action because it believes that virtually all of the needed information is currently available for use by the agencies in their supervision and regulation of individual depository institutions and their affiliates.

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 in process.

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 assure that the most appropriate practices, from a programmatic and economic standpoint, are adopted.
Status: Action in process.

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 revised its supervision manual to place greater emphasis upon off-site analysis of financial factors. It is considering requesting additional data on nonbank activities and undertaking efforts to improve the utilization of the information it already receives. The

Federal Reserve is considering requesting other Federal regulators' bank examiners to obtain information on certain holding companies, as well as the possibility of limited scope examinations, and additional scheduling flexibility in the planning and conduct of on-site inspections.

The Federal Reserve Should Move Faster To Eliminate Subsidy of Check Clearing Operations
(GGD-82-22, 5-7-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Depository Institutions Deregulation and Monetary Control Act of 1980 (P.L. 96-221). Federal Reserve Act.

GAO undertook a study to determine whether the Federal Reserve System's implementation of pricing for check clearing and automated clearinghouse services had achieved its objective of pricing services without subsidy in a timely manner.

Findings/Conclusions: The Federal Reserve System clears about 40 percent of all checks written in the United States. In 1980, the Federal Reserve spent almost $280 million clearing about 14 billion checks at an average cost of about 2 cents a check. Expenditures for Federal Reserve check-clearing activities accounted for about 35 percent of the entire Federal Reserve banks' expenditures in 1980. Expenditures for the automated clearinghouse system were about $16 million in 1980. The Federal Reserve generally has made reasonable judgments in exercising the discretion given to it by the Monetary Control Act over when and how to price specific services. However, GAO believes that the Federal Reserve should take specific actions to establish as soon as practicable a price structure that fully recovers costs for its clearinghouse operations. It should eliminate a subsidy in the check-clearing area that arose due to declining check processing volume and rising expenses. In addition, it should raise the price of automated clearinghouse services. Although GAO recommended establishing a definite timetable for pricing float, GAO does not recommend a specific date. GAO estimates that timely Federal Reserve actions to eliminate subsidies could increase its earnings by about $175 million for the last half of fiscal year 1982 and about $175 for fiscal year 1983. Eliminating the subsidies would also provide private sector institutions the opportunity to compete on more equal terms with the Federal Reserve System.

Recommendations to Agencies: The Board of Governors of the Federal Reserve System should review and modify prices, where appropriate, at least every 6 months until sufficient experience is gained to be certain that financial targets can be realized.
Status: Action in process.

The Board of Governors of the Federal Reserve System should compare actual volume and costs with prior estimates at least quarterly for each district and office and take necessary action to bring costs and revenues into line.
Status: Action completed.

The Board of Governors of the Federal Reserve System should prepare financial statements for use in the Annual Report and elsewhere that show clearly both the revenues and expenditures associated with priced services. Such statements should: (1) indicate the balance between revenue and expenses by major service line; and (2) show the difference between revenues and expenses for pricing services when the private sector adjustment factor is included as an expense. If expense data on priced services are not separately identified on the standard financial statement of earnings and expenses of Federal Reserve banks, a footnote or memorandum note to such statement should indicate where this information can be found.
Status: Action in process.

The Board of Governors of the Federal Reserve System should review the structure of check-clearing prices, especially prices set by district rather than by office and prices for lower value checks, to be certain that the prices make maximum contribution toward achieving efficient, unsubsidized check-clearing services.
Status: Action in process.

The Board of Governors of the Federal Reserve System should move immediately to set a definite timetable for pricing float at the rate for Federal funds. Implementation of float pricing should begin at the earliest date practicable. Pricing does not need to be delayed until float has been virtually eliminated by operational improvements.
Status: Action in process.

The Board of Governors of the Federal Reserve System should change its policy of subsidizing the commercial use of its automated clearinghouse network. Unless the Federal Reserve can demonstrate that a price less than current average cost is economically justified in achieving a greater volume or reduced loss, the price should be set on the same average cost basis as other prices. If a price less than average cost is economically justified, the amount of such subsidy should be capitalized and amortized over subsequent years.
Status: Action completed.

Agency Comments/Action

Federal Reserve actions proposed in the past 4 months are consistent with the spirit of the report; it is moving decisively to bring revenues and costs into balance. Controversy surrounding changes in rules and prices has delayed implementation until at least early 1983. The Federal Reserve's automated clearinghouse price increases will accomplish most of the GAO objections over a period of 4 years. It has not yet agreed to price float but has taken action to eliminate almost all float.

GENERAL SERVICES ADMINISTRATION

Better Software Planning Needed at the Air Force's Global Weather Central
(AFMD-81-24, 2-24-81)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: F.P.R. 1-4.1105(b). F.P.M.R. 101-35.206(c)(3).

As part of a long-range program to improve the computer-based capabilities of the Air Force Global Weather Central (AFGWC), the Department of the Air Force insists that a series of sole-source procurements of general purpose computers in the present manufacturer's product line are in the Government's best interest. The Air Force believes that, by avoiding the competitive process, it can save $30 million and minimize the technical risks associated with changing vendors. It wants to continue to do so until 1985 despite repeated General Services Administration (GSA) efforts to persuade it to use competitive procurement.

Findings/Conclusions: GAO found that the decisions to retain and convert software were not based on life-cycle analyses or projected costs of the individual software components such as the weather models, data base manipulation system, and applications programs. GAO believes that much of the software may be obsolete or approaching obsolescence. In addition, the remaining life cycles for individual software components should have been projected, costed, and operationally and technically assessed for effectiveness into the late 1980's and documented to provide the basis for management procurement decisions. GAO found no life-cycle documentation for software which indicated that management considered the potential operational, technical, or financial benefits of competitive alternatives that included redesign, enhancement, replacement, or sharing of software. GAO believes that the Air Force's present sole-source efforts may be more costly than a competitive acquisition. Management's failure to insist on compliance with Federal policies that would have reduced the AFGWC technical dependence on the current manufacturer's product has resulted in undue pressures to remain with the manufacturer. GAO does not think that $30 million is a valid estimate of the savings that can result from a sole-source procurement. Therefore, GAO does not believe that the Air Force has properly justified its plans to repeatedly upgrade the AFGWC general purpose computers on a sole-source basis.

Recommendations to Agencies: The Administrator of the General Services Administration should require the Air Force to provide: (1) documentation for each significant software component in the current software inventory; (2) plans for new software for the period 1982-1992; (3) estimated costs and technical criteria that will be used to reduce dependence on the present manufacturer; (4) a long-range plan of the software sharing arrangements that it will propose and/or implement with other Federal agencies; and (5) a comparative analysis that shows estimates of the technical, financial, and operational advantages and disadvantages of sole-source and competitive acquisition over the life cycles of both the hardware and software.

Status: Action in process.

Agency Comments/Action

GAO is conducting a followup review which should be completed by June 1983. At this stage, it appears that the agency is taking actions to comply with all of the recommendations.

GENERAL SERVICES ADMINISTRATION

GSA Can Do More To Ensure Leased Federal Office Space Meets Its Firesafety Criteria
(PLRD-81-8, 5-1-81)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Occupational Safety and Health Act of 1970 (P.L. 91-596). Economy Act. 29 C.F.R. 1910. 29 C.F.R. 1960. Executive Order 12196. Executive Order 12223. GSA Handbook PBS P.5900.2. GSA Handbook PBS P.5920.9.

As of January 1980, the General Services Administration (GSA) was leasing about 66 million square feet of space in privately owned and operated buildings. Federal Property Management Regulations require GSA to provide workspace that equals the accident and fire prevention standards contained in the Occupational Safety and Health Act of 1970. The regulations also require that all Federal agencies be concurrently responsible with GSA for developing and maintaining a sound fire prevention program. GAO reviewed the GSA management of its firesafety program for leased space to determine if GSA (1) was adequately administering building leases to assure that lessors were complying with lease firesafety requirements, (2) was including all GSA firesafety standards in leases, and (3) was inspecting adequately and in a timely manner the leased space to determine its adequacy for Federal employee occupancy as far as firesafety matters were concerned.

Findings/Conclusions: Buildings with leased space in the three regions reviewed contained numerous firesafety deficiencies, according to GSA criteria. Some deficiencies had existed for many years. Thus, Federal employees were working in leased space that did not meet the minimum firesafety protection required by the GSA criteria, and the Government was not receiving all the firesafety features that it should have obtained. The regions were not aware that the buildings contained firesafety deficiencies. The process for evaluating firesafety conditions in leased space contained serious flaws in applying firesafety requirements, identifying and scheduling buildings for inspection, performing firesafety surveys, and reporting the results. Firesafety inspectors did not realize that they needed to apply the requirements of local codes, Schedule B of leases, and GSA national firesafety criteria or that it was necessary to cite the specific violation or violations in their reports to establish liability for corrective action.

Recommendations to Agencies: The Administrator of General Services should require the Commissioner of the Public Buildings Service to initiate action to have the lessors promptly correct all firesafety deficiencies in leased space for which they are responsible.
Status: Action in process.

The Administrator of General Services should require the Commissioner of the Public Buildings Service to enforce the GSA requirement to include Schedules B in leases. Further, any modification of firesafety requirements in Schedule B should be justified by the contracting officer and should be approved by the Regional Commissioner, Public Buildings Service, before being incorporated into the lease.
Status: Action completed.

The Administrator of General Services should require the Commissioner of the Public Buildings Service to ensure that specific information on the amount and location of planned and existing leased space is properly sent from the regional acquisition branches to the accident and fire prevention branches so that the required firesafety surveys and inspections can be made.
Status: Action completed.

The Administrator of General Services should require the Commissioner of the Public Buildings Service to require that the current GSA policy for deviating from firesafety requirements be followed.
Status: Action completed.

The Administrator of General Services should require the Commissioner of the Public Buildings Service to establish a program to instruct firesafety inspectors on their responsibilities and duties.
Status: Action in process.

The Administrator of General Services should have the Commissioner of the Public Buildings Service determine whether there are similar problems in the GSA firesafety program for Government-owned space and, if so, take appropriate actions.
Status: Action in process.

The Administrator of General Services should require the Commissioner of the Public Buildings Service to establish procedures to control the prompt correction of firesafety deficiencies. These procedures should include: (1) defining the responsibilities and duties for the personnel of the acquisition and accident and fire prevention branches; and (2) monitoring the requests for and receipt of firesafety survey reports and actions taken by the acquisition branches, corrective actions taken by the lessors, and evaluations of corrective actions taken by the accident and fire prevention branches. In addition, these procedures should be explained to the personnel of the two branches in formal training sessions. These procedures should also include the legal actions necessary to require lessors to take corrective actions.
Status: Action completed.

The Administrator of General Services should require the Commissioner of the Public Buildings Service to clarify and consolidate existing policies and procedures, possibly in a handbook, including how to enforce lease provisions to assure firesafety deficiencies are corrected. In addition, the handbook should cover how to conduct firesafety surveys of leased space and how to prepare the report for firesafety deficiencies. The handbook should require GSA to provide survey reports to interested parties, such as tenant agency representatives.
Status: Action completed.

Agency Comments/Action

GSA stated that it basically agreed with the recommendations and that it had initiated and, in some cases, completed implementation of them.

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 in process.

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 in process.

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.

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 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 or 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 Circular A-76 cost comparisons for cleaning activities.
Status: Action completed.

The Administrator of General Services should complete the cost comparisons required by 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 in process.

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 had started cost comparison reviews and converted to contract cleaning for some buildings but was stopped by an amendment to the fiscal year 1983 continuing resolution. GSA has taken positive action on all but one of the recommendations.

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: No action initiated: Affected parties intend to act.

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 assure efficient and effective use of space.
Status: No action initiated: Date action planned not known.

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: No action initiated: Affected parties intend to act.

Agency Comments/Action

The General Services Administration agreed with the recommendations and stated that it intends to act on them by issuing an amendment to its Federal Property Management Regulations shortly. However, it did not give a specific date for issuance of the amendment.

GENERAL SERVICES ADMINISTRATION

General Services Administration's Actions To Collect and Improve Controls Over Refunds Owed by the Airline Industry
(AFMD-82-33, 12-18-81)

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reporting (998.6)

GAO was asked to review the system used by the Nation's air carriers to reimburse the Government when higher priced tickets purchased with Government Transportation Requests were exchanged for tickets of lower values. Specifically, GAO was asked to establish why over $3 million due the Government was outstanding and what actions have been taken by the General Services Administration (GSA) to recover refunds since it has Government-wide responsibility for the travel program. Consistent with this request, GAO limited its review to those refunds owed the Government because Federal travelers changed their itinerary or changed from a higher to a lower class of service. GAO did not address the problem of entirely unused tickets.

Findings/Conclusions: In its review, GAO found that, since at least the 1970's, the Nation's airlines have failed to promptly remit millions of dollars in refunds due the Federal Government. This situation exists primarily because Federal agencies, Government travelers, and the airlines fail to follow a special procedure set up by the airlines to refund money owed the Federal Government. This procedure is basically the same as that available to the general public, except that the airlines do not give cash to Government travelers. Instead, the travelers are given data for their agencies to use in requesting the refunds. The procedure permits voluntary refunds by the airlines without a request from Federal agencies. However, most airlines were not making refunds without being billed, and there were discrepancies in record retention policies between the airlines and many Federal agencies. To correct these deficiencies, GSA has taken steps to recover the funds and to prevent future problems. For example, GSA clarified its regulation to require that carriers remit Government refunds without the Federal agency submitting a special request and asked Federal agencies to open their records to help determine the amount of refunds owed the Government. As a result of the improvements in the regulations, about $3.0 million in refunds have been collected by GSA.

Recommendations to Agencies: The Administrator of General Services should establish from records available to the Federal agencies and the airlines the refund amounts owed by each carrier and require carriers to make prompt payment.

Status: Action in process.

The Administrator of General Services should make sure affected travelers know their responsibilities regarding refunds due the Government, and hold them accountable for complying with established refund procedures.

Status: Action completed.

The Administrator of General Services should confer with individual airlines or airline associations about the need for carriers to obtain refund application documents associated with ticket downgrades and routing changes, bearing in mind the applicable statute of limitations.

Status: Action completed.

The Administrator of General Services should monitor agencies' refund policies, programs, and procedures to determine their adequacy and effectiveness to ensure that all refunds due the Government are paid promptly.

Status: Action completed.

The Administrator of General Services should work with Federal agencies to establish refund receivables in accordance with accrual accounting requirements and encourage them to aggressively pursue collection of all refunds not paid promptly.

Status: Action completed.

Agency Comments/Action

GSA has concurred with all recommendations made in the report and has undertaken action to implement them. Actions taken and underway include amendment of the Federal Property Regulations and publication of proposed changes to the Federal Travel Regulations in the Federal Record. The agency also has made specific plans to expand its agency education program to stress traveler's refund responsibilities and plans to expand its capability for monitoring agency refund policies and procedures. Moreover, GSA is making monthly reports on the status of its refund collection efforts to this assignment's requester, Senator Charles Mathias.

GENERAL SERVICES ADMINISTRATION

The Reagan-Bush Transition Team's Activities at Six Selected Agencies
(GGD-82-17, 1-28-82)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Presidential Transition Act of 1963 (3 U.S.C. 102). Freedom of Information Act (5 U.S.C. 552). Privacy Act of 1974 (5 U.S.C. 552a). Atomic Energy Act of 1954. 5 C.F.R. 294.701. 5 C.F.R. 294.702. 5 C.F.R. 294.703. Executive Order 12065. S. Rept. 94-1322. 122 Cong. Rec. 9383. OMB Circular A-10. F.P.M. ch. 300. 5 U.S.C. 552a(b)(2). 5 U.S.C. 552(b)(6). 18 U.S.C. 201 et seq. 40 U.S.C. 490(j).

Pursuant to a congressional committee request, GAO reviewed the activities of the Reagan-Bush transition team at six Federal agencies which fall within the committee's jurisdiction. GAO was directed to: (1) identify and assess the adequacy of transition guidelines and procedures followed by the agencies; (2) examine the activities of the transition team and the information requested and received by it; (3) determine what conflicts of interest, if any, existed; and (4) identify the total costs of the transition process.

Findings/Conclusions: GAO found that five of the six agencies generally followed procedures they established for controlling information disclosures, and most of the information requested by and given the team by all six agencies was public. At one of the agencies reviewed, GAO found that a Reagan-Bush transition team leader inappropriately involved himself in agency personnel activities by requesting the agency to hire two members of the transition team. The two team members were hired by the agency during the transition period, and both continued working directly for the transition team leader on a nonreimbursable basis. Federal conflict-of-interest laws and regulations generally do not apply to transition team members primarily because they are not Federal employees. The transition team did request and obtain some information which could or normally would be withheld from the public; however, review of those nonpublic documents did not indicate any advantage to be obtained by either the team members or their known business affiliation. The six agencies estimated that about $235,000 in transition-related expenses were charged to the incoming administration. Most of these expenses were incurred for gathering and communicating information about agency operations

Recommendations to Agencies: The Administrator of the General Services Administration should, at the beginning of the transition period, notify agencies and the Office of the President-elect that the Presidential Transition Act provides that agency employees may only be detailed to the transition team on a reimbursable basis.

Status: Action in process.

Agency Comments/Action

To implement the GAO recommendation that it notify agencies and the Office of the President-elect that, during any Presidential transition period, any detail of Federal agency employees will be on a reimbursable basis, the General Services Administration will inform such agency heads and the Office of the President-elect by letter following a general election which results in a change in administration.

GENERAL SERVICES ADMINISTRATION

GSA Nonstores Procurement Program Falls Far Short of Its Objectives
(PLRD-82-36, 2-24-82)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Property and Administrative Services Act. Foreign Assistance Act of 1961. F.P.M.R. 101-26.501-1.

GAO reported on the General Services Administration's (GSA) nonstores program which is managed by several GSA organizational elements and provides items not generally available through GSA stores or Federal Supply Schedule programs. Although the nonstores program is the smallest of the three GSA procurement programs, its large sales volume warranted detailed examination by GAO to identify opportunities for more efficient and effective management.

Findings/Conclusions: GAO found that the nonstores program had fallen short of efficiently and economically procuring commodities for agencies. This was due to the GSA: (1) failure to consolidate customer motor vehicle requirements and achieve the benefits of volume procurement, (2) entry into restrictive interagency procurement agreements, and (3) performance of procurement functions which could be accomplished adequately by its customers. Improved management of the program could result in: (1) savings of millions of dollars each year through greater motor vehicle consolidation, (2) significant reductions in sole-source procurements, (3) more effective contract award procedures to assure reasonable prices, and (4) better use of limited GSA resources by avoiding duplication of existing GSA procurement programs. Federal Property Management Regulations require that at least 75 percent of an agency's total amount of motor vehicle and light truck requirements be submitted to GSA for inclusion in four annual consolidated procurements. In the past 4 years, the GSA automobile consolidation record has varied considerably, ranging from 3 to 55 percent of total procurements. GSA is further hampered by agreements with the Agency for International Development and the Department of State which require GSA to purchase items on an extensive sole-source basis, which GAO believes could be procured competitively. In their efforts to provide customers with nonstores items, the GSA regions are unnecessarily placing orders for Federal Supply Schedule items to be procured through the nonstores program.

Recommendations to Agencies: The Administrator of General Services should provide a more realistic timeframe for agencies to submit automobile requirements by delaying the cutoff date from mid-November to at least late December.
Status: Action completed.

The Administrator of General Services should make only one annual consolidated automobile procurement.
Status: Recommendation no longer valid/action not intended. *GSA does not believe that having only one annual consolidated automobile procurement is realistic. Consequently, GSA will amend the Federal Property Management Regulation to provide for three consolidated procurements starting in fiscal year 1983.*

The Administrator of General Services should make only three consolidated procurements a year for light trucks in accordance with the timeframes established by the Federal Property Management Regulation. Further, the General Services Administration should explore the possibility of having only one annual consolidated procurement of light trucks.
Status: Action completed.

The Administrator of General Services should modify current agreements whereby GSA acts as the purchasing agent for the Agency for International Development and the Department of State and require these agencies to provide GSA with adequate justification for all sole-source purchase requests. These justifications should indicate why competition is not feasible or practical.
Status: Action in process.

The Administrator of General Services should refuse agency requirements not submitted in time for the annual consolidated procurements other than vehicles required on an emergency basis.
Status: Recommendation no longer valid/action not intended. *GSA does not concur. Rather than reject requisitions, GSA will continue to process them through available option or advise agencies that, except for urgent requirements, the requisitions will be processed in the next consolidation.*

The Administrator of General Services should ensure that agencies are aware of the need to meet the consolidated procurement cutoff dates and of the added costs involved in satisfying their motor vehicle requirements when those dates are missed.
Status: Action in process.

The Administrator of General Services should initiate discussions with the Defense Logistics Agency to modify the agreement whereby GSA acts as the procuring agent for Army and Air Force overseas military installations. These modifications should include having military installations, or stateside purchasing offices designated to act on their behalf, procure directly from schedule vendors unless the installations have shown that direct procurement is not feasible or practical; in which case, GSA will process the purchase orders.
Status: Action in process.

The Administrator of General Services should advise domestic agencies that nonstore requisitions for schedule items will be returned unless the agencies have demonstrated inadequate procurement capability.
Status: Action in process.

The Administrator of General Services should explore the reasons for not obtaining sufficient vendor proposals on negotiated procurement solicitations and should use this

information to secure adequate future competition.
Status: Action in process.

The Administrator of General Services should, where required, obtain accurate, current, and complete cost and pricing data for all negotiated noncompetitive contracts made on behalf of the Agency for International Development and the Department of State. Where such data cannot be obtained, the General Services Administration should fully document the decision to waive the cost and pricing data requirements.
Status: Action completed.

The Administrator of General Services should initiate discussions with the Defense Logistics Agency to modify the agreement whereby GSA acts as the procuring agent for Army and Air Force overseas military installations. These modifications should include making sure that only valid requirements which cannot be procured overseas are sent to GSA for processing.
Status: Action in process.

The Administrator of General Services should require the Agency for International Development and the Department of State to submit all requests for motor vehicles to the National Automotive Center for competitive procurement.
Status: Recommendation no longer valid/action not intended. *GSA/FSS, rather than the National Automotive Center, will continue to process AID and State motor vehicle requisitions. GSA believes that a breakdown in the mutual cooperation and respect between the parties would be most undesirable.*

Agency Comments/Action

GSA has generally agreed with the report recommendations. Further, GSA provided specific comments on each recommendation. Concerning the recommendation on consolidated vehicle procurements, GSA does not believe that having one consolidated procurement for automobiles and another for light trucks is the ultimate answer. Consequently, GSA will implement a three-cycle consolidation for both vehicle types. Regarding the recommendations that GSA modify its agreements with AID and State, it has stated that AID and State will provide justification for sole-source purchases. With regard to the recommendation that GSA initiate discussions with DLA concerning nonstores procurement support for overseas Army and Air Force activities, it stated that a joint DOD/FSS task force will be established to consider mutually agreeable solutions.

GENERAL SERVICES ADMINISTRATION

More Effective Leasing Procedures and Practices Could Help GSA Reduce Delays in Meeting Federal Space Needs
(PLRD-82-46, 5-10-82)

Budget Function: General Government: General Property and Records Management (804.0)
Legislative Authority: Property and Administrative Services Act (40 U.S.C. 471 et seq.). Public Buildings Act of 1959 (40 U.S.C. 601 et seq.). Public Buildings Cooperative Use Act of 1976 (P.L. 94-541). Small Business Act (P.L. 95-507). Architectural Barriers Act (P.L. 90-480). Economy Act (40 U.S.C. 278a). Executive Order 12072. H.R. 1938 (97th Cong.). S. 533 (97th Cong.). Reorg. Plan No. 18 of 1950.

The General Services Administration (GSA) is responsible for meeting Federal agencies' needs for office space and is the central authority for Federal space management and leasing. However, GSA often fails to satisfy these needs within its 6-month goal to provide requested space. GAO reviewed three GSA regions to determine the extent of delays in providing space, the reasons for the delays, the effects of the delays, and the actions needed to improve timeliness.

Findings/Conclusions: While the average time for delivering space nationwide is about 9 months, GSA took more than 6 months to complete about half of the agency requests for space and in some cases took 2 to 3.5 years to provide space. Delays in acquiring leased space are primarily due to: (1) GSA administrative review and oversight procedures and socioeconomic and life-safety requirements which have prolonged and complicated the leasing process; (2) the failure of GSA leasing resources to increase at a pace commensurate with the increased use and complexity of leasing; and (3) the tight lease market in several major cities. Delays in meeting agency space needs sometimes adversely affect agency operations. When agencies have to maintain and operate offices at dispersed locations, the result is excessive commuting and loss of productivity. The monetary costs of these effects are not known. Delays have also caused holdover tenancy situations wherein the Government continues to occupy space without the benefit of a lease contract and may have to pay extra costs when the lease is renewed. Although the responsibility for leasing activities was centralized in GSA about 30 years ago, it has not issued a Government-wide regulation on the leasing of real property, nor has it monitored the procedures and practices of agencies with delegated leasing authority. At the completion of the GAO review, GSA was developing a Government-wide leasing regulation which would provide for the systematic monitoring of agency leasing policies and procedures.

Recommendations to Agencies: The Administrator of General Services, to reduce delays and improve performance, should delegate leasing authority on a trial basis for small blocks of space in nonurban areas. Delegations should be monitored by GSA and expanded or terminated based on agency performance.

Status: Recommendation no longer valid/action not intended. *GSA believes that it has made significant progress in monitoring the nationwide program to reduce processing time for space acquisition to an acceptable level. Delegation of leasing authority would be counterproductive to efforts to improve space utilization and control reduction in space for agencies.*

The Administrator of General Services, to ensure that agencies with delegated leasing authority follow sound and consistent leasing procedures and practices, should establish a program for the systematic monitoring of agency compliance with the Government-wide regulation.

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

The Administrator of General Services should maintain statistics on the volume of agency space requests and disclose in the annual report to Congress information on GSA performance in filling space requests and the factors that impede service.

Status: Recommendation no longer valid/action not intended. *GSA has implemented an automated system for inventory of space requests, but sees no useful purpose in disclosing information about its performance in the annual report. It plans to use the data as a basis for reporting when requested by congressional committees and Members of Congress.*

The Administrator of General Services, to ensure that agencies with delegated leasing authority follow sound and consistent leasing procedures and practices, should furnish agencies granted leasing authority with GSA directives, instructions, and other publications on the scope, availability, and implementation of Federal leasing policies, regulations, and procedures.

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

The Administrator of General Services, to reduce delays and improve performance, should prepare a complete inventory of the space requests backlog and a plan of action to reduce and monitor the backlog.

Status: Action completed.

The Administrator of General Services, to reduce delays and improve performance, should improve the level of resources devoted to leasing by reducing the attrition rate for leasing personnel and supplementing the leasing resources as needed.

Status: Action in process.

The Administrator of General Services, to ensure that agencies with delegated leasing authority follow sound and consistent leasing procedures and practices, should issue the Government-wide regulation specifying the policies and procedures which the agencies must follow in acquiring leased space.

Status: Action in process.

Agency Comments/Action

GSA was in substantial agreement with the findings and most of the recommendations; it has taken some actions on the recommendations pertaining to the reduction of delays in acquiring leased space. GSA plans to take actions on the other recommendations but believes that: (1) annual reporting to Congress of information on its performance in filling space requests would not be useful; and (2) delegation of leasing authority is not warranted because of significant progress made in monitoring the nationwide program and the need to improve space utilization and control the reduction in space requirements.

GSA Needs To Improve the Management of Its New Item Introductory Schedule Program
(PLRD-82-82, 6-4-82)

Budget Function: Procurement - Other Than Defense (990.4)

GAO reviewed the General Services Administration's (GSA) New Item Introductory Schedule (NIIS) program to determine whether it is effectively introducing new and improved items into the Federal Supply System (FSS).

Findings/Conclusions: GAO found that the NIIS program has several weaknesses which prevent the effective introduction of new and improved items into FSS. These problems exist throughout the NIIS process, from the initial screening of an application to the publication of the product in the schedule of approved items. The failure to assign overall program responsibility and poor program management have contributed to problems in management control, consistent and timely decisions, and interaction with other GSA supply programs and offices.

Recommendations to Agencies: The Administrator of GSA should establish a central control point for new item applications within FSS.

Status: Action completed.

The Administrator of GSA should direct FSS to establish guidelines which provide specific criteria for screening and processing new item applications and making decisions on approved items, including followup on items which are transferred to other supply programs. The criteria should provide for: (1) considering the requirements of other FSS supply programs during the approval process; (2) maintaining accurate and complete records for reporting purposes and as a basis for evaluating the effectiveness of the program; (3) the timely processing of applications and awarding of contracts by eliminating duplicative reviews and responding to vendor applications within 90 days; and (4) assigning a separate FSS identification number to each New Item Introductory Schedule item and providing feedback to the business service center on the disposition of applications.

Status: Action in process.

The Administrator of GSA should direct FSS to: (1) update the publication of approved items more frequently to provide users with better information on the items available from the New Item Introductory Schedule (NIIS) program; and (2) selectively verify data submitted by NIIS contractors.

Status: Action in process.

Agency Comments/Action

GSA concurred with the recommendations and it: (1) established a central control point for new item applications; (2) drafted more specific criteria for the new item screening, approval, and followup processes and a publication schedule for approved items; and (3) began requesting audits to verify reported sales data when appropriate.

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 in process.

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 the regions.
Status: Action in process.

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: No action initiated: Date action planned not known.

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 in process.

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 in process.

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: No action initiated: Date action planned not known.

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.

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 a timetable for closure of depots which, if followed, will reduce its system to eight full-service depots by September 30, 1983. GSA will begin consolidating inventory management and procurement activities during fiscal year 1983.

GPO Needs To Analyze Alternatives To Overcome Physical Limitations in Government Printing Operations *(PLRD-82-20, 1-4-82)*

Budget Function: General Government: Legislative Functions (801.0)

GAO was requested to determine if the location, design, and age of the Government Printing Office's (GPO) buildings have adversely affected its manufacturing operations.

Findings/Conclusions: Numerous inefficiencies in the GPO manufacturing operations can be attributed to the buildings GPO occupies. Inefficiencies in GPO occur from the time paper is first delivered at the receiving docks to the time it leaves the shipping docks as a finished product. The location of the GPO main paper storage warehouse, 15 miles from the printing plant, combined with the multistory configuration of the main plant itself, results in an inordinate amount of material movement. The major building-related problems which contribute to the inefficiency of the press division are inadequate storage space, equipment placement constraints, and material handling delays. The major problems identified in the bindery division are material movement problems and crowded conditions. Due to the age and the physical limitations of the current plant, major costs for leased space, building repairs, and renovations are unavoidable if GPO expects to continue to use this facility for its operations. During the current fiscal year, GPO is leasing over 900,000 square feet of warehouse, office, and storage space at a cost of about $2.6 million. The primary alternatives under consideration to improve the GPO manufacturing operations include: (1) redesigning the existing facilities; (2) expanding the existing facilities; and (3) building a new facility.

Recommendations to Congress: The Committee should obtain congressional approval for one of the alternatives presented by the Government Printing Office.

Status: Recommendation no longer valid/action not intended. *Because the decision has been made not to construct a new facility, congressional approval will not be required.*

The Chairman of the Joint Committee on Printing should have the Government Printing Office perform a cost-benefit analysis of the various alternatives available to solve these inefficiencies in the present facilities.

Status: Action completed.

Recommendations to Agencies: GPO should develop a master plan to assure that the alternative is implemented properly.

Status: Action in process.

Agency Comments/Action

GPO has done cost/benefit studies, dated May 6, 1982, for a new facility and for an addition to the existing facility. It is still in the process of studying the need for rehabilitating, renovating, and rearranging various operations within the existing GPO facilities.

INTERNATIONAL COMMUNICATION AGENCY

U.S. International Communication Agency's Overseas Programs: Some More Useful Than Others
(ID-82-1, 2-11-82)

Budget Function: International Affairs: Conduct of Foreign Affairs (153.0)
Legislative Authority: Fulbright Act (Studies--Foreign Countries) (P.L. 79-584). Smith-Mundt Act (Information and Educational Exchange) (P.L. 80-402). Reorg. Plan No. 2 of 1977.

GAO examined some of the U.S. International Communication Agency's (USICA) overseas information programs.

Findings/Conclusions: USICA missions feel that direct and substantive personal contact with foreign citizens is their most important activity; however, the missions differ in these activities, and substantial amounts of time and money are invested in activities aimed at establishing contacts with a limited audience. Administrative burdens, lack of language proficiency, and a lack of continuity in staffing all impede public affairs officers from making personal contacts. USICA could reduce costs by eliminating the least-effective communication methods in some countries rather than simply shaving funds from each program. USICA cultural programs are often irrelevant and fail to satisfy the overseas missions' planning requirements. About 68 percent of the overseas libraries and reading rooms have been discontinued for budgetary reasons. An apparent neglect of some libraries has led to such deterioration that their maintenance may no longer be justified. USICA has been less involved with foreign associations established to promote mutual understanding. The USICA responsibility to assist Americans in enhancing their understanding of other societies has failed to fulfill its promise. The Distribution and Record System, which was developed to record personal contacts, has been severely handicapped by installation delays and skepticism on the part of post officers as to its utility.

Recommendations to Agencies: The Director of the U.S. International Communication Agency should reassess the need for each mission to have all of the various communication methods, such as speakers, films, videotape, recordings, and printed matter.

Status: Recommendation no longer valid/action not intended. *The agency believes that no specific action is needed or planned. It has an ongoing process to reassess the need for missions to have all of the communication methods. It is aware of certain problems that missions have with each of the methods and the GAO review confirmed that the problem is one that must be dealt with as an ongoing process.*

The Director of the United States International Communication Agency should direct overseas missions to discontinue programming of those methods that they believe irrelevant to their needs or even significantly less useful than others to their needs.

Status: Recommendation no longer valid/action not intended. *The agency believes that this is an ongoing process. No special action will be taken by it.*

The Director of the United States International Communication Agency should determine, through monitoring of foreign receptivity to changes in publication formats, those which are too narrowly targeting recipient audiences and threatening through oversophistication to lose an existing broad base of readers.

Status: Action in process.

The Director of the United States International Communication Agency should: (1) eliminate redundant cultural program efforts within a given host country; and (2) seek more mission input for planning the Arts America program to better match the cultural programs to the needs of the individual posts.

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

The Director of the United States International Communication Agency should examine the usefulness of the overseas libraries as they are currently maintained and eliminate those that are no longer useful.

Status: Action completed.

The Director of the United States International Communication Agency (USICA) should develop a policy outlining the responsibilities of the overseas missions toward the Binational Cultural Centers, particularly those category "B" Centers where USICA has invested funds but has maintained no direct management control of those funds.

Status: Action in process.

The Director of the United States International Communication Agency should establish a policy for the overseas missions concerning the role to be played, if any, in carrying out its mandate, referred to as the Second Mandate, to assist Americans in enhancing their understanding of other societies.

Status: Action in process.

The Director of the United States International Communication Agency should establish a realistic timetable for the orderly delivery of Distribution and Record System equipment and the necessary training for system operators.

Status: Action in process.

The Director of the United States International Communication Agency should contact the Department of State and the Agency for International Development to solicit their cooperation in ensuring the recording of personal contacts in the Distribution and Record System.

Status: Action in process.

Agency Comments/Action

The agency believes no specific action is necessary on two of the recommendations because they are part of an ongoing process which the agency will continue. The GAO recommendations pointed out the need to keep the process going. The agency has not initiated action on two additional recommendations. In one case, the agency has a targeted date for action and, in the other case, no specific target was set. For the five remaining recommendations, the agency believes that actions are in process, but it does not

know the date they will be completed. Overall, the agency stated that, although differing with some statements and conclusions, it found that GAO made concrete recommendations for the correction of difficult issues with which the agency has grappled for years. The agency stated that some recommendations had already been acted upon while others were still under consideration.

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 insure 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 in process.

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.

INTERNATIONAL COMMUNICATION AGENCY

Weaknesses in Procurement Practices To Obtain Outside Professional Talent Services
(ID-82-46, 8-10-82)

Budget Function: International Affairs: Foreign Information and Exchange Activities (154.0)
Legislative Authority: F.P.R. 1-3.603-1(a)(1). Voice of America Instruction 117.

GAO studied United States International Communication Agency (USICA) procedures for obtaining professional talent services from outside USICA for specialized needs.
Findings/Conclusions: GAO found that, while existing procedures at USICA were generally adequate, regulations were not always followed; thus, awards were not made on a competitive basis. In fiscal year 1981, USICA acquired outside talent valued at about $5 million for services such as writing, filming, translation, exhibit design and fabrication, copyrights, research, and announcing. GAO found that purchase orders and contracts for these services were frequently awarded on a sole-source basis and that, in some instances, contracts were renewed annually without competition. Such noncompetitive awards were ostensibly justified by the urgent requirements of some programing and management offices; however, GAO noted that urgency was sometimes created by delaying decisions. GAO also found that Voice of America (VOA) retirees were often used as long-term purchase order vendors in lieu of employing staff. These long-standing VOA practices pointed up the need for planning for the orderly replacement of personnel through improved recruiting and training procedures. GAO also learned that nepotism was practiced in two instances in clear violation of VOA regulations.
Recommendations to Agencies: The Director of USICA should require procurement officials to seek competitive sources before a sole-source justification can be approved.

Status: Action completed.

The Director of USICA should instruct VOA officials to anticipate retirements and provide for the orderly and timely replacement of full-time employees rather than continuing to rely on purchase order vendors.
Status: Action in process.

The Director of USICA should, for existing purchase order vendors, require VOA officials to establish procedures to periodically reevaluate the need for retaining former employees performing services in a contractual capacity.
Status: Action in process.

The Director of USICA should instruct VOA officials to comply with existing VOA regulations which prohibit using talent vendors who work under any form of supervision of a relative or dependent.
Status: Action completed.

Agency Comments/Action

USICA agreed that there have been delays in the decision-making processes which have resulted in insufficient time for fully competitive procurements. This report and a recently issued GAO report on Federal civil agencies' contracting have been sent to the principal officers of USICA with instructions to obtain competition by following the USICA Advance Procurement Plan. This plan, announced on June 15, 1982, requires program offices to schedule adequate time into an acquisition cycle to obtain competition in full compliance with the regulations. In addition, instructions have been issued to VOA to implement the recommendations made by GAO. The VOA Office of Personnel has started a recruitment program to fill long-standing vacancies, reducing the need to acquire talent from purchase order vendors. VOA has reissued and restated instructions concerning the employment of, or contracting with, family members of USICA employees.

NATIONAL CREDIT UNION ADMINISTRATION

The National Credit Union Administration Should Revise Liquidation Procedures To Reduce the Net Cost of Credit Union Liquidation
(GGD-82-26, 2-19-82)

Budget Function: General Government: Other General Government (806.0)
Legislative Authority: Credit Union Act.

GAO reviewed the conduct of financial institution liquidations by the National Credit Union Administration (NCUA) to assess the economy and efficiency of the agency's program to liquidate failed institutions. GAO examined the following: (1) control over assets, including valuation, marketing, monitoring, and disposition; and (2) appropriateness of expenses incurred.

Findings/Conclusions: GAO approved of the recent efforts by NCUA to improve the management of the National Credit Union Administration Share Insurance Fund (NCUSIF). However, more still needs to be done to deal with the problem of reducing the net cost to the fund of liquidating a credit union. GAO estimated that in 1980 the NCUSIF recovered from liquidation proceedings only about 60 percent of the outlays it incurred in liquidating credit unions. Net losses for both voluntary and involuntary liquidation activities totaled about $27.6 million in 1980. The implementation of changes already adopted and of those recommended in this report should reduce the loss rate from liquidations by as much as 20 to 30 percent. Recent changes have been made to accelerate loan sales, offset shares of member accounts against loans that are delinquent, transfer shares to loans on small accounts, eliminate loan servicing activities at National headquarters, allocate all costs incurred in liquidation to individual cases, and improve cost and expense data collection. NCUA should take additional steps to maximize the value of the loan portfolios of insolvent credit unions. Unclaimed liabilities should not be trusteed, and procedures for unclaimed shares should be simplified. More active NCUA supervision is needed to insure compliance with policies intended to reduce the net cost of liquidation.

Recommendations to Agencies: The National Credit Union Administration Board should drop its prohibition against the sales of loans to finance companies.
Status: Action completed.

The National Credit Union Administration Board should adopt policies to preserve the value of assets before credit unions actually become insolvent.
Status: Action in process.

The National Credit Union Administration Board should revise the priority of payments to place the share insurance fund on an equal basis with general creditors, assuming that share accounts can be treated as deposits for insurance purposes.
Status: Action completed.

The National Credit Union Administration Board should limit the right for creditors to claim liabilities to the date of charter cancellation.
Status: Action in process.

The National Credit Union Administration Board (NCUA) should: (1) give unclaimed share deposits a lower claim on liquidated credit union assets than NCUA Share Income Fund reimbursement; and (2) escheat unclaimed funds to the States after 18 months. For those unclaimed funds already placed in a trustee account, GAO recommends that NCUA dismantle the existing system of trusteed share and liability accounts in a manner consistent with its recommendations for unclaimed shares and liabilities. GAO recognizes the records may not be sufficient to make such an effort cost effective, in which case it is recommended that the funds be escheated to the States.
Status: Action in process.

The National Credit Union Administration Board should reduce the standard for selling loan portfolios to no more than 45 days.
Status: Action in process.

The National Credit Union Administration Board should establish a system for monitoring regional office compliance with policies intended to assure that liquidations take place at the least cost to the fund.
Status: Action in process.

The National Credit Union Administration Board should keep records on assets, expenses, and net costs of individual liquidated credit unions, periodically summarizing them to monitor performance, identify trends, and pinpoint problems.
Status: Action in process.

Agency Comments/Action

The NCUA Board was in general agreement with the recommendations. Action taken since the report includes: (1) selling loan portfolios to all bidders including finance companies; (2) examining all credit unions every 12 months to identify problems before they worsen; (3) allowing regional directors to use cease and desist orders more quickly; (4) speeding up of liquidation procedures; and (5) legal review of revision of the priority of payment schedule which would reduce the NCUA loss when a credit union liquidates.

NATIONAL SCIENCE FOUNDATION

National Science Foundation Conflict of Interest Problems With Grants to Short Term Employees
(PAD-81-16, 1-15-81)

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251.0)
Legislative Authority: Science Foundation Act. 45 C.F.R. 600. Executive Order 11222. NSF Circular 54. NSF Circular 139. 18 U.S.C. 205. 18 U.S.C. 207. 18 U.S.C. 208. 42 U.S.C. 1862.

GAO reviewed the National Science Foundation's (NSF) policies and procedures for precluding conflicts of interest in its grant award process when the Foundation's short term employees are involved. The Foundation augments its permanent professional staff with specialists who serve in noncareer positions for 1 to 2 years. Recruited from colleges, universities, industry, and Government, these specialists are usually appointed as program officers with firstline authority for grant proposal evaluation. They are usually researchers who have been given or could receive Foundation grants.

Findings/Conclusions: GAO identified a significant number of problem cases involving these short term rotational employees. The Foundation needs to strengthen its policies and procedures to preclude conflicts of interest. Federal conflict of interest laws prohibit Government employees from acting for the Government in matters in which they have a financial interest. An ad hoc committee, established by the Foundation to resolve a series of conflict of interest questions, recommended that the Foundation's standards be revised to provide for the resolution of potential conflicts of interest involving prospective employees. However, Foundation officials have made decisions on their grant proposals that create an appearance of impropriety under the applicable Federal guidelines and regulations. Questionable activities include instances of officials awarding new grants, renewals, extensions, and supplemental funds to short term employees in the same unit or to researchers who were planning to join that unit; overriding negative peer reviews; and such improprieties as peer reviewing proposals in one researcher's name but awarding the grant to someone else and submitting proposals while still employed at the Foundation. GAO found instances of concurrent grant processing and employment negotiation, questionable grant actions during the employment period, questionable post-employment grant actions, and instances of the use of waivers of the post-employment restriction on submitting new proposals in a questionable manner.

Recommendations to Agencies: The Director of NSF should take appropriate remedial or disciplinary action when people fail to report conflict of interest situations or otherwise violate prescribed standards of conduct.
Status: Action in process.

The Director of NSF should require that the Office of Audit and Oversight formally refer to the NSF General Counsel for prompt resolution all conflict of interest matters that it finds while monitoring the grant activity associated with scientists who are being considered for, are serving in, or have recently completed short term NSF appointments.
Status: Action completed.

Agency Comments/Action

In response to the GAO report, NSF implemented an improved conflicts program which is described in a March 13, 1981, letter from NSF to the House and Senate Appropriations Committees and the NSF oversight committees. The Director of the NSF Office of Audit and Oversight has begun monitoring and referring to the NSF General Counsel for prompt resolution all conflict of interest matters found while monitoring this grant activity. Some other procedural and control changes made by NSF should help reduce conflicts or the appearance of conflicts of interest involving rotators.

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 each university's OPAS assure that the university has established a system that can act responsibly before any delegations of prior approvals 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 in process.

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 in process.

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 in process.

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 in process.

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.

Cleaning Up Commingled Uranium Mill Tailings: Is Federal Assistance Necessary?
(EMD-79-29, 2-5-79)

Budget Function: Energy: Energy Information, Policy, and Regulation (276.0)
Legislative Authority: Atomic Energy Act of 1946. Atomic Energy Act of 1954. Uranium Mill Tailings Radiation Control Act of 1978 (P.L. 95-604).

Until recently, commingled uranium mill tailings were believed to be of such low radiation that they were not considered harmful to the public. As a result, the tailings were often left in uncontrolled piles. Recent concern about the possible adverse effects of low-level radiation over long periods of time prompted the request that GAO determine whether Federal assistance should be provided to active mills to clean up the mill tailings.

Findings/Conclusions: Cleaning up all of the commingled tailings would have the advantages of reducing a possible health hazard and taking another step toward resolving some of the problems of safely disposing of radioactive wastes. Offsetting these advantages, however, are some strong disadvantages. The cleanup costs could go as high as $315 million using current technology. Further, the cleanup program could be considered as an additional precedent for cleaning up other nuclear facilities, which would be a far more costly endeavor. This is extremely important because the question of who should pay for cleaning up nuclear facilities has not yet been fully considered, primarily because very little decommissioning of these facilities has been done to date. In the GAO view, the most significant factor in favor of providing Federal assistance in cleaning up commingled tailings pertains to the Federal Government's role in creating the mill tailings situation.

Recommendations to Congress: In order to assure that the uranium mill tailings are controlled in a safe and environmentally sound manner, Congress should provide assistance to the active mill owners to share in the cost of cleaning up that portion of the commingled mill tailings that were generated under Federal contracts. These are the tailings for which the Federal Government has a strong moral responsibility.
Status: Action completed.

Congress should consider having the Federal Government assist those mill owners who acted in good faith in meeting all legal requirements pertaining to stabilization of the mill tailings that were generated for commercial purposes and for which the Federal Government, through the Nuclear Regulatory Commission, is now requiring retroactive stabilization.
Status: No action initiated: Date action planned not known.

Congress should make clear that assistance to mill owners establishes no precedent for the Federal Government assuming the financial responsibility of cleaning up other non-Federal nuclear facilities and wastes, including those mill tailings generated after the date the Federal Government notified industry that the tailings should be controlled.
Status: No action initiated: Date action planned not known.

Budget Authority for Foreign Military Sales Is Substantially Understated
(PAD-78-72, 7-27-78)

Budget Function: International Affairs: International Financial Programs (155.0)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974. P.L. 93-344. 31 U.S.C. 1302(a). Arms Export Control Act. 22 U.S.C. 2763. B-159687 (1976). B-171630 (1975). B-114828 (1977).

The Office of Management and Budget (OMB) and the Department of Defense (DOD) recently changed the method of recording budget authority within the foreign military sales (FMS) trust fund. Before fiscal year (FY) 1977, each year's FMS trust fund budget authority corresponded to the dollar total of FMS new acceptances. Under the new procedure, the budget authority for a given year is made to match the portion of acceptances (old and new) which result in FMS trust fund implementing obligations during the year.

Findings/Conclusions: The budget authority for FMS for FY 1977 was understated by $2.6 billion. The change introduced a significant element of inconsistency into FMS trust fund procedures and reporting without achieving offsetting improvements, and it is contrary to the usual meaning of budget authority. The change eliminates from the budget totals and schedules reporting on the maximum potential FMS obligations which the executive may incur as a result of the new authority that new acceptances create. It also eliminates standard reporting on FMS unobligated acceptances which is important for evaluating budget and program execution. The Budget authority change is contrary to sound budgetary policy and dilutes appropriate congressional budgetary control.

Recommendations to Congress: The congressional committees on the budget should require that the calculation of FMS trust fund budget authority be based on total, new acceptances. Congress should adopt additional budgetary controls over the FMS trust fund activities. It should reconsider the degree of control it has delegated and enact legislation to limit total, new FMS acceptances for a FY to the amounts specified in annual authorizing and/or appropriation acts.

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

Recommendations to Agencies: The Director of OMB should require that the calculation of FMS trust fund budget authority be based on total, new acceptances.

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

Agency Comments/Action

OMB disagreed with the recommendation and plans no action to implement it.

OFFICE OF MANAGEMENT AND BUDGET

Federal Budget Outlay Estimates: A Growing Problem
(PAD-79-20, 2-9-79)

Budget Function: General Government: Executive Direction and Management (802.0)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974.

Federal budget outlay estimates generally swing between longfalls, or underestimates in the budget year, and shortfalls, or overestimates in the current year. The budget year estimates reflect the administration's concern about the growing deficit and the need to hold down spending. The shift to a shortfall, or overestimate in the current year's estimates (12 months later), reflects the administration's assessment of actual financial needs to carry out legislation enacted by Congress. The estimating process is flexible and changing and can be influenced by a number of variables. Many of these variables are uncontrollable, such as historic upward bias (the past tendency to overestimate). Budget data must be accurate to be useful and controllable factors should be of concern to improve outlay estimates.

Findings/Conclusions: As a result of increased interest in outlay estimates, both the Office of Management and Budget (OMB) and the Congressional Budget Office are striving to achieve more accurate estimates. GAO found that $76.4 billion in outlays was not included in fiscal year 1977 Government-wide net outlays of $402.8 billion. These outlays included both offsets from collections and receipts from business transactions with the public and outlays of off-budget Federal entities. Estimates of offsetting collections and offsetting receipts have not been reliable. The current method of presenting these transactions as offsets against budget authority and outlays distorts budget numbers and makes the budget unnecessarily complex.

Recommendations to Agencies: The Director of OMB should make further efforts to improve outlay estimates by establishing criteria for acceptable levels of accuracy for estimates to be used as a guide in defining significant variances to be pursued.

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

The Director of OMB should further efforts to improve outlay estimates by comparing actual outlays to estimates and providing a detailed explanation annually concerning those accounts in which there were significant variances.

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

The Director of OMB should further efforts to improve outlay estimates by identifying corrective action to improve estimates in future years when such action is feasible.

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

The Director of OMB should further efforts to improve outlay estimates by making information on variances and related corrective action available to congressional users and including it in budget justifications where appropriate.

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

The Director of OMB should further efforts to improve outlay estimates by applying early efforts in goal setting and variance analysis toward accounts with the largest outlays.

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

The Director of OMB should further efforts to improve outlay estimates by requiring each agency to document the procedures used to develop outlay estimates, including documenting assumptions and subjective modifications made by reviewing officials.

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

The Director of OMB should apply these recommendations to improve outlay estimates to estimates of offsetting collections and offsetting receipts.

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

The Director of OMB should change the presentations of offsetting collections from non-Federal sources and offsetting receipts from the public by including them in revenue totals and not by subtracting them from budget authority and outlays. This involves only a change in presentation of data for clarity. Availability of revenues from business-type transactions is not affected.

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

The Director of OMB should include offsetting collections and offsetting receipts from off-budget agencies under revenues and not subtract them from budget authority and outlays. As long as off-budget agencies are excluded from budget totals, this change will not result in double counting. Off-budget agencies should be returned to the budget. If they are returned to the budget, this recommendation would no longer be appropriate.

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

Agency Comments/Action

OMB did not agree that its estimates needed improvement and, consequently, made no changes.

Economic and Operational Benefits in Local Telephone Services Can Be Achieved Through Government-Wide Coordination
(LCD-80-9, 11-14-79)

Departments of Defense, Agriculture, Commerce, Energy, Health and Human Services, Education, the Interior, Labor, State, Transportation, the Treasury, and Justice, General Services Administration, National Aeronautics and Space Administration, and National Telecommunications and Information Administration

Budget Function: Multiple Functions: Telecommunications and Radio Frequency Spectrum Use (Civilian-Related) (999.1)
Legislative Authority: Federal Property and Administrative Services Act of 1949 (40 U.S.C. 481). F.P.M.R. subchapter F, 101-37.

Twelve Federal departments and agencies spend at least $219 million annually for local telephone services. Significant savings and improved operations could be achieved by consolidating and modernizing these services. A few consolidations and modernizations have been made, but not on a coordinated Government-wide basis.

Findings/Conclusions: Several studies have been made of the feasibility of consolidating Government local telephone services in specific metropolitan areas. They have demonstrated potential economic and operational benefits. However, some government agencies have been independently planning modernizations without considering the needs of other Federal organizations in the vicinity. The Government needs to establish policies, guidelines, and procedures for consolidating on a coordinated Government-wide basis. The General Services Administration has responsibility for providing communications services for the agencies, but often delegates this authority to the agencies. Lack of coordination and cooperation between the agencies and the General Services Administration has led to inaction.

Recommendations to Agencies: The Director of the Office of Management and Budget should solicit recommendations from the National Telecommunications and Information Administration concerning policies for coordinating, establishing, operating, procuring, and managing Government-wide consolidation and modernization of local telephone services. A policy should be developed and promulgated for a local telephone service program that: (1) requires consolidation and modernization on a coordinated Government-wide basis where economically and operationally beneficial; (2) assigns organizational responsibilities; (3) directs the development of implementing guidelines, procedures, and/or standards; and (4) defines a system for reporting on progress.

Status: Action in process.

Agency Comments/Action

OMB agreed with the potential for the reported savings through consolidation of Government local telephone services. OMB issued broad guidance concerning procurement, management, and utilization of Government voice telecommunications, which would include local telephone services. GSA has been directed to assist OMB in this endeavor. With OMB support, GSA has the authority and responsibility to undertake consolidation of local services if it is in the best interests of the Government. DOD and GSA have agreed to establish a program for consolidating local services in major metropolitan areas.

OFFICE OF MANAGEMENT AND BUDGET

Spending Authority Recordings in Certain Revolving Funds Impair Congressional Budget Control
(PAD-80-29, 7-2-80)

Budget Function: Congressional Information Services (990.5)
Legislative Authority: Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344; 2 U.S.C. 601). Independent Agencies Appropriations Act, 1979. Housing and Urban Development Act of 1965 (P.L. 89-117). Independent Agencies Appropriation Act, 1978 (P.L. 95-119). Housing Act. Department of Agriculture and Related Agencies Appropriations Act, 1969. Participation Sales Act of 1966 (P.L. 89-429). Housing and Urban Development Act of 1968 (P.L. 91-121). Department of Agriculture and Related Agencies Appropriations Act, 1974. Budget and Accounting Act. P.L. 91-469. OMB Circular A-11. OMB Examiner's Handbook 124B. B-159687 (1976). B-114828 (1977). B-107449 (1973). 31 U.S.C. 1302. 42 U.S.C. 1487(h). 12 U.S.C. 635d. 17 U.S.C. 903. 68 Stat. 94-95.

Program administrators use budget authority to borrow amounts from Treasury or non-Treasury sources to finance their revolving fund loan programs. In some cases, this authority represents authorized net borrowings (gross borrowings less repayments) rather than authorized gross borrowings. As a consequence of this procedure, a program's gross borrowings in a fiscal year can easily exceed its recorded borrowing authority for the year. This gap between authority recorded in the budget and total borrowings can increase in succeeding years as recordings of borrowing authority are used for several cycles of borrowings, rolled over. For the fiscal years 1932-79, total actual borrowings from Treasury were an amount almost twice the amount of recorded authorizations. Programs in 22 accounts spanning 12 Federal departments and agencies had followed this procedure in 1979. These programs had outstanding borrowings from Treasury totaling about $96 billion.

Findings/Conclusions: GAO believes that Congress' budgetary control suffers when budget authority recordings for revolving fund loan program express authorized net borrowings. Net-based recordings of borrowing authority do not disclose the full amount, which they should, of obligational authority made available through authorized borrowings. Use of net-based borrowing authority amounts lessens budgetary consistency, complicating the budgetary process and making it more difficult for Congress to set priorities and make comparisons among programs. The budget authority recordings and totals for programs financed with appropriations represent gross, not net, funds. There are several programs in the budget in which borrowing authority recordings represent authorized gross borrowings, not net. Congress' budgetary control is weakened when agencies conduct several cycles of borrowings in the absence of new congressional authorizations. Conversion to gross-based borrowing authority in revolving fund loan programs would result in budget authority recordings that express more fully the obligational authority made available through borrowings. Such gross recordings still might not fully express total obligational authority made available. Total obligational authority in the revolving fund programs also includes the collections made available through the cycle of program operations and assorted financing mechanisms. Budget authority recordings in these cases should encompass the authority to obligate funds whatever their source, including collections from program operations.

Recommendations to Congress: Congress, in reviewing revolving fund loan programs, should place specific limits on the gross obligations, or gross loan obligations, authorized to be made, and require that such limits be treated as the relevant budget authority amounts.

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

Recommendations to Agencies: The Director of the Office of Management and Budget should revise the way the definition of budget authority is applied to revolving fund loan programs so that budget authority for these programs is the amount of gross obligations, or gross loan obligations, authorized to be made.

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

Agency Comments/Action

The Office of Management and Budget disagreed with the recommendations.

OFFICE OF MANAGEMENT AND BUDGET

Increasing Use of Data Telecommunications Calls for Stronger Protection and Improved Economies
(LCD-81-1, 11-12-80)

Budget Function: Multiple Functions: Telecommunications and Radio Frequency Spectrum Use (Civilian-Related) (999.1)
Legislative Authority: Foreign Intelligence Surveillance Act of 1978. Privacy Act of 1974. Crime Control Act. Communications Act of 1934. Property and Administrative Services Act (40 U.S.C. 481). Omnibus Crime Control and Safe Streets Act of 1968. Executive Order 12046. OMB Circular A-71. OMB Circular A-108.

Increasing requirements for modern data transmission services in recent years have resulted in a rapid proliferation of costly single purpose or single agency data telecommunications networks in the civil Government. The Government's increasing use of telecommunications to extend data processing systems raises a variety of new issues and management problems concerning the protection of data transmissions against unauthorized, unwarranted, and illegal uses. A major concern of Congress is to maintain the confidentiality of vast amounts of personal and other sensitive information collected, maintained, and disseminated by Federal agencies. Machine generated communications that are being transmitted over interstate and foreign telecommunications facilities are not protected by current laws against unauthorized interceptions.

Findings/Conclusions: Protection of data telecommunications against unauthorized wiretapping can be strengthened by amending telecommunication laws. Civil Government agencies need guidance to determine appropriate safeguards and controls for telecommunications. Executive level policies and guidance on telecommunications provide little assistance for operating agencies. Controls on Federal users and others authorized to collect and handle personal information should be strengthened to increase privacy protection for personal and other sensitive information, regardless of whether shared transmission facilities and related network controls are used. Data telecommunications networks in the civil Government are generally acquired from commercial telecommunications carriers by individual agencies for their own exclusive use. Some departments and agencies have taken or are taking actions to reduce their transmission costs through circuit sharing. GAO believes the consolidation of certain civil Government data telecommunications into a shared data telecommunications network could potentially reduce total Federal data telecommunications costs by at least 20 percent. Significant Government savings can be achieved through use of common user data telecommunications technology without conflicting with privacy objectives.

Recommendations to Congress: In revising the bills introduced into Congress to amend or rewrite the 1934 Communications Act and to amend the 1968 Crime Control Act, Congress should provide protective provisions against unauthorized interception of all forms of telecommunications, not just those forms limited to aural acquisition. This legislation must be consistent with: (1) the rights of individuals embodied in the Constitution; (2) the need to protect copyrighted, proprietary, and other similar information transmitted via telecommunications systems; (3) the legislatively mandated missions of Federal agencies involving national security, foreign affairs, domestic and foreign intelligence, and law enforcement; and (4) the modern wire and radio transmission technologies used both for voice and data telecommunications. A direct and simple way to improve the protective provisions would be to clarify the definition of intercept in the 1968 Crime Control Act.

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

Congress should limit the development and implementation of new separate and dedicated data telecommunications networks pending completion of the study, identifying the merits and problems of proceeding with a shared civil Government data telecommunication network, and congressional determination on whether to proceed with it.

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

Recommendations to Agencies: The Director of the Office of Management and Budget should provide Congress with engineering analyses of selected architectures, including the comparative privacy and security strengths and weaknesses of these architectures, as well as those of the dedicated networks currently in use.

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

The Director of the Office of Management and Budget should take appropriate action, including seeking concurrence from appropriate congressional oversight committees, to have the General Services Administration make or sponsor a study which will clearly identify the merits and problems of proceeding with a shared civil Government data telecommunications network instead of continuing with separate dedicated networks in such areas and for such agencies as would be reasonable and effective.

Status: Action completed.

The Director of the Office of Management and Budget with the assistance of the Administrators of General Services and National Telecommunications and Information should provide to the appropriate oversight committees complete and accurate information on a potential shared data telecommunications network for civil Government agencies. This information should include: (1) a preliminary network design with levels of economy achievable; (2) provisions for privacy protection; (3) implications on industry and Federal policies for types of procurement, ownership, and management controls proposed; and (4) the impact on the affected civil agencies' data telecommunications costs and operations.

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

The Director of the Office of Management and Budget, in cooperation with the Secretary of Commerce, should direct the Administrator of the National Telecommunications and Information Administration to develop clear policy guidelines and standards for Government data transmissions protection. These guidelines and standards should: (1) be

consistent with the computer security guidance published by the National Bureau of Standards for automated data processing; (2) require risk analyses for data telecommunications networks supporting data processing systems used to maintain personal or other sensitive data; and (3) include standards and implementing guidelines for determining the appropriateness of encoding data with encryption techniques for electronic transmissions, including those containing personal information.
Status: Action in process.

Agency Comments/Action

The Office of Management and Budget directed the General Services Administration to study the validity of the current common use data service concept and to address alternative system configurations. The General Services Administration completed the study and recommended that a more comprehensive study, as recommended in the GAO report, be conducted. The latter study is still in progress.

OFFICE OF MANAGEMENT AND BUDGET

Gains and Shortcomings in Resolving Regulatory Conflicts and Overlaps
(PAD-81-76, 6-23-81)

Budget Function: Natural Resources and Environment (300.0)
Legislative Authority: Regulatory Flexibility Act (P.L. 96-354). Clean Air Act. Toxic Substances Control Act (P.L. 94-469). Resource Conservation and Recovery Act of 1976. Safe Drinking Water Act. Food, Drug and Cosmetic Act. Civil Rights Act of 1964. Clean Air Act Amendments of 1970.

In response to growing concern in Congress and in the business community, GAO examined the nature, extent, and causes of conflicting and overlapping regulatory requirements. GAO met with various Federal officials, reviewed pertinent documents, and asked 50 large companies to provide it with specific examples of conflict and overlap.

Findings/Conclusions: About half of the responding companies said that regulatory conflict and overlap were not a major problem or that other regulatory issues, especially excessive regulation, excessive paperwork, and the unresponsiveness of the rulemaking process, were of equal or greater concern to them. Although the companies said regulatory conflict and overlap did not pose a major economic burden on them, they found it difficult to make specific cost estimates. Conflict and overlap examples fell into three categories: (1) interacting requirements, (2) overlapping jurisdictions, and (3) duplicative enforcement. Authorizing legislation is one source of regulatory conflict and overlap. The statutory causes include single-purpose legislation that fails to establish priorities, broad delegations of statutory authority that fail to establish clear jurisdictions, and overly specific procedural requirements. Another source of regulatory conflict and overlap is the manner in which regulatory agencies exercise their authority. A third source is the sharing of rulemaking and enforcement responsibilities. Finally, Federal and State standards are not always consistent. Congressional efforts to reduce conflict and overlap have concentrated on improving regulatory management rather than making major structural realignment of agencies' responsibilities. The GAO study supports the need for close Federal-State working relationships. State and local government participation at an early stage in rulemaking and enforcement should be encouraged.

Recommendations to Agencies: The Director of the Office of Management and Budget, in cooperation with the Task Force on Regulatory Relief, should: (1) require regulatory agencies to assess the effects associated with interacting regulatory requirements as part of their procedures to conduct regulatory impact analyses; (2) continue to study selected industries to identify and mediate regulatory problems such as conflict and overlap; (3) identify and evaluate statutory impediments to regulatory coordination and recommend legislative changes when necessary to allow agencies to work together; and (4) require regulatory agencies to schedule for concurrent review closely related rules that establish requirements for the same product, process, or substance.

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

Agency Comments/Action

The Office of Management and Budget has not taken action on any of the GAO recommendations. The recent GAO report, PAD-83-6, incorporated these open recommendations.

Duplicate Programs To Identify Minority Businesses
(PLRD-82-58, 3-23-82)

Budget Function: Procurement - Other Than Defense (990.4)
Legislative Authority: Reports Act. Paperwork Reduction Act of 1980.

Federal agency activities designed to promote Government contracting with socially and economically disadvantaged businesses have, in some cases, resulted in duplicative efforts.

Findings/Conclusions: GAO reviewed programs in six agencies and found that duplication existed among three of them, including the: (1) Small Business Administration (SBA); (2) Minority Business Development Agency (MBDA); and (3) Department of Defense (DOD). However, because GAO surveyed only six Government agencies, the potential exists that similar activities are occuring in other agencies.

Recommendations to Agencies: The Director of the Office of Management and Budget should direct his staff to meet with SBA, MBDA, and DOD officials to clarify authority to collect and maintain data on socially and economically disadvantaged businesses.

Status: Action in process.

The Director of the Office of Management and Budget should survey all executive branch agencies to determine if similar activities are occurring, and if so, take appropriate action to eliminate duplication.

Status: Action completed.

Agency Comments/Action

In response to one of the recommendations, OMB has met with officials from SBA, MBDA, and DOD about duplicate programs to identify minority businesses. SBA and MBDA informed OMB that they are: (1) collecting information in accordance with the terms of clearance set previously by OMB in the review of their information collection request; and (2) making progress in merging the relevant data bases. OMB met and is working with DOD to assure appropriate coordination and sharing of information with SBA and MBDA. DOD has indicated that it intends to adapt common SBA and MBDA data elements for use in the DOD data collection. In response to the other recommendation, OMB has examined the inventory of reports cleared under the Paperwork Reduction Act; it has not identified any other areas of potential duplication. OMB states that it will continue to review new information collection proposals to assure that other agencies do not establish or maintain duplicate data bases.

OFFICE OF MANAGEMENT AND BUDGET

Federal Government's Use of International Data Corporation's Subscription Services
(PLRD-82-118, 8-30-82)

Budget Function: Procurement - Other Than Defense (990.4)

In response to a congressional request, GAO reviewed the Federal Government's procurement of automated data processing (ADP) information subscriptions from the International Data Corporation (IDC). The review addressed a constituent's complaint that the Government is paying too much for the IDC subscriptions and receiving few benefits.

Findings/Conclusions: The IDC subscriptions provide unlimited telephone inquiry service, access to several extensive information data bases, and customized research reports. The three types of subscriptions account for 95 percent of all the IDC services used by the Government. GAO found that the Government pays less for IDC subscriptions than commercial customers pay and that Government users were satisfied with IDC benefits and services. GAO also found that agencies generally do not consolidate or centrally control the purchase of ADP information services or match users' needs with the most cost-beneficial subscription. As a result, IDC subscription users are unaware of the types and number of ADP information subscriptions available within their agencies. Agencies have not prepared cost-benefit analyses to determine the number or types of subscriptions that they require. GAO believes that better management and control over the purchases of IDC subscription services will substantially reduce costs to the Government.

Recommendations to Agencies: The Director, Office of Management and Budget (OMB), should direct DOD and all civil agencies to centrally control contracts for ADP information services so that only necessary subscription services are purchased.

Status: Recommendation no longer valid/action not intended. *OMB believes that central agency control is not appropriate. Each agency should decide what degree of delegation is appropriate to its particular situation.*

The Director, OMB, should direct the Department of Defense (DOD) and all civil agencies to determine overall agency needs for ADP information so that the most cost-effective subscriptions will be purchased.

Status: Action in process.

The Director, OMB, should direct DOD and all civil agencies to prepare cost-benefit analyses before purchasing subscription services.

Status: Action in process.

Agency Comments/Action

OMB is preparing a letter to all Federal agency information management officials that will state the need for controls over ADP information services to prevent waste and duplication and urge adoption of the procedures that are appropriate in each situation.

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.

OFFICE OF PERSONNEL MANAGEMENT

Computation of Cost-of-Living Allowances for Federal Employees in Nonforeign Areas Could Be More Accurate *(FPCD-82-25, 2-8-82)*

Budget Function: General Government: Central Personnel Management (805.0)

GAO reviewed the methodology used by the Office of Personnel Management (OPM) and the Departments of State and Defense (DOD) to compute cost-of-living allowances (COLA's) for Federal personnel. Concerns have been raised by Federal personnel about the appropriateness of that methodology.

Findings/Conclusions: COLA programs are administered by OPM for Federal civilian employees stationed in nonforeign areas outside the conterminous United States; by State for Federal civilian employees in foreign areas; and by DOD for uniformed personnel in foreign and nonforeign areas. GAO wanted to identify and analyze inconsistencies in the administration of COLA programs and to find ways of improving methodologies for the computation of COLA's. GAO found that Federal agencies are not using scientific survey procedures to collect information for COLA computation and, for that reason, it questions the accuracy of the data used. A particular problem is the timelag between when price surveys are taken and when the data are used by the agencies to compute base area prices. GAO also noted that OPM computation would be improved if sale prices were included in computation data in areas where the sale price is the normal price paid for certain goods.

Recommendations to Agencies: The Director, Office of Personnel Management, should weight sale prices to reflect the proportion of purchases made at sale and regular prices.

Status: Action in process.

The Director, Office of Personnel Management, should require agencies to use a scientific sampling system to make living pattern and housing cost surveys.

Status: Action completed.

Agency Comments/Action

The Office of Personnel Management agreed to: (1) instruct field activities to use statistically valid methods in selecting employees for living pattern and housing cost surveys; and (2) explore the possibilities of using sales prices (in addition to regular prices) in the cost-of-living computations.

OFFICE OF PERSONNEL MANAGEMENT

Better Guidance Is Needed for Determining When Examining Authority Should Be Delegated to Federal Agencies
(FPCD-82-41, 7-1-82)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Civil Service Reform Act of 1978.

GAO was asked to review the Office of Personnel Management (OPM) program for delegating to Federal agencies the authority to examine candidates for Federal jobs. The Civil Service Reform Act of 1978 authorized OPM to delegate examining authority as a means of improving the timeliness of the hiring process and the quality of Federal job candidates. OPM announced plans to withdraw some of the delegations that had been made. The proposed withdrawals were based on the new Director's conclusion that the statute did not allow the extent of delegation which had occurred under the previous Director.

Findings/Conclusions: GAO found that agencies were highly satisfied with the results of their own examining, both in terms of improved timeliness and the quality of hires. Neither GAO work nor OPM audits have disclosed problems or abuses that warrant withdrawing examining authority. Centralized examining, which existed before the Reform Act, resulted in delays in filing positions and in agency dissatisfaction with the quality of candidates referred for selection. OPM studies have also concluded that agency examining has resulted in improved timeliness in the hiring process with few problems. It is unlikely that OPM will be able to handle an increased examining workload and still maintain the timeliness encouraged by the Act. OPM reduced both its examining and job information service functions as agency examining expanded. Further, based on previous experience with centralized examining, recentralizing the process may result in hiring less qualified candidates. OPM criteria and policy guidance used to determine whether to approve requests for delegation of examining authority fails to: (1) consider the benefits resulting from previous delegations; and (2) specify what costs should be reported to determine the cost effectiveness of delegations.

Recommendations to Agencies: The Director of OPM should not withdraw current delegated examining authority without first determining that an abuse exists or that OPM could provide timely examining in a more cost-effective manner.

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

The Director of OPM should determine through analysis of audits and other OPM studies the factors that make delegations of examining authority successful in improving timeliness and quality of hires and use them along with cost information in deciding whether to approve future requests for delegated examining authority.

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

The Director of OPM should require agencies to report appropriate and accurate costs and follow up during audits on the cost information so that OPM can determine the cost effectiveness of delegations compared to OPM examining.

Status: Action in process.

Agency Comments/Action

OPM disagreed with the need to implement the recommendations that the Director of OPM should: (1) not withdraw delegated examining authority without first determining that an abuse exists or that OPM could provide timely examining; and (2) analyze the factors which enable successful delegations of examining authority and use this to decide whether to approve future delegations. OPM agreed with the recommendation that it require accurate cost information from agencies so that it can determine cost-effectiveness of delegations.

OFFICE OF PERSONNEL MANAGEMENT

Terminating Benefits to Economically Recovered Disability Retirees Should Be More Timely
(FPCD-82-46, 7-9-82)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: 5 U.S.C. 8337(d).

GAO reviewed the Office of Personnel Management's (OPM) administration of the statutory provisions regarding the economic recovery of disability retirees. The review was part of a larger ongoing study of the administration of the civil service retirement system's disability provisions.

Findings/Conclusions: The annuity of a disabled retiree under age 60 terminates 1 year after the end of the year in which his earning capacity is restored. Earning capacity is considered to be restored if the retiree's earned income in 2 consecutive years equals at least 80 percent of the current pay of the position occupied at retirement. A retiree's eligibility for benefits must be determined by the end of each calendar year so that ineligible retirees can be removed from the rolls. OPM determines this by surveying disabled retirees each year to obtain earnings data. If a retiree does not respond to the survey, OPM may suspend annuity payments until the retiree's entitlement to continue annuity is established. OPM has made much progress in the administration and timeliness of the surveys; however, more needs to be done. The 1981 survey was completed in February 1982. Because the suspensions were not made at the end of the calendar year, OPM made potentially inappropriate payments for January totaling about $157,000 to retirees who had not provided the data necessary to determine their eligibility. This amount is subject to reduction as additional retirees respond. OPM has taken several steps to improve the timeliness of its economic surveys. However, these milestones apply only to the 1982 survey and have not been incorporated into the formal OPM procedures.

Recommendations to Agencies: The Director of OPM should establish appropriate milestones for conducting future surveys, both for the full and limited surveys.

Status: Action in process.

Agency Comments/Action

OPM said it agreed that a permanent schedule for conducting the economic surveys should be included in its procedures and that it was in the process of drawing up such a schedule for 1983 and subsequent years.

OFFICE OF PERSONNEL MANAGEMENT

Delegated Personnel Management Authorities: Better Monitoring and Oversight Needed
(FPCD-82-43, 8-2-82)

Budget Function: General Government: Central Personnel Management (805.0)
Legislative Authority: Civil Service Reform Act of 1978.

As part of its continuing evaluation of major aspects of civil service reform, GAO reviewed the Office of Personnel Management's (OPM) delegations of personnel authorities to Federal agencies. The objectives of the review were to: (1) determine whether personnel actions were being expedited by the delegations of authority; (2) determine whether OPM was effectively managing and monitoring delegations; and (3) evaluate the appropriateness of agency uses of the delegated authorities.

Findings/Conclusions: The Civil Service Reform Act of 1978 encouraged OPM to delegate personnel functions to other Federal agencies to expedite appointments and other personnel actions. The Act required OPM to establish standards and maintain an oversight program to protect merit system principles. The lack of data made it difficult to determine the extent to which the delegation of personnel management authorities has reduced processing times. Those authorities that are rarely used may not be contributing to reducing processing times. Considering this and the time needed for monitoring such authorities, GAO found that the benefit of delegating minimally used authorities became questionable. Generally, agencies were using the authorities appropriately; however, some misuses occurred. To effectively curtail future misuses, OPM needs to improve the scope of its monitoring efforts.

Recommendations to Agencies: The Director of OPM should systematically select, based on usage, agency locations for oversight reviews.

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

The Director of OPM should enforce the existing requirement that regional offices include reviews of delegated personnel authorities in their personnel management evaluations.

Status: Action completed.

The Director of OPM should review annual reports and investigate possible misuses promptly.

Status: Action in process.

The Director of OPM should enforce the recordkeeping requirements.

Status: Action in process.

The Director of OPM should determine the extent of the various misuses of delegated authorities discussed in this report and correct them.

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

Agency Comments/Action

OPM disagreed with the recommendation that agency locations for oversight reviews should be systematically selected based on usage. It agreed with the recommendations that it should enforce the requirement that: (1) regional offices include reviews of delegated personnel authorities in their evaluations; (2) the Director, OPM, review annual reports and investigate possible abuses; and (3) OPM enforce recordkeeping requirements. OPM indicated that actions are being taken to implement these recommendations. It did not respond directly to the recommendation that the Director should determine the extent of various misuses of delegated authorities and correct them. The agency indicated that oversight of delegated authorities was a serious responsibility and pointed out several things it does to oversee the authorities.

OFFICE OF PERSONNEL MANAGEMENT

Updating Interest Rates Charged on Outstanding Civil Service Retirement Contributions Would Save Millions (FPCD-82-39, 8-4-82)

Budget Function: Income Security: Federal Employee Retirement and Disability (602.0)
Legislative Authority: P.L. 66-215. 5 U.S.C. 8334(d). 5 U.S.C. 8334(e). 5 U.S.C. 8339(i).

GAO assessed an outdated provision of the civil service retirement system which establishes the rate of interest charged to employees who owe contributions to the retirement fund.

Findings/Conclusions: Many retiring Federal employees owe the retirement fund for periods of prior civilian service for which contributions were not made. GAO estimates that, if the interest charged on those contributions had been 5 percent rather than 3 percent over the past 20 years, the fund would have realized a long-term savings of $79.6 million for fiscal year 1980 retirees alone. Significant savings can be realized each year in the future if the provision regarding interest charges is amended. The fund has lost investment income because the Office of Personnel Management (OPM) staff responsible for processing owed contributions was reassigned to higher priority work. Furthermore, contrary to a specific statutory prohibition, OPM is giving retirees credit for periods of prior service before their refunds are repaid.

Recommendations to Congress: Congress should amend title 5 of the U.S. Code to provide that the annual rate of interest charged on prior service contributions each year be made equal to the average rate of return earned by the retirement fund's investments during the preceding year. Specifically, subsection 8334(e) of title 5 should be amended by striking out the second sentence and inserting: "The interest is computed at the rate of 4 percent a year to December 31, 1947, and 3 percent a year beginning January 1, 1948, through December 31, 1982, compounded annually. Thereafter, the rate of interest for each calendar year shall be established by December 31 of the preceding year by OPM, to equal the average yield for the preceding fiscal year on all issues in which monies in the Fund were invested."

Status: Action completed.

Recommendations to Agencies: The Director of OPM should process all applications to make prior service contributions.

Status: Action in process.

The Director of OPM should terminate the practice of allowing credit for redeposit service before a redeposit has been made.

Status: Action in process.

Agency Comments/Action

OPM agreed that interest charges were too low and will begin charging the newly authorized rates on January 1, 1985. Applications for making prior service contributions will now be processed, to the extent resources permit, and procedures for accepting post-retirement redeposits have been revised to require lump-sum payments.

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: No action initiated: Date action planned not known.

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 the governance and support of science and technology.

Status: Action in process.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

Agency Comments/Action

The agency claimed, at the time the report was released, that it fulfilled its legislative mandate. GAO disagreed then and still does.

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 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 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.

RAILROAD RETIREMENT BOARD

Keeping the Railroad Retirement Program on Track--Government and Railroads Should Clarify Roles and Responsibilities
(HRD-81-27, 3-9-81)

Budget Function: Income Security: General Retirement and Disability Insurance (601.0)
Legislative Authority: Railroad Retirement Act of 1974. Social Security Act. H.R. 7045 (96th Cong.). H. Rept. 93-1345. S. Rept. 93-1163.

The railroad retirement program is the only federally administered pension plan for a private industry. Funds to finance the program consist of taxes paid by railroad workers and employers, transfers from social security trust funds, and general revenue appropriations from the Federal Government. A review was performed of the Federal role in providing financial assistance to the program and the alternatives available for funding and administering the program.
Findings/Conclusions: The railroad retirement program has been inadequately funded, and beneficiaries may receive no benefits or may receive less than their social security equivalent benefits as early as 1982. A primary reason for the overall inadequate funding is that funds from railroad employers and the Federal Government for other benefits have not been adequate to cover the benefits paid. In addition, commingling all of the funds in one account blurs the accountability of each funding source for providing what is needed. Establishing a separate account for social security equivalent benefits would help ensure that beneficiaries will at least receive the equivalent of social security benefits. Because the Railroad Retirement Board uses its own eligibility requirements, railroad workers' remarried widows and divorced spouses do not receive full social security equivalent benefits under the program. Also, the estimated annual cost for funding windfall benefits for the program has doubled from the original estimate in 1974.
Recommendations to Congress: Congress should consider, as part of its evaluation of the financial condition of both funds, the merits of a more current interchange transfer.
Status: No action initiated: Date action planned not known.

Congress should reevaluate the issue of how to finance windfall benefits and that, as part of an such evaluation, decide to what extent the Federal Government should fund windfall costs.
Status: Action completed.

Congress should pass legislation, if it is its intent that all persons who would have been covered under social security, except for the railroad retirement program, receive full social security equivalent under railroad retirement, revising the railroad retirement eligibility criteria and benefit structure to ensure payment of such benefits.
Status: Action completed.

Congress should enact legislation to (1) establish a separate account for social security equivalent benefits and require that funds from social security transfers and employers' and employees' payroll taxes for social security equivalent benefits be placed in the account and be used only to pay the social security equivalent benefits; and (2) require that railroad employers and employees pay taxes for the social security equivalent benefits based on annual rather than monthly taxable earnings as do employers and employees under social security.
Status: No action initiated: Date action planned not known.

The Surety Bond Guarantee Program: Significant Changes Are Needed in its Management
(CED-80-34, 12-27-79)

Budget Function: Community and Regional Development: Community Development (451.0)

The Surety Bond Guarantee Program of the Small Business Administration (SBA) was established to guarantee up to 90 percent of a surety company's losses on bonds issued to small businesses which could not obtain bonding without the guarantee. From its inception in 1971, the program guaranteed more than 91,000 contracts totaling $6.3 billion. GAO evaluated the management of the program.

Findings/Conclusions: SBA has not managed the Surety Bond Guarantee Program satisfactorily. GAO identified four principle problem areas. First, SBA approved most bond guarantee applications on the basis of limited reviews of incomplete or erroneous underwriting data. As a result of this practice, SBA-guaranteed contractors defaulted on about 5,600 contracts. Second, SBA and participating sureties made little effort to minimize losses by attempting to prevent contractor defaults. Dealing with sureties which specialize in writing SBA-guaranteed bonds raised the costs of defaults to SBA since most specialty sureties do not have the capability to handle claims internally; the cost of claims handled by outside attorneys was charged to SBA. Third, the program has not significantly contributed toward graduating contractors into the private bonding market. This has been due to a failure to encourage graduation, a reluctance on the part of specialty sureties to issue bonds without SBA guarantees, and the failure of SBA to establish guidelines regarding contractor graduation. Fourth, SBA did not identify the need for management assistance or provide assistance to program contractors; rather, program officials responded only to infrequent requests for assistance.

Recommendations to Agencies: The Administrator, SBA, should establish and enforce guidelines regarding safety responsibilities in the areas of monitoring contractor progress and preventing defaults.

Status: Action in process.

The Administrator, SBA, should analyze the net claims-handling costs for the two types of sureties in the program, those that have an internal claims-handling capability and those that do not. Based on the results of this analysis, the Administrator should revise the reimbursement rate to a level which will result in a reasonable and equivalent net claims-handling cost for all sureties regardless of whether they have an internal claims-handling capability.

Status: Action in process.

The Administrator, SBA, should: (1) develop a method for identifying the management assistance needs of Surety Bond Guarantee Program contractors; and (2) provide timely and adequate management assistance to them. The Administrator should consider approving certain bond guarantees only if the contractor is willing to accept SBA management assistance.

Status: Action in process.

The Administrator, SBA, should: (1) develop underwriting guidelines to assist program personnel and surety companies in evaluating contractors' surety bond applications; (2) establish procedures for program officers to conduct in-depth verifications and evaluation of selected contractor applications; and (3) direct program officers to decline applications with erroneous data and refuse to do business with those agents who repeatedly submit unreliable data.

Status: Action completed.

Agency Comments/Action

SBA agreed to undertake steps to ensure that sureties and their agents exercise more diligence in the preparation of underwriting forms. It agreed to conduct in-depth reviews of selected applications. SBA did not agree to attempt to suspend agents who have performed poorly. In its formal comments, SBA did not agree with the recommendation regarding the monitoring of contractor progress. In its initial comments, SBA did not agree with the recommendation that it should analyze the net claims handling costs for the two types of sureties in the program and revise the claims handling reimbursement rates to a level equitable to SBA and all sureties. SBA stated that it would give further consideration to the recommendation regarding management assistance.

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: No action initiated: Date action planned not known.

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 franchisee loan applications 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 is reviewing the need to define a franchise in its standard operating procedures.

Reservation and Award of Section 8(a) Small Business Act Contracts to Arcata Associates
(AFMD-81-33, 3-23-81)

Budget Function: Automatic Data Processing (990.1)
Legislative Authority: Small Business Act (15 U.S.C. 637(a)). 13 C.F.R. 121.3-8(e). 13 C.F.R. 124.1. P.L. 95-507. 18 U.S.C. 1905.

GAO reviewed the reservation and award of Section 8(a) Small Business Act contracts to a firm to determine whether allegations made by a competing firm are valid and to what extent the management by the Small Business Administration (SBA) of the 8(a) program was deficient in this situation. GAO reviewed contract and 8(a) program files and conducted interviews to identify the process and procedures followed in qualifying the firm for the 8(a) and Pilot Programs and in reserving and awarding contracts involving the firm. GAO also reviewed applicable SBA rules and regulations and coordinated its efforts with the SBA Inspector General.

Findings/Conclusions: GAO believed that some of the allegations concerning the SBA reservation and award of contracts to the firm had merit. GAO found that the management by SBA of the firm's participation in the 8(a) program was deficient. Using its Pilot Program authority, SBA formally reserved an agency's requirement for the firm and in doing so halted the agency's attempt to procure its requirements through open competition. The contract was awarded to SBA, and the related subcontract was awarded by SBA to the firm. The protesting firm had won two prior contracts to perform the work. The protester argued that the award would be contrary to the statutory and regulatory competency requirements, the intent of the Pilot Program, and SBA eligibility standards and business plan requirements. GAO found that SBA awarded the contract to a firm that: (1) would provide a service unrelated to its capabilities as identified in its business plan or the experience of its principal or professionals; (2) was not evaluated for technical capability to perform as required by SBA procedures; (3) has not maintained its status as a small business because of the 8(a) awards it has received; (4) has received 8(a) support that is almost four times the approved amount under SBA procedures; (5) was allowed to select contract requirements and then change its business plan to reflect the capabilities required by the selected contract; and (6) has not maintained a reasonable balance between 8(a) and non-8(a) sales.

Recommendations to Agencies: The Administrator of the Small Business Administration (SBA) should take appropriate action to ensure that all assistance to 8(a) firms complies with applicable statutory and regulatory authority and agrees with established SBA procedures.
Status: Action completed.

The Administrator of the Small Business Administration should actively pursue the effort, promised in 1979, to insure that better and more specific economic eligibility criteria are produced at the earliest possible date.
Status: Action in process.

The Administrator of the Small Business Administration should thoroughly review the Arcata case with his Inspector General and determine whether Arcata's status and performance of this contract are consistent with established criteria and if not, whether termination of the contract and/or removal from the program are warranted.
Status: Action completed.

Agency Comments/Action

On April 17, 1981, the DOD Director of the Office of Small and Disadvantaged Business Utilization wrote GAO that the Office concurs with the findings, conclusions, and recommendations as stated in the report. On February 24, 1982, the Acting Administrator of SBA wrote that action had been taken on all of the recommendations and cited several exceptions to the GAO findings. Among other exceptions, it was noted that: (1) it is not necessary for Arcata to already have on-board all technical employees at contract award; (2) SBA, in reality, relies heavily upon the capability determinations of the procuring agencies; and (3) at the inception of the contract, Arcata was a small business.

Additional Efforts Are Needed To Minimize Lease Guarantee Losses
(CED-82-57, 4-6-82)

Budget Function: Commerce and Housing Credit: Other Advancement of Commerce (376.0)
Legislative Authority: Small Business Investment Act of 1958. P.L. 89-117. P.L. 90-104.

GAO evaluated the Small Business Administration's (SBA) efforts to minimize losses of lease guarantee defaults.
Findings/Conclusions: GAO found that, for the majority of default cases, lease guarantee losses are minimized through re-rentals or settlements. However, the SBA efforts to manage some lease guarantee defaults have not been adequate to assure that its losses are minimized. SBA standard operating procedures require a review of lessor and real estate agent activities to assure that a diligent effort is made to re-rent. The private insurers also believe that such reviews are important to assure re-rentals. However, in some cases, SBA field offices have not complied with the procedures and have little assurance that efforts are made to re-rent. In most of these cases, SBA received little specific information from the lessor on re-rental efforts and did not follow up with either the lessor or the lessor's agent. In addition, in some cases, SBA was not pursuing the collection of rents which could offset its losses substantially. GAO recognizes that SBA has limited staff whose attention is directed, on a priority basis, to servicing business loans.
Recommendations to Agencies: The Administrator, SBA, should require field offices to give more attention to servicing lease guarantee defaults and direct them to: (1) require lessors to submit specific information each month on their re-rental efforts, such as the names of realtors and prospective tenants, the lease terms offered by the lessor, and documentation of advertisements; (2) follow up on lessor re-rental activities to determine whether additional efforts are needed; and (3) collect all rents due SBA.
Status: Action in process.

Agency Comments/Action

SBA agreed with the recommendation and stated in the Section 236 response that the Office of Portfolio Management will initiate corrective actions to emphasize more "diligent actions" in handling lease guarantee default cases. SBA stated that it had followed up on a number of cases cited in the report and would shortly complete its followup on remaining cases. Based on its followup, SBA stated that it would provide specific guidance and advice, including legal advice from the Office of General Counsel, where necessary. SBA also stated that, based on the cases discussed in the report, the Office of Portfolio Management would provide "added advice and guidance by means of circular items and/or other written communications to all field offices for future use." The Director of the Office stated that SBA sent guidance to its field offices on handling lease guarantee defaults through circular items and is in the process of revising its Standard Operating Procedures.

SBA's Breakout Efforts Increase Competitive Procurements at Air Logistics Centers
(PLRD-82-104, 8-2-82)

Budget Function: National Defense: Department of Defense - Procurement and Contracts (051.2)
Legislative Authority: Small Business Act. P.L. 95-507.

Pursuant to a congressional request, GAO reviewed: (1) areas within the Department of Defense acquisition system where the breakout technique could be used more effectively; and (2) efforts by the Small Business Administration's (SBA) breakout Procurement Center Representatives (PCR) in seeking new competitive contracting opportunities.

Findings/Conclusions: Component breakout occurs when a component which was used in the manufacture, modification, or repair of an end product and which was provided initially under a prime contract is later purchased by the Government through either competition or direct purchase from the manufacturer. SBA offices at the four air logistics centers (ALC) which GAO reviewed reported almost 300 breakout actions and associated savings of more than $7 million during fiscal years 1980 and 1981. However, GAO questioned the methodology and rationale SBA used to estimate some of these savings. The SBA guidelines for computing savings were not always followed and did not always provide clear and complete guidance on performing the computations. Many of the constraints which have hampered the ALC breakout efforts have also hampered the SBA breakout efforts. SBA breakout efforts have contributed significantly to the Air Force breakout program by developing valuable information for improving the procurement procedures for many spare parts. GAO stated that the breakout program is most effective when needed technical data are obtained as part of the initial procurement package. Despite the lack of technical data, SBA breakout efforts have resulted in savings that are large relative to program costs. SBA may be saving the Government more money than its reports indicate, since breakout specialists are unable to identify savings in subsequent purchases of some items. Time and staff limitations prevent SBA personnel from pursuing many procurements with breakout potential.

Recommendations to Agencies: The Administrator of SBA should, to strengthen SBA breakout efforts and to increase its ability to identify the actual manufacturers of parts which are now supplied by prime contractors: (1) assign additional resources to the breakout efforts at ALC's; consider assigning breakout PCR specialists to other Defense procurement centers; and (2) clarify and expand current guidelines for calculating savings to overcome estimating problems identified by GAO.

Status: Action in process.

Agency Comments/Action

The agency is currently recruiting two additional PCR's and plans to recruit additional breakout PCR's as personnel positions are made available. The agency claims it has already clarified and expanded current guidelines for calculating savings to overcome estimating problems identified in the report. It is currently reviewing the prime contract standard operating procedures to include a clarification and expansion of the current savings guidelines. The agency also wants to analyze the 21 cases on which GAO questioned the SBA contribution to the breakout to determine whether improper reporting occurred.

TVA Needs To Develop a Formal Process for Determining Whether To Construct Projects In-House or by Private Contractor
(EMD-82-49, 3-15-82)

Budget Function: Energy: Energy Supply (271.0)
Legislative Authority: Tennessee Valley Authority Act of 1933. OMB Circular A-76.

GAO was asked to examine the policies used by the Tennessee Valley Authority (TVA) in determining whether to contract for construction or to perform the construction in-house. GAO was asked to determine: (1) whether TVA has a policy whereby the costs of using its own employees versus the costs of using private contractors for construction projects are compared; (2) if TVA has such a policy, whether it is used on all projects, what criteria are used to determine the least costly approach, and if they are reasonable; (3) how TVA calculates overhead, if administrative costs are included in comparisons, and how this cost allocation compares with private industry or other Government construction projects; and (4) what factors TVA should consider in developing a method for comparing costs.
Findings/Conclusions: GAO found that, while TVA has historically used in-house staff for most of its design and construction work, it does not have a procedure for comparing the cost of building a project using its employees to the cost of using a private contractor. TVA does not have a policy requiring comparisons to be routinely made and does not believe it is subject to regulations requiring such comparisons. TVA officials stated that unwritten factors are routinely considered in the decisionmaking process and that overhead costs are not included in most partial project or subproject estimates. GAO added overhead costs to the comparisons and found that they were insignificant; however, these omissions indicated that standard estimating procedures are needed. Evaluation of some of the cost comparisons performed by TVA did not show that construction by contract is more economical in general than in-house construction.
Recommendations to Agencies: The Chairman of the Board of Directors, TVA, should develop detailed implementation procedures and criteria for cost comparisons. These procedures should ensure consistent cost comparisons and well-documented decisions. The criteria that are developed should provide for cost comparisons which include the same scope and level of performance, the same cost factors, and all costs, including indirect overhead.
Status: Action in process.

Agency Comments/Action

Each TVA office involved in the design or construction of facilities has been instructed to develop procedures with the appropriate level of detail in accordance with the TVA Board policy to formalize the "make or buy" decision. When the procedures are implemented, TVA will continually review them and make appropriate adjustments.

A Process To Determine Whether To Construct Projects In-House or by Private Contractor Is Needed by TVA *(EMD-82-50, 3-15-82)*

Budget Function: Energy: Energy Supply (271.0)

In response to a congressional request, GAO reviewed Tennessee Valley Authority (TVA) determinations concerning whether to construct projects in-house or by private contractor based on the more economical of the two approaches.

Findings/Conclusions: TVA does not have a procedure to compare the cost of construction using TVA employees to the cost of using a private contractor. Although TVA does not routinely compare costs, GAO found that evaluation of some of the comparisons made did not disclose that construction by private contractor was more economical than in-house construction. A task force recommended that TVA adopt a process that would result in a well-documented decision, considering all appropriate factors. GAO concluded that more specific supplementary actions need to be taken and instructions developed to ensure that valid cost comparisons are made and that all criteria are considered.

Recommendations to Agencies: The Board of Directors, TVA, should develop procedures and criteria to implement the task force recommendation.

Status: Action in process.

Agency Comments/Action

Each TVA office involved in the design or construction of facilities has been instructed to develop procedures with the appropriate level of detail in accordance with the TVA Board policy to formalize the "make or buy" decision. When the process is implemented, TVA will continually review them and make appropriate adjustments.

TVA's Internal Audit Improved but Inspector General May Still Be Needed
(EMD-82-61, 3-19-82)

Budget Function: Energy: Energy Supply (271.0)

Concern has continually been expressed about the Tennessee Valley Authority's (TVA) internal control activities and whether TVA needs an inspector general (IG). Because of that concern, GAO was asked to: (1) assess the TVA Office of Internal Audit and Evaluation, focusing on the organizational location of this group, how it identifies and plans areas for review, whether it has access to all areas, where its reports are submitted, and whether the reports have had any impact; and (2) evaluate whether the Office of Internal Audit and Evaluation or the Audit Review Group is a viable option to an IG at TVA.

Findings/Conclusions: The internal audit functions of TVA have not been well planned or prioritized to assure that the right work is being done at the right time. There is no formal system to follow up on reports to ensure that recommendations are implemented. TVA has recently taken actions to improve its internal audit activities, but no actions have been taken to address these specific problems. In addition, the internal audit activities of TVA do not fulfill the role of an IG. First, IG's were established to focus on fraud, waste, and mismanagement as well as improvements in programs. Few of the past audit efforts of TVA have been directed in these areas, and there is no assurance that the efforts of the Office will be directed in these areas since it has yet to become operational. Second, IG's are totally independent and report to the head of the agency with a secondary responsibility to report to Congress. The Office reports to an assistant general manager with the option of reporting to the Board of Directors. Independence is not guaranteed because the General Manager is responsible for the day-to-day operations of TVA.

Recommendations to Congress: Congress should monitor the Office of Internal Audit and Evaluation's actions over the next several months in determining whether an Inspector General is needed at TVA.

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

Recommendations to Agencies: The Chairman of TVA should require the Office of Internal Audit and Evaluation to: (1) develop, within the Office of Management and Budget policies, an annual audit plan which will prioritize planned efforts and which can act as a guide in determining the type and scope of audits to be performed; and (2) establish a formal followup system to ensure that recommendations are acted upon.

Status: Action in process.

Agency Comments/Action

The TVA Office of Audit and Evaluation is in the process of completing a formal planning document encompassing all of the auditing, evaluation, improvement, and investigative activities. TVA recently revised a system for reporting and following up on investigation, audit, and evaluation activities. Formal written reports will be required as well as quarterly reports. The Audit Review Group will meet about every 6 weeks.

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 in process.

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 ADP 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.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

AID and Universities Have Yet To Forge an Effective Partnership To Combat World Food Problems
(ID-82-3, 10-16-81)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Famine Prevention and Freedom From Hunger Amendments. Foreign Assistance of 1961. Advisory Committee Act (Federal) (5 U.S.C. App. 1). 22 U.S.C. 2220a. 22 U.S.C. 2220b. 22 U.S.C. 2220d. Family Educational Rights and Privacy Act of 1974.

The goal of title XII, the Famine Prevention and Freedom from Hunger amendment of the Foreign Assistance Act of 1961 is to improve and strengthen the involvement of U.S. land-grant and other eligible universities in solving developing countries' food problems. To assist and advise the Agency for International Development (AID) in achieving this goal, a presidentially appointed board, the Board for International Food and Agricultural Development (BIFAD), was established. GAO conducted a review to evaluate AID efforts to implement the provisions of title XII and to identify ways to improve AID/university ability to provide agricultural assistance to developing countries.

Findings/Conclusions: In the nearly 6 years since the passage of title XII of the Foreign Assistance Act progress in expanding and improving U.S. university involvement in AID agricultural development activities has been slow. AID and the title XII community have yet to forge a partnership to fight world food problems. AID, BIFAD, and the U.S. university community efforts to improve university involvement in AID technical-assistance projects through such programs as strengthening grants, collaborative research, baseline studies, and other mechanisms, have yet to manifest better project performance abroad. University projects continue to experience costly and time-consuming delays which limit project results and detract from the quality of assistance provided.

Recommendations to Agencies: The AID Administrator, in consultation with the Board for International Food and Agricultural Development, should improve AID/university implementation of title XII objectives by issuing a policy directive clarifying the AID position on, and commitment to, implementing the title XII concept to combat world food problems. The policy directive should: (1) communicate the importance of, and establish the priority of, title XII in relation to the overall AID agricultural development strategy; (2) specify the extent to which title XII mechanisms are to be emphasized in AID research and technical assistance; (3) delineate the Board role to assist AID operating units in carrying out these activities; and (4) be widely disseminated within the title VII community.

Status: Action in process.

The AID Administrator, in consultation with the Board of International Food and Agricultural Development, should improve AID/university implementation of title XII objectives by reviewing all current AID guidelines and instructions pertaining to U.S. universities and other title XII institutions, and developing consolidated guidelines in the AID operational and procedural handbooks and instructions which: (1) define title XII activities; (2) establish university procurement and contracting procedures; (3) lay out the operational roles and responsibilities of university contractors and missions on overseas projects; and (4) provide other necessary guidance to facilitate an AID/university working relationship.

Status: Action in process.

The AID Administrator, in consultation with the Board of International Food and Agricultural Development, should improve AID/university implementation of title XII objectives by developing better means of preparing, orienting, and assisting university contract staff for overseas assignments. University contractors should: (1) receive a complete orientation on the unique, cultural, social, political, and economic characteristics of each foreign location; (2) be able to anticipate the expected or potential problems in working with foreign-country counterparts; (3) be aware of the AID method of operation in each location; and (4) be given adequate assistance to overcome administrative and logistical problems, such as clearing customs and obtaining adequate housing.

Status: Action in process.

To ensure that the AID sizable investment in strengthening grants meets a clear need and will be fully used, the Administrator of AID should include, as part of the planned 1982 evaluation of the grant program, a provision to assess the likely and appropriate level of AID utilization of universities in its program activities. The Administrator should consider incorporating the strengthening grant program as part of the proposed individual AID/university memorandum of agreements.

Status: Action in process.

Agency Comments/Action

AID agreed with the recommendations and is taking action to implement them. It approved a title XII policy directive on October 2, 1982, to reaffirm its commitment to the legislation and provide needed definitions on what constitutes title XII initiatives. The directive advises missions to take immediate, continuing steps to: (1) emphasize title XII-type activities in agriculture and food-related issues; (2) identify projects covered under title XII definitions; and (3) mobilize the best and most appropriate resource for each project need. The effectiveness of title XII will be measured by the involvement of U.S. institutions in the development, design and implementation of specific projects and programs. AID

is developing appropriate mechanisms for involving universities more directly in the field where programs and projects are implemented. A draft operations manual, a model agreement for a Joint Career Corps, and other title XII measures will be implemented by the end of FY 1983.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Malaria Control in Developing Countries: Where Does It Stand and What Is the U.S. Role
(ID-82-27, 4-26-82)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)

GAO reviewed U.S. participation with developing countries and international organizations in programs to combat malaria and in efforts to develop effective vaccines and drugs to: (1) obtain an overview of the U.S. investment in combating malaria; and (2) examine current program activities in light of existing policies, strategies, and the prevalence of malaria.

Findings/Conclusions: Primary health care systems in developing countries are rapidly becoming the principal means of providing the necessary facilities to diagnose, treat, and report the occurrence of malaria. Through this means, more extensive efforts are being made to provide anti-malaria drugs to prevent and reduce the mortality and morbidity rates due to the disease. However, GAO found that there has been a decline in the level of U.S. assistance to anti-malaria activities. As this decline continues, the United States should protect its anti-malaria investments in terms of gains already achieved, or prevent the disease from becoming a detriment to other development programs. Toward this end, the Agency for International Development (AID) established and continues to support a network of scientists to develop a vaccine to combat the disease. GAO also found that the constraints to effective anti-malaria activities must be fully considered to ensure efficient use of limited foreign assistance resources. AID should avoid those situations where the inherent constraints cannot be resolved by the design of the projects and where external constraints preclude long-term effectiveness. GAO concluded that the resurgence of malaria in the past decade, new approaches involving primary health care services, and the decline of United States assistance warrants a reexamination and update of AID anti-malaria guidelines.

Recommendations to Agencies: The Administrator, AID, should direct a reexamination of the existing anti-malaria program guidelines by a panel of experts representing AID, other U.S. agencies, such as the Centers for Disease Control, the international health community, and other appropriate sources to consider the increased prevalence of the disease, new approaches to health service delivery, the particular concerns of the regional bureaus, and the extent to which the agency should support such activities.
Status: Action in process.

The Administrator, AID, should alert program managers to situations where assistance would be considered appropriate, what the assistance should accomplish, the circumstances where anti-malaria activities can be incorporated with primary health care programs, and where anti-malaria activities stand in relation to other development opportunities and priorities.
Status: Action in process.

The Administrator, AID, should direct that: (1) project designs fully address the inherent constraints to successful anti-malaria activities and also realistically assess the external constraints to long-term effectiveness; and (2) review and approval processes ensure that the constraints do not preclude continued progress.
Status: Action in process.

Agency Comments/Action

AID is in substantial agreement with all of the report's recommendations and conclusions. The report is considered timely by AID because it is currently in the process of reexamining its health sector policies. AID fully agrees with the recommendations concerning the need to update the 1973 program guidance for malaria control programs. It is now in the process of reformulating the criteria for program support in light of the recent resurgence of the disease. Another recommendation concerns the need to alert program managers to situations where U.S. assistance to antimalaria activities would be appropriate. AID will incorporate the revised guidelines into the manual now being developed for health officers and program managers. The guidelines will also address the need for more comprehensive project designs and a review and approval process that ensures continued progress in controlling the disease (an object of the third recommendation).

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Review of Inspector General Functions in Agency for International Development
(ID-82-9, 5-21-82)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1961. International Security and Development Cooperation Act of 1980 (P.L. 96-533). International Security and Development Cooperation Act of 1981 (P.L. 97-113). Inspector General Act of 1978. P.L. 97-133. OMB Circular A-73. IG Audit Operating Handbook.

GAO reviewed the functions of the Inspector General (IG) which include audits, investigations, and the provision of security for the Agency for International Development (AID) to identify any impediments in carrying out these responsibilities. The review was made as part of the GAO continuing followup of the effectiveness of the Administration's announced intention of strengthening the Offices of the Inpectors General throughout the Government.

Findings/Conclusions: The IG staff, travel resources, and ability to locate overseas has been insufficient to cover all AID programs and activities. Consequently, many highly vulnerable AID programs are not audited in depth or remain unaudited. GAO found that: (1) IG professional staff is declining, but the AID program size is not; (2) travel fund cuts have delayed audits; (3) IG is not able to locate staff overseas efficiently; and (4) security at the missions and employee residences is sometimes compromised because the regional security officers do not always provide the services the State Department has agreed to provide AID, and the AID-procured security equipment is not controlled properly overseas.

Recommendations to Agencies: The Administrator of AID should reevaluate the total resources of the Agency and determine what additional staffing and travel funds can be allocated to the Inspector General (IG) to properly perform his audit and investigative functions.
Status: Action in process.

The Administrator of AID, together with the Inspector General, should reemphasize and communicate the audit role and function in AID. This should identify the primary clients, types of audits to be performed, and what the mission and program managers should expect from the audits.
Status: Action in process.

The Inspector General of AID should direct the Assistant Inspector General for Investigations and Inspections to record hours spent per case by each investigator for each biweekly pay period. These time charges should be accumulated for each case until it is closed. Periodic analysis can be made of time spent per case compared with results of these cases in directing staff time toward areas of greater importance.
Status: Action in process.

The Administrator of AID should issue AID security policy directives to the Inspector General and to the mission directors instructing that: (1) all AID security officers take their role more seriously and be aware of their responsibilities and ensure that the provisions of the State-AID Agreement are being fulfilled; (2) security risk categories assigned to each mission by the State Department are being supported by the AID mission director; (3) the professional advice of the AID Office of Security and the Regional Security Officer is heeded and recommended security precautions are taken and enforced by the AID mission directors; (4) security enhancement equipment delivered to AID missions is installed and used.
Status: Action in process.

The Administrator of AID should allow the IG to efficiently locate his staff overseas given the fact that the AID/IG function is not subject to the Monitoring Overseas Direct Employment overseas ceilings.
Status: No action initiated: Date action planned not known.

The Inspector General should appoint a qualified and experienced audit professional as the Assistant Inspector General for Audits to provide central focus for the audit function and give direction and guidance to the audit staff.
Status: Action in process.

The AID Inspector General should instruct the Regional IG's to follow the Audit Policy Handbook and hold them accountable for doing so, especially in those areas of complete and proper workpaper support evidence and the referencing of facts in the report to ensure accuracy and supportability of the report.
Status: Action in process.

The AID Inspector General should identify and consolidate recurring management problems based on his open recommendation data and plan and perform functional worldwide audits aimed at changing management policy toward solving recurring problems.
Status: Action in process.

The Administrator of AID should: (1) support the IG when the IG identifies management problems in the implementation phase of projects; and (2) communicate to his mission directors and program and project managers his concerns that they effectively and efficiently manage their projects.
Status: No action initiated: Affected parties intend to act.

The Inspector General should direct the Assistant Inspector General for Investigations and Inspections to develop criteria to be used in the monthly review of open investigative cases for deciding whether the expected recovery or outcome of each case is material enough to justify the use of additional staff resources for building a case for prosecu-

tion, or whether it should be closed by recommending administrative action.

Status: Action in process.

The Inspector General should direct the Assistant Inspector General for Investigations and Inspections to communicate to AID management the conclusions and recommendations developed from case work that may be likely to improve AID management.

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

Agency Comments/Action

AID is committed to support Inspector General functions, has endorsed expansion of overseas security programs, and has implemented internal management systems to insure corrective actions on Inspector General recommendations. The concept of audit independence has been firmly institutionalized within AID. The staff is being strengthened, travel funds were increased for fiscal year 1983, and progress is being made on mode ceiling limitations. Recommendation followup procedures are much improved. AID is preparing policy directives addressing security problems pointed out in the report.

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 in process.

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: No action initiated: Affected parties intend to act.

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 in process.

The Administrator of AID should give priority to PVO's programs in which the PVO's matches AID contributions.
Status: Action in process.

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

AGENCY FOR INTERNATIONAL DEVELOPMENT

Managing Host Country Contracting Activities
(ID-82-42, 6-2-82)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)

GAO examined aspects of project activities financed by the Agency for International Development (AID) and implemented under contracts awarded by host countries. In addition, it identified issues which it believed AID should be aware of.

Findings/Conclusions: GAO found that: (1) a centralized inventory of host country contracts recommended by AID management in 1977 and 1979 had not been developed; (2) the idea of a centralized inventory had all but been abandoned, and a substitute data system had not been established; and (3) AID overseas missions continually ignored the requirement to provide certain data on host country contracts to AID. GAO believes certain actions are needed to correct identified management weaknesses and improve AID operational capabilities. Information on host country contracts would: (1) assist AID managers in general oversight and policy examination; (2) enable AID to readily inform Congress and the public on foreign aid contract expenditures and how they benefit the United States; (3) assist auditors in obtaining more complete audit coverage; and (4) provide a basis for exchanging contract cost information and alert AID officials on problem contractors. When the AID study of host country contracting problems is completed, it may be determined that further actions are needed to improve internal control and oversight of these activities.

Recommendations to Agencies: The AID Administrator should direct the regional bureaus to ensure that missions comply with the requirement to report data on host country contracts and institute appropriate measures for evaluating compliance.

Status: Action in process.

The Administrator of the Agency for International Development should require that appropriate data on host country contracts be promptly reported to Washington and maintained in an automated data bank. This information should contain those data elements needed to satisfy the various user requirements, including managers, auditors, project officers, and Congress.

Status: Action in process.

Agency Comments/Action

AID instructed missions on July 28, 1982, to report all new contract awards of $100,000 or more. It plans to take an inventory of currently outstanding host country contracts of $100,000 or more.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Food Conservation Should Receive Greater Attention in AID Agricultural Assistance Policies and Programs *(ID-82-29, 6-3-82)*

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: International Security and Development Cooperation Act of 1980.

Inefficient agricultural systems cost developing countries billions of dollars annually in lost food. Previously, GAO has recommended that the Agency for International Development (AID) give more attention to the storage, distribution, and marketing systems in these countries. GAO conducted this review to determine what actions AID has taken and should take to reduce food loss. GAO examined agricultural policies and guidelines, reviewed the projects in Senegal and the Philippines, and considered the results of one project in Panama.

Findings/Conclusions: GAO found that food conservation is an area that requires AID to work closely with the host countries in dealing with problems which limit performance of current projects. AID should also provide incentives to reduce food losses and initiate stronger programs through its missions. By adopting policies which foster consideration of post-harvest storage, handling, processing, and marketing in conjunction with production projects, and by providing guidance to the overseas missions for developing specific projects, AID could more successfully realize the potential for increasing food availability through food conservation as well as production.

Recommendations to Agencies: The Administrator of AID should, in conjunction with the Senegal Government and other donors, as appropriate, assess Senegal's long-term storage requirements at government and farm levels. This assessment should consider: (1) the feasibility of improving Senegal's capability to manage its existing storage facilities, including those financed by AID, and effective management may involve making them available to the private sector; (2) the need for and practicality of additional national-level facilities such as are now in process and being considered; and (3) the practicality of the Food and Agriculture Organization's food security proposal and its modification as appropriate.
Status: Action in process.

The Administrator of AID, in conjunction with the Philippine Government, should develop and implement a plan for the efficient use of the food processing center at Central Luzon State University.
Status: Action in process.

The Administrator of AID, as an integral part of the agricultural assistance program, should: (1) change the Agency's agricultural assistance policy to recognize food production and food conservation as complementing rather than competing functions and articulate production policy in such a way as not to inhibit consideration of food conservation measures; (2) require the missions to address post-harvest problems in their development strategies or, if more appropriate, in their agricultural sector assessments; and (3) develop guidelines for the overseas missions to design loss-reduction projects and set goals which can be verified.
Status: Action in process.

The Administrator of AID should develop a post-harvest research strategy, including priorities and planned activities and an appropriate emphasis on identification and use, or adaptation, of existing technologies.
Status: Action in process.

The Administrator of AID, within the university cooperative agreements, should: (1) clearly establish the focus of AID-financed research, (2) provide for an annual research plan for AID approval, (3) establish the amount of research that may be done, (4) require that research activities be clearly identified, and (5) confirm that ongoing research is in harmony with the desired AID policy focus.
Status: Action in process.

Agency Comments/Action

The recommendation of an increase in attention to food conservation had a positive response from AID; action is being taken. AID agricultural policy was changed to recognize that food production and conservation are complementary. The process of policy paper formulation for post-harvest food loss reduction programs, approved in July 1982, is expected to provide the framework for AID policy on the post-harvest aspects of food security. AID is considering a program of greater funding for post-harvest projects. The report is the catalyst for such action helping AID to meet the intent of Section 317 of the International Security and Development Cooperation Act of 1980. AID action is nearly complete in regard to the last recommendation. In August 1982, AID established a process for annual approval of all research funded under its cooperation agreement with Kansas State University. A similar process will be initiated in the near future for research expenditures at the University of Idaho.

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

AGENCY FOR INTERNATIONAL DEVELOPMENT

Experience: A Potential Tool for Improving U.S. Assistance Abroad
(ID-82-36, 6-15-82)

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151.0)
Legislative Authority: Foreign Assistance Act of 1973.

GAO examined how the Agency for International Development (AID) identifies, records, and uses the knowledge and experience gained from development projects.

Findings/Conclusions: Many causal factors, both within and outside of AID influence, have contributed to its recent slow project completion record. GAO found that the AID staff does not apply lessons learned in the development of new projects. The application of this information is restricted primarily to the personal initiative and experience of individuals involved in a particular project. This personal experience network for finding and using lessons learned is weakened as a result of staff turnover. Lessons learned are neither systematically nor comprehensively identified or recorded by those who are directly involved. Further, little encouragement or incentive is provided to AID staff members to routinely identify and record the lessons they learn. The AID institutional memory system for projects is a potentially valuable and useful tool that can complement personal experience and other sources which AID staff members currently use. However, the use and value of this system are limited by a lack of staff knowledge about the system, lack of user feedback, necessary documents not being forwarded and subsequently entered in the system, and a lack of an information analysis service for AID staff. The AID information system has become virtually inoperative in providing information to project designers. This system also has inadequate records of project experience.

Recommendations to Agencies: The Administrator of AID should require AID staff to identify, record, use, and forward to the AID Office of Development Information and Utilization lessons learned in project design and implementation. These requirements should be supported by top AID management through the establishment of appropriate incentives.

Status: Action in process.

The Administrator of AID should implement actions to: (1) increase AID staff awareness of available Development Information System (DIS) information and how to use the system; (2) require that DIS be used; (3) insure that the AID Office of Development Information and Utilization (DIU) receives project and related lessons-learned documents; (4) require an exchange of constructive feedback between the DIU and AID staffs on DIS; and (5) establish an information analysis capability to assist AID project designers and program managers.

Status: Action in process.

Agency Comments/Action

AID agrees with the intent of the recommendations requiring AID staff to identify, record, use, and incorporate in the agency's information system lessons learned in project design and implementation. AID agrees that improvements should be made and has initiated action to organize a special task force to, over a 90-day period, conduct an analysis of current requirements concerning gathering and disseminating lessons learned and identify the best ways to address each recommendation. The task force will prepare an action memorandum for the AID Administrator on each of the recommendations.

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, it 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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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: No action initiated: Date action planned not known.

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

The Postal Service Should Increase Competition and Reduce Costs When Buying Vehicle Batteries
(GGD-82-14, 11-6-81)

Budget Function: Procurement - Other Than Defense (990.4)

GAO reported on the restrictive conditions and specifications in Postal Service solicitations. Specifically, GAO addressed the Service's formally advertised solicitation for six types of vehicle batteries. This solicitation could have produced a single national supplier for each type of battery, resulting in a maximum of six awards. GAO met with Service officials to discuss several conditions and product specifications contained in the solicitation. Later, the Service canceled the solicitation because it was impossible to determine from the face of the bids if the product offered was the product specified.

Findings/Conclusions: A GAO analysis of the original solicitation indicated that the Service needed to revise the contract conditions and product specifications to: (1) allow separate awards for supplying all battery types in each geographical zone or alternative geographical areas such as the Service's five regions; (2) limit the awards to a single year or use a periodic price adjustment clause to reduce the cost uncertainty caused by fluctuating lead prices; and (3) allow bids for batteries which use either the Society of Automotive Engineers or Battery Council International size descriptions. GAO stated that the Postal Service has corrected some but not all of the problems found in the original solicitation. As a result, GAO believes that a new solicitation issued in September 1981 still restricts competition and will result in increased costs to the Government.

Recommendations to Agencies: The Postal Service should allow separate awards for all battery types in each of the nine geographical zones, or alternatively in each of the Service's five regions. This will increase the number of local bidders, enhance competition, and reduce transportation costs.

Status: Action in process.

Agency Comments/Action

As indicated in the report and in the accomplishment report (A-GGD-82-7 November 17, 1981), the Postal Service has saved $116,000 on fiscal year 1982 vehicle battery procurement by incorporating in the September 18, 1981, contract awards a reduction in contract term from 2 years to 1 year and an acceptance of a previously rejected national standard for designating battery size/capability. In the November 25, 1981, letter to GAO, the Postal Service noted that it will implement the last recommendation (to allow for separate awards in each region) in the fiscal year 1983 battery procurement. This should reduce product and freight costs on this new contract. If so, another accomplishment will be reported.

UNITED STATES POSTAL SERVICE

Postal Service Needs Stricter Control Over Employee Absences
(GGD-82-58, 5-21-82)

Budget Function: Commerce and Housing Credit: Postal Service (372.0)
Legislative Authority: Postal Service Reorganization Act. Employees' Compensation Act (Injuries).

GAO undertook this review to determine how the Postal Service could increase the availability of its work force during scheduled work hours and to identify the consequences of employee absences.

Findings/Conclusions: GAO found that supervisors generally are not effective in controlling absences. They do not keep good records and fail to identify numerous employees with attendance problems. These tasks are made more difficult by frequent work location changes. GAO found that time away from work averaged about 50 days a year per employee. About 40 days were paid absences at an annual cost of $3,000 per employee. The other 10 days were unpaid absences. Absence control is emphasized by postal management and the paid leave rate of 40 days is comparable to the rate experienced by other Federal agencies. GAO found that the total extent of unscheduled absences was not being monitored by management.

Recommendations to Agencies: The Postmaster General should require that standards for identifying attendance problems be established and that identification and monitoring responsibilities be placed with a control office at large postal facilities. The control office should notify supervisors of employees with potential attendance problems and ensure that disciplinary actions are timely and progressively severe.

Status: Action in process.

The Postmaster General should direct that performance goals for controlling unscheduled absenteeism be established and that management reports on leave usage be supplemented with information showing the extent of unscheduled absenteeism.

Status: Action in process.

Agency Comments/Action

The Postal Service made computer programing changes to have additional leave, uses information available at the national level, and has other changes underway to provide better data at the local level. It has identified topics related to leave usage to serve as a framework for labor/management discussions and is revising forms to capture emergency annual leave and absence without leave. It also provided supervisors with information on how to analyze leave usage.

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 in process.

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 scheduled a study to determine the level of costs associated with the post office replacement process.

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 Administration, 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: No action initiated: Agency/Congress has not acted.

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 in process.

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 recommendations in the report.

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: Action in process.

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 in process.

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. Some actions have not yet been completed. 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: Action in process.

The Administrator of Veterans Affairs should direct the Chief Medical Director to use operating room estimates obtained from the GAO 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 the judgment of VA 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 acting to comply with the intent of the recommendations.

VETERANS ADMINISTRATION

VA Needs a Single System To Measure Hospital Productivity
(AFMD-81-23, 3-24-81)

Budget Function: Health: Health Care Services (551.0)
Legislative Authority: P.L. 93-82.

GAO was requested to compare the productivity of Veterans Administration (VA) hospitals with that of private and public sector hospitals, outlining the reasons for any differences found. Particular interest was expressed in the measurement systems used to make the comparison.

Findings/Conclusions: GAO was unable to perform more than a limited comparison of VA hospital productivity with that of non-VA hospitals or with other VA hospitals because of inadequate productivity measurement data. VA has a few partly developed productivity measures but they cannot easily be used to compare with non-VA hospitals because of the differences in the methods of measuring resources used and services provided. A similar lack of uniformity hampers comparisons between VA hospitals. Although efforts are underway to establish several management information systems which could provide productivity measures, these are not yet completed and, if installed as currently planned, will overlap each other. Measurement of productivity provides managers with information for controlling and budgeting functions, maintaining accountability, linking individual and organizational performance with aspects of personnel management, and improving productivity. One way these measures can be used to improve productivity is by comparing productivity levels of similar operations to determine the method of conducting the operations. GAO concluded that VA managers have little information to support their own efforts either to improve productivity or control resources through the budget process.

Recommendations to Agencies: The Administrator of Veterans Affairs should establish a schedule for developing an adequate, single, hospital productivity measurement system for the entire Department of Medicine and Surgery using one of the systems currently being developed as a basis. A system guidance role should be assigned to an agency-wide, user-oriented body such as the Multi-level care steering committee, which would have responsibility for ensuring that: (1) the measurement system is coordinated with other management information systems; (2) duplicate data collection is eliminated; (3) data collected and reports developed are uniform across appropriate units of the agency; and (4) an annual status report is provided to VA management, the Office of Management and Budget, and the appropriations committees of Congress.

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

Agency Comments/Action

VA has not implemented the report's recommendations although it had agreed to do so because VA canceled the Multi-level Care System program. This system was the basic system to be used in carrying out the recommendations.

VETERANS ADMINISTRATION

Providing Veterans With Service-Connected Dental Problems Higher Priority at VA Clinics Could Reduce Fee-Program Costs
(HRD-81-82, 6-19-81)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)
Legislative Authority: Veterans' Administration Physician and Dentist Pay Comparability Act of 1975.

GAO was requested to review selected aspects of the Veterans Administration's (VA) dental program.

Findings/Conclusions: The review showed that fewer veterans with service-connected dental conditions would be referred to private dentists and, as a result, substantial savings would be achieved if VA: (1) established priorities for providing dental care in accordance with the Veterans Health Care Amendments of 1979; (2) insured that care was provided only to veterans eligible for care; and (3) made better use of its dental personnel. The fee-basis was intended to be used only if a veteran was unable to obtain care from a VA facility because of geographical inaccessibility or because of the inability of the VA facility to provide the type of care required. However, VA uses the fee program primarily as a means of expanding its ability to provide routine dental services to inpatients with nonservice-connected dental conditions. By reducing the number of ineligible veterans provided dental services, VA clinics could increase their capacity to treat outpatients with service-connected dental conditions and further reduce fee-basis referrals. In a 1973 report, GAO stated that VA could reduce the number of fee-program referrals by increasing the productivity of VA dental clinics.

Recommendations to Agencies: The Administrator of Veterans Affairs should take steps to improve the reliability of data reported under the automated medical information system program.
Status: Action in process.

The Administrator of Veterans Affairs should establish workload indicators for dental personnel.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Medical Administrative Service at each VA medical center to determine whether a veteran has a service-connected dental condition at the time of admission.
Status: Action completed.

The Administrator of Veterans Affairs should implement the recommendations in the March 1980 GAO report that VA expand the use of expanded function dental auxiliaries.
Status: No action initiated: Date action planned not known.

The Administrator of Veterans Affairs should adapt the American Dental Association and Department of Defense dental procedures reporting systems for use by VA dental clinics.
Status: Action completed.

The Administrator of Veterans Affairs should establish a uniform 40-mile definition of geographical inaccessibility and require specific justification from VA clinics for any deviation from the rule.
Status: No action initiated: Date action planned not known.

The Administrator of Veterans Affairs should direct VA dental clinics to place a higher priority on the provision of dental care to outpatients with service-connected dental conditions than on the provision of routine dental care to inpatients with no service-connected dental condition.
Status: No action initiated: Date action planned not known.

The Administrator of Veterans Affairs should direct VA clinics to provide dental examinations to inpatients not service connected for dental conditions only if the clinic's staff and facilities are not needed for the provision of care to veterans service connected for dental conditions unless (1) the admitting and/or attending physician determines that there are compelling medical reasons for giving the veteran an examination; or (2) the veteran has a dental emergency.
Status: No action initiated: Date action planned not known.

The Administrator of Veterans Affairs should enforce established procedures for authorizing fee-basis care, including requirements that: (1) fee-basis care be authorized only if the clinic cannot schedule treatment within 60 days, considering the total clinic resources; (2) the availability of care at VA facilities near the veteran's home be determined before fee-basis care is authorized; and (3) fee-basis care not be a prerogative of the veteran.
Status: Action completed.

The Administrator of Veterans Affairs should strengthen procedures for authorizing outpatient dental care for nonservice-connected dental conditions to insure that such care is authorized only if treatment was begun while the veteran was an inpatient and if completion of the treatment is necessary in relation to a medical problem for which it was prescribed.
Status: Action completed.

The Administrator of Veterans Affairs should implement recommendations made in the 1973 GAO report to: (1) expand the use of two-chair dentistry; (2) expand the use of dental hygienists and assistants; (3) expand the use of trained medical administrative personnel to perform fee program administrative duties; and (4) reduce the number of broken appointments.
Status: No action initiated: Date action planned not known.

Agency Comments/Action

VA generally agreed with all but one of the recommendations, but disagreed with some of the information in the report and indicated that GAO did not fully understand the relevance of dental services to total health care. In a May 24, 1982, report supplement, GAO showed that VA had not effectively implemented its report recommendations.

Cost of VA Medical Care to Ineligible Persons Is High and Difficult To Recover
(HRD-81-77, 7-2-81)

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703.0)
Legislative Authority: Claims Collection Act (31 U.S.C. 951 et seq.). Tax Reform Act of 1976 (26 U.S.C. 6103(M)(2)). 4 C.F.R. 2.

GAO reviewed the extent to which the Veterans Administration (VA) has strengthened its administrative controls to preclude providing medical care to persons who were found not to be properly entitled to veterans' benefits.

Findings/Conclusions: Despite recommendations previously made by GAO to improve eligibility determinations, VA has done little to prevent or minimize the abuse of medical benefits by ineligibles. Individuals who are not legally entitled to VA benefits receive medical care in VA facilities before and after VA determines they are ineligible. During a 27-month attempt to collect $15 million in costs incurred as a result of providing medical care to ineligible persons, VA collected $1.2 million and wrote off $6.5 million of the remaining debts as uncollectible. A major cause of this problem of providing care to ineligibles is the VA policy of not denying care to individuals pending positive determination of their legal entitlement to VA benefits. No centrally maintained file exists on individuals who have been determined ineligible for VA benefits. An improved information and notification system is needed to reduce the incidence of ineligible medical care and to eliminate duplicative paperwork in determining eligibility. VA does not have an effective system for billing and collecting debts from ineligible persons who receive medical care or an accurate account of all the care provided to ineligibles. VA has not taken collection actions on all of the moneys it is owed and, where such actions have been taken, it has failed to send out timely bills which has decreased the likelihood of its recovering the costs of care provided. Recently enacted legislation may not significantly improve VA collection of medical debts since many ineligibles are transient with limited financial resources.

Recommendations to Agencies: The Administrator of Veterans Affairs should direct the Chief Benefits Director to require medical centers to actively follow up on their requests for eligibility determinations.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Chief Benefits Director to instruct medical centers to promptly bill ineligible individuals for all care provided.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Controller to reconcile the quarterly report on medical accounts receivable to insure it agrees with the general ledger account.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Chief Benefits Director to update Beneficiary Identification and Records Locator Subsystem records to the extent possible based on available veterans' claims folders.
Status: Action in process.

The Administrator of Veterans Affairs should direct the Chief Benefits Director to direct the regional offices when assisting medical centers to make certain that they provide the centers with decisions on whether individuals with other than honorable discharges are entitled to VA benefits.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Chief Medical Director to establish a formalized system in which VA medical centers close to each other are notified when an individual has been determined ineligible for VA benefits.
Status: No action initiated: Date action planned not known.

The Administrator of Veterans Affairs should direct the Controller to analyze the quarterly report periodically to identify and take corrective actions on centers which are not disposing of debts promptly.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Chief Benefits Director to instruct medical centers to complete applications for medical benefits and records of examination, including all available service information and indications as to whether prompt medical care is needed.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Controller to provide a copy of the reconciled report to the Department of Medicine and Surgery for analysis to identify and to take corrective actions on an as-needed basis.
Status: Action completed.

The Administrator of Veterans Affairs should direct the Chief Medical Director to provide care to individuals whose eligibility cannot be verified at the time of application only if, upon examination, VA physicians determine that prompt medical care is needed. If there is no need for prompt medical attention, VA personnel should inform the individual that further care cannot be provided until his or her eligibility can be determined.
Status: Action completed.

Agency Comments/Action

VA revised its policy to include a provision that, if legal eligibility cannot be immediately established, only emergency treatment will be authorized, subject to reimbursement of treatment cost if legal eligibility is not subsequently established. VA reemphasized the importance of updating the Beneficiary Identification and Records Location Subsystem (BIRLS) records. In 1985, VA plans to update BIRLS through a reconciliation with data contained in the Compensation, Pension, and Education system. New VA instructions for preparing and formatting the quarterly report on medical accounts receivable have been issued.

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: Action completed.

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 in process.

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 in process.

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: Implementing action was verified.

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: Action in process.

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 in process.

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.*

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.

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.

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: Action in process.

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 recommendations that it revise its estate accounting procedures principally on the basis that it is felt the new procedures would not be cost effective.

VA Should Use Economic Order Quantity Principles in the Wholesale Supply System
(PLRD-82-108, 8-18-82)

Budget Function: Veterans Benefits and Services: Other Veterans Benefits and Services (705.0)
Legislative Authority: B-133396 (1974). B-197773 (1980).

GAO reviewed the economic order quantity (EOQ) principles to determine the benefits of using these principles to compute order quantities for wholesale supply items at the Veterans Administration (VA). The EOQ principle is a mathematical method for determining the purchase quantity that will result in the lowest total cost to order and carry inventory.

Findings/Conclusions: GAO believes that, by using EOQ principles, the VA Marketing Center can save over $5 million annually in total costs to order and carry inventory, reduce the inventory investment by almost $35 million, and lessen its need for warehouse space. GAO found that the Marketing Center does not use variations in demand or leadtime to set safety and procurement leadtime stock levels. Rather, it uses fixed periods.

Recommendations to Agencies: The Administrator of Veterans Affairs should direct the Assistant Deputy Administrator for Procurement and Supply to: (1) adopt EOQ principles in computing wholesale inventory order quantities at the Marketing Center; and (2) modify the principles, where necessary, to take advantage of quantity and transportation discounts.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Assistant Deputy Administrator for Procurement and Supply to reduce existing inventories compatible with EOQ principles.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Assistant Deputy Administrator for Procurement and Supply to assess the impact of EOQ on the need to expand the storage facilities at the Hines supply depot.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Assistant Deputy Administrator for Procurement and Supply to: (1) establish a continuing process to assure that the costs to order and carry stocks are reasonable and current; and (2) provide the ability to determine that the lowest total overall costs are being incurred when replenishing depot stocks.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Assistant Deputy Administrator for Procurement and Supply to establish inventory management policies which relate safety stock levels to demand variances for individual items.

Status: Action in process.

The Administrator of Veterans Affairs should direct the Assistant Deputy Administrator for Procurement and Supply to establish inventory management policies which use actual leadtime data in determining procurement leadtime stock levels for individual items. In developing the data, vendors should be consulted.

Status: Action in process.

Agency Comments/Action

The agency expects to provide Section 236 comments by December 15, 1982.

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 insuring 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 in process.

The Administrator of Veterans Affairs should, through the Chief Medical Director, revise privacy standards and insure that future construction or renovation projects correct privacy limitations that limit women's access to VA facilities and treatment.
Status: Action in process.

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 in process.

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: No action initiated: Affected parties intend to act.

The Administrator of Veterans Affairs should, through the Chief Benefits Director, evaluate female veterans' awareness of benefits.
Status: No action initiated: Date action planned not known.

The Administrator of Veterans Affairs should, through the Chief Benefits Director, establish procedures to insure that female veterans will not be notified of major changes in benefits that affect them.
Status: No action initiated: Date action planned not known.

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.

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.

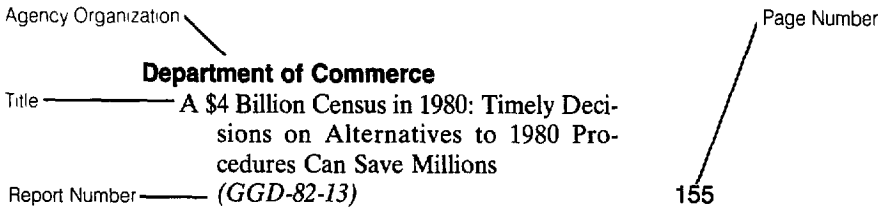
Status: No action initiated: Date action planned not known.

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:



Department of Commerce

Department of State

Office of Passport Services

U.S. Embassy, Cairo, Egypt

Department of the Air Force

Department of the Army

Department of the Navy

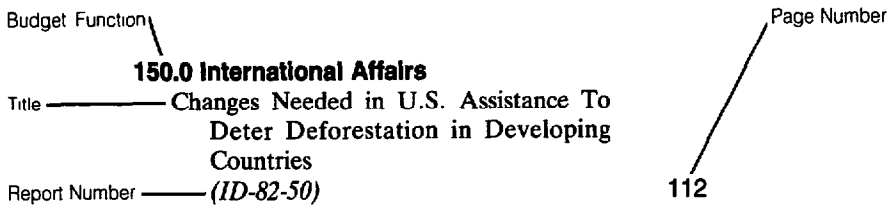
Naval Air Station, Oceana, VA

Department of the Treasury

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:



999.0 Multiple Functions

999.1 Telecommunications and Radio Frequency Spectrum Use (Civilian-Related)

CONGRESSIONAL INDEX

Includes entries under relevant House, Senate, and Joint committees and subcommittees.

SAMPLE ENTRY:

Congressional Committee

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Title — Impediments to U.S. Involvement in Deep Ocean Mining Can Be Overcome

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Defense Subcommittee

Department of the Interior and Related Agencies Subcommittee

District of Columbia Subcommittee

Energy and Water Development Subcommittee

Foreign Operations Subcommittee

HUD-Independent Agencies Subcommittee

Interior Subcommittee

Labor, Health and Human Services, and Education Subcommittee

House Committee on Armed Services

House Committee on Banking, Currency and Housing

Commerce, Transportation, and Tourism Subcommittee

Energy Conservation and Power Subcommittee

Health and the Environment Subcommittee

Commerce, Consumer and Monetary Affairs Subcommittee

Environment, Energy and Natural Resources Subcommittee

Government Activities and Transportation Subcommittee

Intergovernmental Relations and Human Resources Subcommittee

Manpower and Housing Subcommittee

House Committee on House Administration

House Committee on Interior and Insular Affairs

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Senate Committee on Agriculture, Nutrition, and Forestry

Agricultural Credit and Rural Electrification Subcommittee

Forestry, Water Resources and Environment Subcommittee

Soil and Water Conservation Subcommittee

Senate Committee on Appropriations

Agriculture and Environmental and Consumer Protection Subcommittee

Agriculture and Related Agencies Subcommittee

Interior Subcommittee

Labor, Health and Human Services, and Education Subcommittee

Senate Committee on Armed Services

Preparedness Subcommittee

Senate Committee on Banking and Currency

Senate Committee on Banking, Housing and Urban Affairs

Senate Committee on the District of Columbia

Senate Committee on the Judiciary

Criminal Laws and Procedures Subcommittee

Joint Committees

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