

GAO

Testimony

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Excess and Surplus Personal Property  
Transfer Program

Statement of  
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Before the  
Subcommittee on Government  
Activities and Transportation  
Committee on Government Operations  
United States House of Representatives



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Madam Chairwoman and Members of the Subcommittee:

We welcome this opportunity to appear before you today to provide our observations on the program for transfer of excess personal property to nonfederal organizations and donation of surplus personal property through the State Agencies for Surplus Property (State Agencies) to nonfederal recipients.

As you mentioned in your letter of invitation, we have had lengthy experience with this program. Public Law 94-519, enacted in 1976, required us to report biennially to Congress on several aspects of the program, including (1) a full and independent evaluation of its operation and (2) an assessment of the extent to which the objectives of the public law have been fulfilled. We issued four such biennial reports: the first in 1980, the most recent in 1988.<sup>1</sup>

Our reports show a consistent trend that the basic objectives of Public Law 94-519 have been met. First, the law resulted in reducing the proportion of total excess property that was being transferred to nonfederal organizations, with more being used by federal agencies. In 1976, federal agencies were provided with \$881 million in excess property (at original acquisition cost)

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<sup>1</sup>Property Management: Excess and Surplus Personal Property Transfers to Nonfederal Organizations (GAO/GGD-88-68, May 13, 1988).

for their own use, but the agencies transferred \$243.1 million in property to nonfederal organizations. Nonfederal organizations thus received about 22 percent of available excess property. In 1985 the federal agencies were provided with \$629.9 million in excess property, but nonfederal organizations received much less--\$53.6 million. Their share of the distribution at the excess stage was reduced to less than 8 percent.

Second, surplus property donated through State Agencies to eligible donees was being used for a wider range of purposes. The Public Law added three new purposes for which property can be donated through State Agencies: conservation, economic development, and parks and recreation. In fiscal year 1985, \$35.6 million in personal property was donated for these purposes.

While concluding in our 1988 report that the law's basic objectives were being met, we also discussed some concerns about the future health and viability of the State Agencies. First, our analysis of 48 external audits and 51 GSA regional reviews of State Agencies conducted between July 1, 1983, and September 30, 1985, showed that 25 percent or more of the State Agencies reviewed had problems in at least 1 of 5 functional areas GSA considers to be important indicators of program management. Property and inventory control problems were by far the most pervasive. State Agencies also had problems with the adequacy of

their fiscal accounting systems, eligibility of donee organizations, performance of compliance and utilization reviews, and failure to correct problems identified in prior audits and reviews. We recommended that GSA increase coverage and follow-up of these areas in its biennial regional review process. GSA agreed.

Second, we found that State Agencies had donated disproportionate--but not necessarily inappropriate--amounts of surplus property to their largest recipients. The 44 State Agencies who responded to this question on our questionnaire estimated that they had 29,800 recipients in their States in fiscal year 1985. Our analysis of the questionnaire responses indicated that the 10 largest recipients in these States--440 recipients in all--received 35 percent of the total amount donated by these State Agencies. Our analysis also disclosed an apparent relationship between State Agency efforts to promote the program and the distribution pattern: the greater the promotional effort, the greater the dispersion of property. We recommended that GSA encourage the State Agency directors to aggressively promote the benefits of the donation program within their states and advertise the variety of property available through the donation program. GSA agreed, citing several actions it planned to take.

Third, we noted that the amount of surplus property donated through State Agencies to eligible recipients in fiscal year 1985 had declined by about 14 percent from the previous year. Through analysis of questionnaire data submitted by State Agencies we concluded that the financial solvency of some of the State Agencies that depend on service charges to fund their operations had been eroded. We found that during fiscal years 1983 to 1985, between 30 and 36 of the 55 State Agencies had operating losses each year. We recommended that GSA, as a part of its biennial regional reviews, collect a variety of information on State Agencies' financial condition and that GSA use this information to identify and possibly provide assistance to help them resolve their operational problems. GSA agreed.

One possible contributing factor affecting the financial health of State Agencies is the amount of excess property that federal agencies make available to nonfederal organizations, and therefore unavailable to the State Agencies for donation. These nonfederal organizations are eligible to receive excess property under exemptions in Public Law 94-519. The most significant nonfederal recipients of excess property at the time of our report were grantees and the Department of Agriculture's Cooperative Forest Fire Control Program and a Cooperative Extension Service program. As we noted earlier, the amount of property these nonfederal organizations received in fiscal year

1985 was valued at \$53.6 million. This was about 20 percent of the total donated by all State Agencies.

As you know, the Federal Property Management Improvement Act of 1988 changed our role in relation to this program, a change we fully supported. Next spring we are to receive a copy of the Administrator of General Services' report on the program for the period ending September 30, 1990. Drawing on our earlier work, we will review and evaluate the Administrator's report and, if appropriate, make comments and recommendations to Congress.

This approach will permit us to better use our scarce resources by targeting them on current issues. And, in fact, we are presently beginning work on two specific situations involving excess property: the Humanitarian Assistance Program and possible use of such property by the homeless.

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Madam Chairwoman, that concludes my prepared remarks. I would be pleased to respond to questions.