

ANNUAL REPORT 1975

COMPTROLLER GENERAL
OF THE UNITED STATES





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

B-119600

January 30, 1976

The President of the Senate
The Speaker of the House of Representatives

Dear Sirs:

In accordance with section 312(a) of the Budget and Accounting Act of 1921, I respectfully submit the annual report on the activities of the United States General Accounting Office during the fiscal year ended June 30, 1975.

A handwritten signature in cursive script, reading "James A. Stacks".

Comptroller General
of the United States

The General Accounting Office is under the control and direction of the Comptroller General of the United States. There is also a Deputy Comptroller General of the United States¹ who performs such duties as may be assigned to him by the Comptroller General and who acts as Comptroller General during the absence or incapacity of the Comptroller General or during a vacancy in that office. The Comptroller General and the Deputy Comptroller General are appointed by the President with the advice and consent of the Senate for terms of 15 years.

Comptrollers General of the United States	John R. McCarl
	July 1, 1921—June 30, 1936
	Fred H. Brown
	April 11, 1939—June 19, 1940
	Lindsay C. Warren
	November 1, 1940—April 30, 1954
Joseph Campbell	
December 14, 1954—July 31, 1965	
Elmer B. Staats	
March 8, 1966—	

Assistant Comptrollers General of the United States	Lurtin R. Ginn
	July 1, 1921—November 11, 1930
	Richard N. Elliott
	March 9, 1931—April 30, 1943
	Frank L. Yates
	May 1, 1943—June 29, 1953
Frank H. Weitzel	
October 12, 1953—January 17, 1969	

Deputy Comptrollers General of the United States	Robert F. Keller
	October 3, 1969—

¹ Public Law 92-51 (approved July 9, 1971) changed the title Assistant Comptroller General to Deputy Comptroller General.

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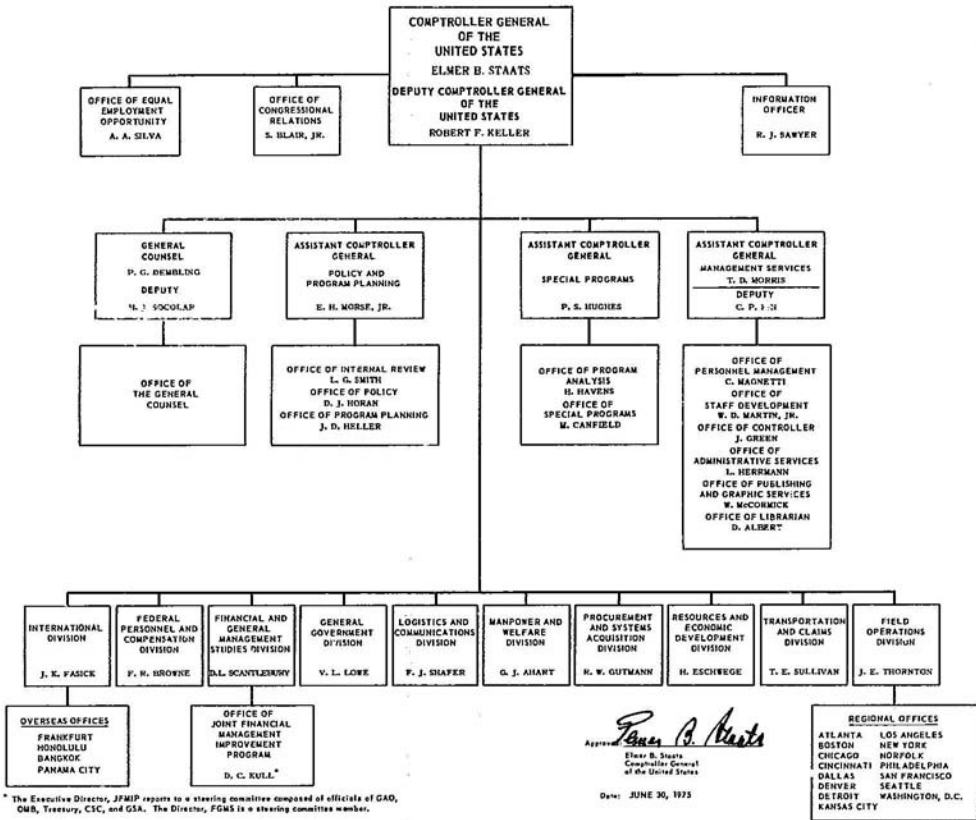
ABBREVIATIONS

ADP	Automatic Data Processing
AEC	Atomic Energy Commission
AID	Agency for International Development
AMTRAK	National Railroad Passenger Corporation
AUTODIN	Automatic Digital Network
AUTOVON	Automatic Voice Network
CONUS	continental United States
DOD	Department of Defense
EPA	Environmental Protection Agency
ERDA	Energy Research and Development Administration
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FEA	Federal Energy Administration
GAO	General Accounting Office
GPO	Government Printing Office
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
HUD	Department of Housing and Urban Development
ICC	Interstate Commerce Commission
IRS	Internal Revenue Service
LEAA	Law Enforcement Assistance Administration
LMFBR	Liquid Metal Fast Breeder Reactor
NASA	National Aeronautics and Space Administration
NATO	North Atlantic Treaty Organization
OMB	Office of Management and Budget
SBA	Small Business Administration
VA	Veterans Administration
VISTA	Volunteers in Service to America

PHOTOGRAPHY CREDITS

U.S. Navy, pp. 74 and 75; Department of the Interior, p. 83; American Tool Company, p. 96; Department of Transportation, p. 103; U.S. Air Force, p. 105; Fairchild Republic, p. 109; Space Division, Rockwell International, p. 121; Civil Service Commission, p. 131; Corps of Engineers, Department of the Army, p. 158; and USIS, Buenos Aires, p. 187.

UNITED STATES GENERAL ACCOUNTING OFFICE



CHAPTER ONE

HIGHLIGHTS OF ACTIVITIES FOR THE YEAR

The fiscal year ended June 30, 1975, was the 54th year of operation of the General Accounting Office—an independent, nonpolitical agency in the legislative branch of the Federal Government. This Office was created by the Budget and Accounting Act, 1921, and carries out several interrelated functions assigned by law:

- Assisting the Congress in its legislative and oversight activities.
- Providing legal services.
- Auditing the programs, activities, and financial operations of Federal departments and agencies.
- Helping to improve Federal agency financial management systems.
- Settling claims and collecting debts.

Direct Assistance to the Congress

One of our major objectives is to render maximum assistance to the Congress, its committees, and Members (consistent with our responsibilities as an independent, nonpolitical agency). We, therefore, direct our staff resources to producing information on Federal programs and agency operations that will be useful to the Congress and in areas which, in our judgment, will fulfill the greatest apparent need and benefit to the Government.

During the fiscal year, we completed 1,177 reports on audits or special studies. About 54 percent of these were submitted directly to the Congress, or to its committees and Members. In addition, copies of many reports addressed to Federal agency officials were provided to interested committees and Members of Congress.

Statistics on the number of reports completed do not begin to tell the full story of GAO audit operations, but they do provide one indicator of the amount of work done. A summary of the number of reports completed in fiscal year 1975, as compared with 1974, follows.

	1974	1975
Congressional reports:		
To the Congress	145	199
To congressional committees	167	178
To Members of Congress	241	255
	<hr/>	<hr/>
	553	632
Reports to Federal agency officials	322	411
Reports of Office of Federal Elections	204	134
	<hr/>	<hr/>
Total	1,079	1,177

Reports are only one type of GAO's many services to the Congress. Others include:

- Testifying before congressional committees.
- Preparing staff papers.
- Providing briefings on Federal agency programs and activities for committees, Members, and staffs.
- Developing questions for use during hearings.
- Assigning staff members for varying periods to work for committees.
- Providing legal opinions and comments on pending legislation.

About 34 percent of our professional staff's work was directed toward providing direct assistance to the Congress during the fiscal year. In the previous year, such assistance represented about 28 percent of our work.

This category of work does not include the large amount of work involved in auditing Federal agencies. We make these audits either because we believe the results will be useful to the Congress or because they are required by law on a recurring basis. Even though the committees and Members of Congress may use the information in these audit reports, we do not classify this work as direct assistance.

HIGHLIGHTS OF ACTIVITIES FOR THE YEAR

Reports to Committees and Members

We make many audits or studies at the specific request of congressional committees. In addition, we respond to requests of individual Members when feasible. Some of these requests can be answered with little effort, while others require a great deal of work. Members' requests, if of sufficient importance from a Government-wide standpoint, may result in reports to the Congress.

A statistical summary of reports completed during the year is provided in table 1. Some reports were sent to more than one committee. (The titles of all of our reports, including those to committees and Members, are shown in app. 2. Details on many of these reports are provided in later chapters of this report.)

In addition to this category of reports, we provided 789 responses to Members on requests relating to claims by and against the United States. These claims involved such subjects as Government contracts, pay and allowances of employees, and travel and transportation.

Specific Studies Directed by Law

An audit or study specifically directed by law is classified as part of our direct assistance to the Congress if it is a one-time study or review rather than one made pursuant to a continuing responsibility. An example is the Small Business Amendments of 1975, approved in August 1974. This act required GAO to conduct a full-scale audit of the Small Business Administration, including its field offices.

Testifying at Hearings

GAO representatives testified before congressional committees on 69 occasions during the year.

Staff Assignments to Committees

On request, 95 staff members were assigned to the staffs of 35 different committees or subcommittees during the year. Further information about these assignments is shown in appendix 4, as required by the Legislative Reorganization Act of 1970.

Table 1

	<i>Number of reports</i>
Senate Committees:	
Aging	2
Agriculture and Forestry	1
Appropriations	21
Armed Services	12
Banking, Housing and Urban Affairs	3
Commerce	12
Finance	11
Foreign Relations	7
Government Operations	14
Interior and Insular Affairs	1
Judiciary	3
Labor and Public Welfare	5
Public Works	4
Small Business	1
Veterans' Affairs	3
Total	100
House Committees:	
Appropriations	23
Armed Services	10
Banking, Currency, and Housing	2
District of Columbia	1
Education and Labor	5
Foreign Affairs	5
Government Operations	21
House Administration	1
International Relations	2
Judiciary	3
Merchant Marine and Fisheries	4
Post Office and Civil Service	6
Public Works and Transportation	1
Science and Astronautics	1
Small Business	2
Veterans' Affairs	1
Total	88
Joint Committees:	
Atomic Energy	2
Congressional Operations	1
Economic	9
Internal Revenue Taxation	2
Printing	3
Total	17
Officers of the Congress	8
Total Committees and Officers	213

Reports on Pending Legislation

First-hand review and observation of agency programs and activities, together with our extensive experience in Federal legislation, enable us to provide

Table 2

REPORTS ON PENDING LEGISLATION

Senate Committees:	
Aeronautical and Space Sciences.....	3
Agriculture and Forestry.....	1
Banking, Housing and Urban Affairs.....	1
Commerce.....	8
Government Operations.....	39
Judiciary.....	3
Labor and Public Welfare.....	31
Post Office and Civil Service.....	48
Public Works.....	3
	137
House Committees:	
Government Operations.....	17
House Administration.....	4
Interstate and Foreign Commerce.....	5
Judiciary.....	29
Merchant Marine and Fisheries.....	22
Post Office and Civil Service.....	20
Public Works and Transportation.....	3
Science and Technology.....	18
Small Business.....	9
Standards of Official Conduct.....	2
	129
Total.....	266

congressional committees with independent, objective advice on proposed legislation. During the year we furnished committees with 266 reports on pending bills—137 to the Senate and 129 to the House. Table 2 shows the committees and numbers of reports involved.

Legal and Legislative Assistance

Committees and Members call upon us continually for formal and informal legal advice and assistance; views on contractual, fiscal, and administrative provisions of law; drafts of legislation; and views on administrative regulations.

Assistance on House and Senate Financial and Administrative Operations

As in past years, we continued to have a professional staff at the Capitol to audit financial operations and provide advisory services. (See p. 183 for further information.)

Liaison Activities

Our Office of Congressional Relations is the coordination point for providing the Congress with prompt and effective assistance. Under the general supervision of the Deputy Comptroller General, Robert F. Keller, this office maintains continuous contact with congressional committees and Members of Congress. The Director of the office is Smith Blair, Jr.

Monthly List of GAO Reports

Each month we send to the Congress, its committees, and all Members a list of GAO reports completed or released during the previous month. (Section 234 of the Legislative Reorganization Act of 1970 requires these lists.) They are also published in the *Congressional Record* through arrangements made with a congressional committee.

The lists show the title of each report, date of release, GAO report number, and identity of Government agencies or other organizations responsible for the activities reported on. Brief digests of reports to the Congress or committees are also included.

Recommendations for Legislation

As required by the Budget and Accounting Act, 1921, we include in our reports to the Congress recommendations "looking to greater economy and efficiency in public expenditures." Sometimes these recommendations require legislation.

A summary of such recommendations, included in reports made during fiscal year 1975, together with recommendations reported in prior years but not acted upon, is presented in chapter 2.

During fiscal year 1974, we developed a new special report. For each congressional committee, we annually summarize the recommendations for legislative action made in our reports that relate to the responsibilities of that committee and are still open. The most recent report was prepared as of January 1975; we plan to continue this report as of the same date in future years.

New Duties Under the Congressional Budget and Impoundment Control Act

During fiscal year 1973 the Congress began intensive studies to revise and strengthen congressional

procedures for dealing with the Federal budget. These studies were completed in fiscal year 1975 and resulted in the enactment of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344, approved July 12, 1974).

This important law not only provides substantial changes in congressional organization and procedures for considering the Federal budget but also assigns numerous additional responsibilities to the Comptroller General and revises others. The act enlarges GAO's program evaluation role, requiring GAO to (1) review and evaluate Government programs carried on under existing law, (2) recommend methods for reviewing and evaluating Government programs, (3) assist in stating legislative objectives and goals of programs authorized and (4) develop methods for assessing and reporting actual program performance.

In addition, the act clarifies and strengthens the extensive fiscal, budgetary, and program-related data and information systems responsibilities given to the Comptroller General in cooperation with the Secretary of the Treasury; the Director, Office of Management and Budget, and the Director of the Congressional Budget Office, a new legislative office established by the act. It also gives GAO important new responsibilities in connection with congressional consideration of rescissions and deferrals of budget authority proposed by the President.

Title X of the Congressional Budget and Impoundment Control Act of 1975 concerns congressional control over the President's authority to impound funds. Its provisions involve the Comptroller General in all proposed rescissions and deferrals of budget authority because he must review and advise the Congress about the legality and impact of proposed rescissions and deferrals of budget authority by the executive branch.

The Comptroller General is also empowered under this law to bring suit to require the freeing of budget authority not made available as required. The first such suit was begun on April 15, 1975, in the Federal District Court for the District of Columbia. Its purpose is to compel the release of about \$264 million of budget authority for a subsidized housing program carried out under section 235 of the National Housing Act. This section was enacted in 1968 to help lower income families acquire homeownership of housing units by making mortgage assistance payments on behalf of homeowners and

cooperative members. The program was first suspended by the President in 1973, and the suspension was continued under the Impoundment Control Act.

The suit not only is the first instance where the Comptroller General has initiated legal proceedings to enforce provisions of the act but also represents one of the few times one part of the Government has sued another.

Legal Services and Decisions

Our legal work extends to virtually the full range of the Government's receipt and expenditure activity. It serves:

- Congressional committees and Members of Congress.
- Heads of departments and agencies, as well as disbursing and certifying officers, on the legality or propriety of proposed expenditures of Federal funds.
- The Office of Management and Budget.
- Contracting and procurement officers in connection with Government contracts.
- Bidders and proposers for Government contracts.
- Individuals and firms whose claims have been disallowed by our Transportation and Claims Division.
- GAO auditors in their audits of agency programs and activities.

The Comptroller General's legal decisions are binding upon the executive branch. Payments made contrary to them may be disallowed. Private firms and individuals have further recourse to the courts in most instances.

During the year, our Office of the General Counsel completed 4,971 separate legal matters. Further information on our legal work is described in chapter 4.

Auditing

Auditing the programs, activities, and financial operations of Federal departments and agencies and their contractors and grantees on our own initiative requires well over half of our professional staff. Our audits:

- Evaluate the efficiency, economy, legality, and effectiveness with which Federal agencies carry out their financial, management, and program responsibilities.
- Provide the Congress and Federal agency officials with objective information, conclusions, and recommendations that will aid them in carrying out their responsibilities.

GAO auditing includes not only examining accounting records and financial transactions and reports but also:

- Checking for compliance with applicable laws and regulations.
- Examining the efficiency and economy of operations.
- Reviewing the results of operations to evaluate whether desired results, including legislatively prescribed objectives, have been effectively achieved.

Our audit work normally embraces three basic phases.

Survey—Obtaining working information and analyzing it to identify matters deserving detailed examination.

Review—Making detailed examinations.

Report—Communicating results of examinations, including recommendations.

GAO auditors operate in almost every Federal agency in the United States and in many foreign countries. During fiscal year 1975 we made 836 surveys and 1,376 reviews of government programs and activities in the United States and in 78 other countries. Table 3 shows that these audit assign-

ments were carried out under broad functional categories.

The results of much of the audit work done during the year will be included in reports to be completed during the next fiscal year.

Audit Planning

In deciding what audit work to perform, we emphasize Federal programs and agency operations in which there are strong present or potential congressional interest and opportunities for improvement.

Given the size of the Federal Government and the wide scope of its operations, we must be selective in determining which Federal programs and activities we will review at any given time. In making these decisions, we consider such factors as the importance and effectiveness of programs and activities, size of expenditures, investment in assets, public and congressional interest, etc. We keep in continuing contact with congressional committees to remain abreast of their interests and activities and with Federal agencies in the day-to-day conduct of their programs.

In recent years, we have devoted increased attention to examining the results of Government programs; this emphasis is continuing. We also encourage Federal agencies to make their own program evaluations. In our independent role, we determine how well the agencies discharge this important responsibility, as well as their other management and program responsibilities.

During the year we further refined our procedures for making decisions on carrying out audit and evaluation work when more than one GAO operating division was involved. GAO occupies an unusual position: it has audit cognizance over the operations of virtually all agencies of the executive branch. As a result, our audits of program and functional issues very often cross Federal agency lines. Thus, we need to be particularly sensitive to opportunities to deal with duplication of effort among agencies, inadequate coordinating arrangements, conflicting approaches to programs, inadequately defined objectives, obsolete programs or objectives, and so on.

In part, the reorganization of GAO in 1972 (see 1972 annual report) was designed to enable us to better focus on Government-wide programs and functions rather than on the operations of individual agencies. With increased workloads as a result of

Table 3

	Surveys	Reviews
Domestic programs:		
Manpower and welfare	113	213
Resources and economic development	91	181
General government	121	171
General management:		
Procurement and systems acquisition	107	233
Logistics and communications	122	271
Federal personnel and compensation	98	96
Financial and general management	49	63
International programs	94	123
Energy and special programs	41	25
Total	836	1,376

HIGHLIGHTS OF ACTIVITIES FOR THE YEAR

expanding Federal operations (including new programs), planning and managing our resources to focus as much as possible on major problems and issues, and to thereby avoid wasteful diffusion of our resources, is important. To help us, we have established "lead divisions"—focal points in our Washington headquarters office to be primarily responsible for general understanding, assessment, guidance, and communications on what GAO is doing, has done, and should plan to do in specific major problem or issue areas involving the Federal Government.

Our Program Planning Committee, chaired by the Comptroller General, has identified and approved 26 major Federal programs or issue areas to receive priority attention when we decide what audit work we will do on our own initiative. A list of these areas is shown in table 4.

Each of our identified issue areas is assigned to one of our operating divisions or offices. That organization takes the lead within GAO in identifying specific matters to be examined, developing plans, and formulating GAO approaches, whether or not it has direct audit responsibility for all of the Federal departments or agencies involved in the area.

Our lead division concept has evolved as one approach to helping us review Government-wide problems that affect more than one Federal agency. Our experience with it is still in its early stages. However, we hope it will strengthen our management and decisionmaking processes in a way that will enable us to provide increasingly useful information for the

Congress and the agencies involved in carrying out the underlying programs and activities.

Impact of New Legislation

New legislative actions of the Congress continue to assign added responsibilities to our Office. As a result, we constantly need to adjust our work programs or increase our capabilities to accommodate the increased workload. Examples of important recent legislative actions follow.

- *The Energy Reorganization Act of 1974* requires GAO to evaluate the effectiveness of licensing and related regulatory activities of the newly established Nuclear Regulatory Commission and to evaluate the operations of the Office of Nuclear Safety Research and the Bureau of Nuclear Materials Security. A report to the Congress is required within 5 years.
- *The International Air Transportation Fair Competitive Practices Act of 1974* directs the Comptroller General to disallow any expenditures from appropriated funds for payment of personnel or cargo transportation on a foreign air carrier in the absence of satisfactory proof of necessity.
- *The Trade Act of 1974* requires the Comptroller General to study adjustment assistance programs established by the act and to report to the Congress on the results of the study by January 31, 1980.

Table 4

MAJOR ISSUE AREAS

Automatic Data Processing
Consumer Safety and Protection
Domestic Housing and Community Programs
Education and Training
Energy
Environmental Protection
Facilities and Material Management
Federal Personnel Management and Compensation
Food and Fiber
Health
Income Security
Industrial Materials
Internal Auditing Systems

Intergovernmental Relations and Revenue Sharing
International Economic and Military Assistance
Land Use Planning and Control
Law Enforcement and Crime Prevention
Military Preparedness
Nondiscrimination and Equal Opportunity
Procurement of Goods and Services
Program Evaluation Systems
Protection of Personal Privacy
Science and Technology
Tax Policy
Transportation Systems and Policies
Water

- *The Amtrak Improvement Act of 1974* makes GAO responsible for conducting an annual management audit of Amtrak's operations.
- *The conference report on fiscal year 1975 Department of Defense appropriations*, released in September 1974, requested GAO to make an indepth study of the Department of Defense's program of stockpiling war materials or equipment for use by foreign countries and to report to the Committees on Appropriations.
- *The D.C. Home Rule Bill* requires GAO to make annual audits in connection with the District of Columbia's authority to borrow funds in the open market rather than, as in the past, from the U.S. Treasury. We are also required to continue our ongoing examination of the operations of the D.C. Government.

Also important over the long run is legislation which creates new Federal programs or expands existing programs. We will need to audit them as we do other programs. A few examples:

- The Solar Energy Research, Development and Demonstration Act of 1974.
- The Housing and Community Development Act of 1974.
- The Emergency Job and Unemployment Assistance Act of 1974.
- The Office of Federal Procurement Policy Act of 1974 and the revised statutes simplifying procurement procedures by raising the ceiling on small purchases from \$2,500 to \$10,000.

Prior legislative actions also continue to have a sizable impact on our operations. For example, the Health Maintenance Organization Act of 1973 requires GAO to perform rather extensive evaluation work in connection with the operations and impact of health maintenance organizations. This requirement will require substantial effort for at least the next 2 years.

In addition to the above, the statutes setting up the new Commission on Federal Paperwork and the National Commission on Electronic Fund Transfers name the Comptroller General as a member. We also expect to cooperate closely with the recently reorganized National Commission on Productivity and Work Quality in our efforts to measure and identify ways to increase productivity in the Federal Government.

Access to Records

To satisfactorily audit the programs and activities of Federal departments and agencies, we must have full access to their books, documents, papers, and records. The Congress itself clearly recognized this need when it enacted the Budget and Accounting Act, 1921. That act provides us with broad authority to have access to Federal agency records; this authorization has been repeated in several laws enacted since then.

Most Federal agencies cooperate satisfactorily with us. In a few cases, however, we still encounter restrictions on what records our auditors can examine, and occasionally unwarranted delays occur before essential records are made available to us. As in past years, the problems that we have had on access to bank examination reports of the Federal Deposit Insurance Corporation and credit union examination reports of the National Credit Union Administration continued (see ch. 16).

The longstanding refusal by the Internal Revenue Service to permit the General Accounting Office to review administration of the internal revenue laws, except on behalf of the Joint Committee on Internal Revenue Taxation, has been the subject of discussion and correspondence between our Office and IRS for years. It has also been the subject of hearings before different congressional committees.

The Internal Revenue Service has consistently interpreted the Internal Revenue Code as prohibiting the Commissioner of Internal Revenue from making any documents or records on the administration of the Internal Revenue Code available to GAO, and the Service questions GAO's authority to make management reviews of IRS. GAO, on the other hand, believes that the Internal Revenue Code does not preclude the Service from making records available to GAO for audit purposes and that GAO does have authority to make management audits of IRS.

It is the position of IRS that the Congress has given the Joint Committee on Internal Revenue Taxation, rather than GAO, the supervisory review of the administration of the revenue laws. The Joint Committee was established by the Revenue Act of 1926, and its statutory functions include investigating the administration of taxes by IRS and investigating measures and methods to simplify tax law. We see no basis for the argument that the establishment of the Joint Committee preempted the field in

HIGHLIGHTS OF ACTIVITIES FOR THE YEAR

the review of IRS. The law does not specifically indicate such preemption, and it has never been argued that, because the standing committees of the Congress legislatively monitor the departments, GAO cannot review the activities of such departments.

We are making selective audits of IRS at the direction of the Joint Committee on Internal Revenue Taxation. Although our arrangement with the Joint Committee to make audits is working satisfactorily, we do not regard it as a substitute for independent audits by GAO. Unlike our self-initiated work, the areas to be audited and the reporting of results are controlled, because under the guidelines the Joint Committee makes the final decision on the areas to be reviewed and controls the release of the reports made by us. Consequently, we may not always be able to address what we believe to be the most important problem areas or to have our findings reported to the Congress as a whole. Also, our ability to respond fully and directly to specific requests from other congressional committees remains impaired.

In view of this continuing impasse, we believe that legislation is necessary to clarify that the Internal Revenue Service is subject to GAO audit and, accordingly, have recommended the enactment of such legislation.

Audit of Transportation Payments

The Transportation Act of 1940 requires us to postaudit all billings for transportation under standard Government transportation forms. During the year we audited \$1.7 billion in transportation charges, of which over \$1.2 billion was for 4.2 million freight shipments and \$448 million was for 2.6 million passenger movements. A total of 65,488 claims of overcharge were stated against carriers for \$10.7 million. Collections from carriers amounted to \$10.1 million; 11,166 claims by carriers against the United States were settled for \$1.9 million.

Our transportation audit work is discussed more fully in chapter 15.

Fiscal year 1975 was the last full year during which GAO carried out the responsibility for auditing, in detail, the Government's transportation payments to carriers. The General Accounting Office Act of 1974 (Public Law 93-604, approved Jan. 2, 1975) includes as one provision the transfer of this responsibility to the General Services Administra-

tion. We strongly supported this change on the basis that initial audits of such expenditures are an executive branch function.

Planning for this transfer has been in process for the past 2 years, and formal transfer of this function with a fully operational organization was made on October 12, 1975.

The transfer, however, does not completely remove us from the picture. We will continue to be responsible for reviewing administrative policies, practices, and procedures of executive agencies having transportation responsibilities. We will collect, compromise, and terminate transportation debts referred to us by other agencies. We will also continue to render decisions and give guidance to departments and agencies in connection with proposed transportation expenditures and to claimants who request the Comptroller General to review settlements involving questions of law or fact.

Settlement of Claims

We settle other categories of claims by and against the Federal Government. Our settlements are completely independent of the agencies out of whose operations the claims arise. Hence, aggrieved parties are provided with an impartial and independent settlement of their claims. Settling these claims without litigation also reduces the burden on the courts and the Department of Justice.

Claims against the United States referred to GAO for settlement are (1) those required by statute to be paid on settlement by GAO and (2) those involving doubtful questions of law or fact. During the year we settled 9,980 claims against the United States for \$194.9 million.

Claims made by the United States are referred to us for examination and adjudication when there is administrative doubt as to the liability of the debtor or the amount of the debt. Other claims are referred to us because debt collection efforts have been unsuccessful. During 1975 we settled 28,926 such claims, resulting in the collection of \$5.3 million. As of June 30, 1975, 41,017 claims totaling \$90 million were on hand, including 12,616 claims amounting to \$8.9 million in the process of collection by GAO and 4,024 claims under collection in the Department of Justice.

Further information on these activities will be found in chapter 15.

Financial Management Improvement

The year 1975 marked the 25th anniversary of the Budget and Accounting Procedures Act of 1950. This legislation—which became law on September 12, 1950—was a landmark in redesigning basic financial management responsibilities in the Federal Government. For the first time it specifically made the heads of executive agencies responsible for establishing and maintaining effective financial management systems, which would include good budget and accounting systems and related systems of internal control and audit.

Under this act the functions of the General Accounting Office, as they pertained to accounting, were materially changed, and since then our job has been to:

- Prescribe accounting principles and standards for the guidance of executive agencies.
- Cooperate with the agencies in improving their accounting and financial management systems.
- Approve agencies' principles and standards and accounting systems designs when they are determined to be adequate.

During fiscal year 1975, Federal agencies made further progress in reshaping their accounting systems so that we could approve them. We approved accounting principles and standards for systems in 3 agencies, plus designs for 27 systems in other agencies. By the end of the year, principles and standards for 280 of 286 systems subject to approval had been approved, and 148 designs had been approved. Our goal is to have all Federal agencies' accounting systems approved by the end of fiscal year 1980. To achieve this goal, we must review and approve 138 systems designs in the next 5 years—a task which will provide a great challenge not only to us but to the agencies who are still developing their systems to the point where they can be submitted for review and approval.

The Budget and Accounting Procedures Act of 1950 also authorized a cooperative, joint program of the Comptroller General, the Secretary of the Treasury, and the Director of the Office of Management and Budget to work continually toward improving financial management practices in the Federal Government. The Chairman of the Civil Service Commission and the Administrator of General Services have since been added to this group of Federal agency heads who lead the important Joint

Financial Management Improvement Program. The operations of this program are reported in separate annual progress reports that are published for the information of the Congress, all Federal agencies, and the public.

Federal Election Activities

The Presidential Election Campaign Fund Act, approved December 10, 1971, and the Federal Election Campaign Act of 1971, approved February 7, 1972, established new procedures concerning the financing and disclosure of campaign expenditures for Federal elections. Both laws assigned responsibilities to the Comptroller General, mainly relating to the disclosure of campaign expenditures for Presidential and Vice-Presidential candidates. During fiscal year 1972, a separate Office of Federal Elections was created in GAO to carry out these responsibilities.

During fiscal year 1975, the Congress enacted additional election campaign legislation which resulted in these responsibilities being transferred from the General Accounting Office. On October 15, 1974, the Federal Election Campaign Act Amendments of 1974 (Public Law 93-443, approved Oct. 15, 1974), established a new Federal Election Commission and provided for transferring to the Commission all authority of the Comptroller General as a supervisory officer for Presidential campaigns under title III of the Federal Election Campaign Act of 1971 and as the administrator of the Presidential Election Campaign Fund established under Public Law 92-178. The 1974 amendments also repealed title I of the Federal Election Campaign Act of 1971 under which the Comptroller General issued regulations governing campaign spending for communications media advertising.

The existing authority continued, however, during the transition period provided to allow time to appoint the Commission members and to organize its activities. Hence, our Office of Federal Elections continued to receive reports filed by Presidential candidates and political committees and to make them available for public inspection. The transition period ended on May 30, 1975, when the Federal Election Commission formally completed the transfer of records from the General Accounting Office and assumed authority under the 1974 amendments.

Savings and Other Accomplishments

It is not possible to determine the full effect of GAO activities in terms of financial savings, improvements in Government operations, and increased effectiveness of Government programs and activities. Where possible, we do keep records of savings resulting from actions that are primarily attributable to our work. For the fiscal year 1975, such savings amounted to \$503 million.

However, we perform much of our work with the objective of stimulating improvements in Government operations without regard to financial savings that can be identified as attributable to our work. In most cases, actions taken on our findings and recommendations cannot be fully measured in dollar terms. In some ways, actions taken on the basis of our findings and recommendations that may not result in measurable financial savings but that do lead to increased effectiveness in Government programs or activities are more important than actual financial savings.

Examples of savings and other accomplishments growing out of our work are presented in chapter 3.

Operating Expenses

The appropriation for operating our Office for fiscal year 1975 was \$125 million. Total operating expenses for the year were \$125.8 million, of which about 83 percent was for salaries and other personnel costs.

Financial statements showing our assets and liabilities, operating expenses, and other data are presented in appendix 6.

Staffing

At June 30, 1975, we had 5,490 employees, an increase of 302 over last year. Of the current total, 3,800, or about 70 percent, were members of our professional staff.

The table on page 215 presents a summary of the composition of our staff in terms of academic and experience backgrounds. We are continuing to increase the mix of disciplines of our staff, to enable us to better carry out our responsibilities and assist the Congress.

Equal Opportunity

We are continuing to improve our overall employment profile by increasing the number of women and minority persons on our rolls. Since June 30, 1972, the proportion of women employees increased from 26.5 percent of total general schedule employees to 28.4 percent. During the same period, the proportion of minority employees increased from 14.4 percent to 17.9 percent. (See p. 219 for further information on this program.)

Upward Mobility

This program is designed to give employees in lower grade jobs, with limited opportunity for advancement, a bridge to better positions on our professional staff. As described briefly on page 217, this program continued during the year with 28 employees participating.

Legislation To Revise and Restate Certain GAO Functions and Duties

On January 2, 1975, the General Accounting Office Act of 1974 was signed into law (Public Law 93-604). It provided for several changes in our responsibilities, all intended to enable us to operate more effectively, and we strongly supported it. Included in the new law are provisions:

- Transferring responsibility for detailed audit of transportation payments to the executive branch.
- Authorizing GAO audits of certain non-appropriated-fund activities.
- Authorizing a reduction in the frequency of required repetitive audits of Government corporations and certain other entities.

Additional legislation (H.R. 12114 and S. 3014) directly affecting GAO's functions and involving more complex issues was introduced in the 93d Congress but not acted upon. A new bill (S. 2268) was introduced in the 94th Congress on August 1, 1975, to:

- Enable the Comptroller General to institute civil actions in a Federal court in connection with proposed obligations or expenditures of public funds in a manner determined by him to be illegal.

HIGHLIGHTS OF ACTIVITIES FOR THE YEAR

- Authorize the Comptroller General to issue subpoenas for negotiated contract and subcontract records and records of other non-Federal persons or organizations.
- Authorize the Comptroller General to bring

- suit against Federal agencies to compel them to furnish requested records.
- Authorize and direct the Comptroller General to make profit studies of Government contractors.

CHAPTER TWO

LEGISLATIVE RECOMMENDATIONS

The Budget and Accounting Act, 1921, requires our Office to make recommendations to the Congress "looking to greater economy and efficiency in public expenditures." In cases where an audit shows that corrective legislation is required or desirable, our report will include an appropriate proposal for legislative consideration. In other cases, we may recommend that the affected agency sponsor a legislative proposal. Furthermore, we bring proposals for legislation to the attention of the committees of jurisdiction.

In January 1975 we submitted to the chairmen and ranking minority members of the responsible congressional committees an annual summary of recommendations for legislative action which were open as of January 1, 1975.

This chapter discusses our legislative recommendations acted on by the Congress in fiscal year 1975. Also included are open recommendations made by us during the year, together with other open recommendations carried forward from prior years.

Legislative Recommendations Acted on by the Congress During Fiscal Year 1975

Agriculture and Rural Development

Establishment of Independent Agency Separate from the Department of Agriculture to Regulate

Commodity Futures Trading—We recommended that the Congress establish an independent agency, separate from the Department of Agriculture, to regulate all futures trading because (1) this would remove any appearance of a conflict of interest, (2) futures markets, vital to the Nation's economic well-being, should be regulated by a strong, independent agency, and (3) Federal regulation could be extended to all types of futures trading encompassing commodities, such as metals and foreign currencies, in which the Department has little or no expertise.

On October 23, 1974, the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463) was approved by the President. This law, which became effective April 21, 1975, established an independent regulatory Commodity Futures Trading Commission to regulate futures trading and commodity exchange activities. (RED-74-236, May 3, 1974.)

Amendment of the Commodity Exchange Act to Provide Effective Regulation of Commodity Futures Trading—The Commodity Exchange Act, as amended, authorized the Secretary of Agriculture to regulate commodity futures trading. To close gaps in the act and to strengthen the Government's supervision of commodity exchanges and traders, we recommended the enactment of several amendments to the act. On October 23, 1974, the Congress enacted the Commodity Futures Trading Commission Act of 1974 (Public Law 93-463), which provided broad new authority to an independent Commission to regulate futures trading and commodity exchange activity.

The new act, which became effective on April 21, 1975, covered all but one of our legislative recommendations by providing authority for (1) regulating all goods, articles, services, rights, and interests traded for future delivery, (2) requiring the Commission to determine whether to permit trading by floor brokers and futures commission merchants for their own account while at the same time trading for their customers, (3) authorizing the Commission to seek, through the Attorney General or directly from the courts, to enjoin contract markets or persons from violating the act, (4) authorizing the establishment of additional points for the delivery of a commodity, (5) imposing penalties up to \$100,000 for both administrative and criminal violations, and (6) expanding registration and examination for fit-

ness requirements to include all individuals handling customers' accounts. Our recommendation to provide authority to establish margin requirements only in emergency situations was considered during the hearings preceding enactment of the Commodity Futures Trading Commission Act of 1974 but was not adopted. (RED-74-236, May 3, 1975.)

Education and Manpower

Improvement of Bill Proposing to Amend the Indian Self-Determination Act—As a result of our recommendations to the Chairman, House Committee on Interior and Insular Affairs, a bill, S. 1017, was amended to provide for tightening up the contracting provisions for auditing and reporting, criminal penalties for misuse of contract funds, and the advance payment of contract funds. Federal Government trust responsibilities and duties to Indian tribes were also clarified and more clearly defined. The amended bill subsequently was enacted as Public Law 93-638, approved January 4, 1975.

General Government

Interest Rate Charged on Extended Payment of Estate Taxes Increased—Payment of estate taxes is generally required within 9 months after a decedent's death unless IRS grants the estate an extension. The Internal Revenue Code required that an annual 4-percent rate of interest be charged on these taxes during the extended payment period. We recommended to the Joint Committee on Internal Revenue Taxation that this interest rate be increased to a level more in line with the Government's cost of borrowing.

Public Law 93-625, approved January 3, 1975, increased the rate of interest charged on deferred estate taxes, as well as other taxes, and the interest rate paid by IRS on tax refunds. The rate was increased to 9 percent, subject to adjustment geared to changes in the prime rate by commercial banks. On an annualized basis, the 9-percent interest rate on deferred estate taxes will provide an increase of \$40.6 million in payments to the Federal Government. Because the interest rate is subject to adjustment in February 1976 and the amount of deferred estate taxes will vary, future savings will fluctuate. (GGD-74-1, Aug. 9, 1973.)

Income Security

Paying Compensation Claims of Disabled Federal Employees—Federal employees unable to work because of job-related injuries were waiting 4 to 6 weeks, and sometimes more, before they received disability compensation. This delay occurred despite the fact that 90 percent of all disability claims were uncontested, requiring minimal time to adjudicate. We recommended that each Federal agency be authorized to immediately pay the claims of its employees by keeping them in a pay status pending processing of the claim with provisions for recovery of erroneous payments. On September 7, 1974, the Federal Employees Compensation Act was amended by enactment of Public Law 93-416(1), making the changes we sought. (B-157593, Nov. 21, 1973.)

International Affairs and Finance

Provision for Excess Defense Articles in Foreign Assistance Legislation—In 1973 GAO recommended restrictions in the use of excess defense articles in the Military Assistance Program (B-163742, Mar. 21, 1973). The Congress later passed legislation which actually expanded the possibilities for the uncontrolled use of excess defense articles by changing the definition for the valuation of these articles to be charged to the program under section 8 of the Foreign Military Sales Act Amendments of 1971.

In 1974 Senate bill 3394 was introduced and contained a provision to repeal section 8, making congressional oversight more difficult and further liberalizing the use of excess defense articles in the Military Assistance Program. GAO was requested to review this proposed provision, and we later recommended that the Congress consider retaining section 8 with modifications originally recommended in the 1973 report. (Excess Defense Articles Provision in Proposed Foreign Assistance Legislation, ID-74-65, July 15, 1974.)

The Congress passed the Foreign Assistance Act of 1974 which contained two amendments incorporating our recommendations.

Need to Increase Congressional Control Over Excess Defense Articles Transfers—The President and the Department of Defense have considerable statutory authority to transfer military equipment and materials to allies or U.S. Forces. This authority

is especially significant in the area of excess defense articles in that Defense can transfer vast quantities of excess items to foreign governments with little or no charge to any appropriation.

We recommended that the Congress consider tighter controls over the quantity of excess articles that can be transferred to foreign governments. At the time we submitted our report, legislation was pending on the Department of Defense procurement authorization bill. Because of this we made no recommendation related to stockpiling. (Department of Defense Stockpiling of War Reserve Materials for Use by United States Allies, ID-74-68, July 17, 1974.)

As a result of our report, the Congress passed a new section 514 in the Foreign Assistance Act of 1974 which prohibits the stockpiling of defense articles of war reserves for foreign countries with any funds other than those authorized by the act or, in the case of Vietnam, the Military Procurement Act of 1966. The costs of stockpiling are chargeable to the Military Assistance Program appropriations in the year such defense articles are set aside.

Issues Related to U.S. Military Sales on Assistance to Iran—U.S. security assistance to Iran has changed from grant aid to credit sales to the present program of large-scale cash sales of hardware and management and technical advisory services of Department of Defense personnel. The Congress does not systematically receive timely information on the volume and makeup of cash sales and/or on the nature of the military capabilities they provide the buyer. We recommended that the Congress, as a means of securing timely information for its policy deliberation, require the executive branch to periodically furnish information on the volume and nature of major cash sales that could materially increase the military capabilities of the purchasing nation. (ID-75-15, Oct. 21, 1974.)

On December 30, 1974, the Foreign Assistance Act of 1974 was passed. It requires that the President report to the Congress certain sales and proposed sales of any defense articles or services under specified conditions.

National Defense

Nuclear Regulatory Commission Given Authority to Predetermine the Trustworthiness of Drivers and Guards Transporting Special Nuclear Mate-

rial—In the absence of a Government operated or licensed system for transporting special nuclear material, the Commission's lack of specific authority to predetermine the trustworthiness of transport drivers and escorting guards was a weakness in the system for protecting such materials from loss or diversion. We recommended that the Joint Committee on Atomic Energy consider amending the Atomic Energy Act to provide the authority to predetermine the trustworthiness of vehicle drivers and escorting guards.

Authority was provided to the Commission under section 7 of Public Law 93-377, to establish standards for investigating the trustworthiness of persons involved with quantities of special nuclear material important to the common defense and security. (RED-74-208, Apr. 12, 1974.)

Improved Method of Determining Military Pay Increases—In the past, military compensation was adjusted under various laws enacted at different times to achieve different purposes. Pay increases under these laws often resulted in basic pay and allowances which were inflated and inequitable. GAO was asked by the Congress to study the need for a change in the method of determining pay increases, and, if a change was needed, the best method to adopt. We reported the shortcomings of the current method and recommended it be changed. We stated that either of the two proposals—one put forth by the administration and the other, called the equal percentage method, advanced by a private nonprofit research organization—would solve the most serious shortcomings in the current method but that we preferred the equal percentage method because of its simplicity and ease of administration.

In September 1974, the Congress passed legislation which was signed into law adopting the equal percentage method. As a result, the Department of Defense estimated that military pay would be reduced by about \$193 million during the first year and by \$4.6 billion between 1975 and 1980. In addition, many of the inequities under the old laws should be minimized. (B-163770, Mar. 14, 1974.)

Natural Resources and Environment

Increased Emphasis Needed on Reforestation and Timber Stand Improvement Backlog on National

Forest Land—The growing demand for lumber and the increasing pressure to use productive timberland for other multiple-use purposes added to the need for the Forest Service to accelerate reforestation and timber stand improvement work on the estimated 18 million acres of national forest land needing such work. We presented for consideration by the Congress several alternatives for increasing funds to accelerate reforestation and timber stand improvement. One of these was to increase regular appropriations from general funds of the Treasury.

For fiscal year 1975, the Congress appropriated \$50 million for reforestation and timber stand improvement, \$15 million more than the amount requested in the administration's budget. In October 1974, the Forest Service advised the Congress as to the additional amounts needed to liquidate its reforestation backlog over a 10-year period. (RED-74-195, Feb. 14, 1974.)

Open Legislative Recommendations Made During Fiscal Year 1975

Commerce and Transportation

Use of Leveraged Leases to Purchase Equipment—The National Railroad Passenger Corporation (AMTRAK) finances new equipment through federally guaranteed leveraged lease transactions, in which equipment is purchased under a conditional sale agreement and then sold and leased back from a trustee who obtains title to the equipment.

Although leveraged leases help keep AMTRAK's financing costs down (because the implicit financing costs for leveraged leases are less than the cost of direct borrowing to purchase the equipment outright), from an overall Government standpoint there are other consequences, such as lost tax revenue, that have an important bearing on the total financial ramifications of these transactions. We suggested that the Subcommittee on Transportation, House Committee on Appropriations, consider whether leveraged leases are an acceptable method of financing AMTRAK equipment. (RED-75-329, Feb. 26, 1975.)

This recommendation is for consideration by the following committees:

Senate: Commerce

Appropriations

House: Interstate and Foreign Commerce

Appropriations

Need to Clarify the Postal Service's Authority to Close Small Post Offices When Alternate Service Is Available—The Postal Reorganization Act (39 U.S.C. 101) provides that, to insure effective service to all customers, no small post office be closed solely for operating at a deficit. We reported that the Postal Service, by closing about 12,000 small post offices, could save approximately \$100 million annually without decreasing the quality of service to its rural customers.

We recommended that the Congress consider clarifying section 101 of the Postal Reorganization Act by authorizing the Postal Service to close these small offices if equivalent alternate service is available. (GGD-75-87, June 4, 1975.)

This recommendation is for consideration by the following committees:

Senate: Committee on Post Office and Civil Service

House: Committee on Post Office and Civil Service

Community Development and Housing

Getting the New Communities Program Started: Progress and Problems—New community projects were not being undertaken in central cities, smaller towns, and rural areas, because unique problems in these areas increased project costs and the risks developers would have to take.

We recommended that the Congress consider changing the legislation to provide additional financial and tax incentives to encourage the development of such projects. (RED-75-284, Nov. 15, 1974.)

This recommendation is for consideration by the following committees:

Senate: Banking, Housing, and Urban Affairs

House: Banking, Currency, and Housing

Education and Manpower

Insuring the Education of all Handicapped Children—About 80 percent of Federal education and training funds for the handicapped are allocated to States by fixed formulas. States receive only general guidance from Federal agencies on how these funds should be spent and no assurance exists that the funds are distributed in proportion to the greatest needs.

LEGISLATIVE RECOMMENDATIONS

The Education Amendments of 1974 (Public Law 93-380) amended part B of the Education of the Handicapped Act to require that, starting with fiscal year 1976, funds for educating the handicapped be made available to States only after they submit an amendment to the required plan, showing in detail the policies and procedures the State will undertake to insure that all handicapped children are educated and that all handicapped children in the State in need of special education are identified and evaluated.

We recommended that the Congress consider making similar adjustments to titles I and III of the Elementary and Secondary Education Act, to part B of the Vocational Education Act, and to title I, part B, of the Rehabilitation Act of 1973, which earmark funds for the handicapped. We also recommended that the Congress consider eliminating those formula allocating factors in the legislation which may result in unequal opportunities available to the handicapped. (MWD-74-162, Dec. 5, 1974.)

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

Improved Local Public Library Services—Many States apparently have interpreted title I of the Library Services and Construction Act, as amended, and its implementing regulations as allowing them broad discretion in retaining funds for use at the State level. Retaining large portions of funds often reduced the funds available to provide new or improved library services at the local level, where such services were lacking or inadequate.

We recommended that the Congress consider amending the existing legislation to specify a dollar amount or percentage limit on the title I funds that the States may retain for administration, services, and statewide programs. (MWD-75-4, Dec. 30, 1974.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

Administration of Vocational Education Programs at the Federal, State, and Local Levels—Specific areas of administration and operation of vocational education programs can be strengthened at the Federal, State, and local levels to help insure that these programs have maximum impact. We recom-

mended that the Congress consider amending the Vocational Education Act as follows:

- Set a limit on the amount of Federal funds that can be retained at the State level.
- Require States to use a portion of retained Federal funds to improve the planning process at the State level.
- Require that Federal funds be used primarily to develop and improve programs and extend vocational opportunities.
- Provide programs and services for the disadvantaged and handicapped.
- Require the Secretaries of HEW and Labor to establish a planning process to insure that education and manpower efforts will be synchronized for students at all levels.
- Establish a set-aside requirement to encourage cooperative arrangements to expand vocational training and strengthen programs by using other public training resources.
- Establish, as a legislative policy, that Federal funds not be used for construction, except where adequate justification exists.
- Require that funds be directed to local education agencies for programs involving skill areas with demonstrated job opportunities.
- Require that work experience be an integral part of part B programs, to the extent possible.
- Require that schools take responsibility for job placement assistance.
- Reduce the impact of several barriers which inhibit persons from participating in vocational education. (MWD-75-31, Dec. 31, 1974.)

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

Protection for American Labor from Aliens Entering the Country—A provision of the Immigration and Nationality Act allows the Secretary of Labor to bar issuance of a visa to an alien seeking permanent employment when such immigration would adversely affect the American labor market. This provision is known as the labor certification program. Apparently, the program has had little effect, because a large number of aliens entering this country—many of whom enter the labor force—are not required to obtain a certification.

We recommended that the Congress, if it decides

added protection from alien workers is needed, consider amending the act to remove the labor certification exemptions from certain categories of aliens. (MWD-75-2, May 16, 1975.)

This recommendation is for consideration by the following committees:

Senate: Judiciary

House: Judiciary

Need to Allow All Eligible Adults to Participate in the Adult Basic Education Program, Regardless of Education Achievement Level—Educational grades completed do not accurately measure a person's functional level, because for many people actual functional levels are below the number of grades completed. Many adults having high school diplomas have applied for participation in the adult basic education program but have been denied admission because the law prohibits high school graduates from participating in the program.

We recommended to the Congress that the Adult Education Act be amended to allow adults with high school diplomas to participate in the adult basic education program. (MWD-75-61, June 4, 1975.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

Need to Revise Fund Allocation Formula for Adult Education Programs—The Adult Education Act requires that special emphasis be given to adult basic education—generally considered to be instruction at or below the eighth grade level. However, the formula in the act for allotting funds among the States gives no priority to instruction below the secondary level.

We recommended that the Congress amend the act to change the allotment formula to recognize the special emphasis needed for adults functioning at the lower level grades. (MWD-75-61, June 4, 1975.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

Energy-Related Activities

National Standards Needed for Residential Energy Conservation—We reported to the Congress

that a large amount of energy could be conserved in residential housing if legislation were enacted to:

- Establish a national program for energy conservation, including national goals and priorities and Federal agency goals.
- Require the establishment of national thermal standards or energy performance standards for all new housing.
- Encourage homeowners to retrofit their houses with energy-saving devices by providing them with incentives.
- Require that all existing homes financed directly or indirectly through any federally insured agency meet minimum thermal standards.
- Require mandatory efficiency labeling of all major appliances.
- Establish a cut-off date when appliances meeting minimum standards of operating efficiency would be required to be installed in new homes.
- Ban the use of ornamental gas lights and require electric igniters instead of pilot lights on new appliances.

We also recommended that the Secretary of Housing and Urban Development take several measures under current legislation to promote energy savings. These measures included emphasizing operating costs as well as initial construction costs in the Department's minimum property standards, establishing thermal standards for existing housing to be insured under Federal programs, and contracting with industry to develop more energy-efficient housing subsystems.

The Department agreed that a large amount of energy would be conserved if the Congress enacted legislation providing for establishment of national thermal standards or energy performance standards for all new housing. (RED-75-377, June 20, 1975.)

These recommendations are for consideration by the following committees:

Senate: Banking, Housing, and Urban Affairs

House: Banking, Currency, and Housing
Ways and Means

General Government

Restoring Grade to Employees Demoted During Reductions in Force—Some general schedule employees demoted without loss of pay because of displacement from their competitive levels have

received pay increases when they were restored to previously held grades. However, employees who continued without interruption in their competitive levels did not receive these unearned pay increases.

The law (5 U.S.C. 5337(a)) provides, under certain conditions, that a general schedule employee is entitled to retain his current pay for 2 years after he is demoted. 5 U.S.C. 5334(b) provides that, if an employee who is promoted or transferred to a position in a higher grade is receiving basic pay at a rate saved to him under section 5337 on reduction in grade, he is entitled to either (1) basic pay at a rate two steps above the rate which he would be receiving if salary retention did not apply or (2) his existing rate of basic pay, if that rate is higher.

We recommend that the Congress consider amending 5 U.S.C. 5334(b) to provide that an employee demoted without loss of pay under 5 U.S.C. 5337(a) be entitled, upon restoration to his previously held grade, only to the pay he would have received had he not been demoted. (FPCD-74-46, July 2, 1974.)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service

House: Post Office and Civil Service

Selection of Applicants for Federal Employment—When a Federal agency does not fill a vacant job through promotion or reassignment from within, it asks the Civil Service Commission to provide a list of the people eligible for the job. According to law (5 U.S.C. 3318), the agency must select from the three people on the list who have the highest scores.

Practical limitations in personnel testing and measurement restrict the degree of accuracy attainable and prevent applicant examinations from being perfectly reliable or valid. As a result, the examining process cannot accurately rate and rank comparably qualified applicants in exact order of competence.

The Commission's lists often include many applicants with the same, or nearly the same, score. In cases of identical scores, names are usually placed on the register, including the top three positions, in alphabetical order or by other means which do not relate to the applicants' job qualifications.

In our opinion, the requirement of selecting from the top three eligibles is unrealistically rigid. We recommended that the Congress amend the requirement, allowing the Commission to prescribe alterna-

tive selection procedures similar to those discussed in our report. (FPCD-74-57, July 22, 1974.)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service

House: Post Office and Civil Service

Use of Statutory Authority for Providing Inmate Release Funds—Bureau of Prisons' inmates, upon release, are provided clothing, transportation, and, if considered necessary by prison officials, funds. Release funds are provided in the form of a gratuity or loan. Although the law does not clearly authorize loans for work furlough participants, the Bureau has made such loans. We questioned the Bureau's policy of authorizing release gratuities for inmates placed in contract community treatment centers.

We recommended that (1) legislation be initiated to either clearly authorize or prohibit making loans to prisoners in the work release program and (2) the law be amended to specifically authorize release gratuities to inmates committed to community treatment centers. The Subcommittee on Courts, Civil Liberties, and the Administration of Justice of the House Committee on the Judiciary is considering H.R. 2324, 94th Congress, which proposes establishing an offender rehabilitation fund to be used for loans to inmates upon release, work furlough, or transfer to community treatment centers. The gratuity matter is also being considered by the Subcommittee. (GGD-75-3, Aug. 16, 1974.)

These recommendations are for consideration by the following committees:

Senate: Judiciary

House: Judiciary

Scope of Authority of U.S. Magistrates—District courts may assign U.S. magistrates duties which are consistent with the Constitution and laws of the United States. Determining what is or is not consistent with such laws frequently raises questions which need to be referred to the U.S. Courts of Appeals. However, because of conflicting decisions, these courts have not clearly defined "consistency." Also, by increasing the magistrates' trial jurisdiction to include all misdemeanors, the district judges' workloads could be reduced, thereby allowing them to spend more time on felony and civil matters.

We recommended that the Congress further define the authority of magistrates and consider amending the Federal Magistrates Act to expand the trial

jurisdiction of magistrates to include most misdemeanors. (GGD-74-104, Sept. 19, 1974.)

These recommendations are for consideration by the following committees:

Senate: Judiciary

House: Judiciary

Legal Limitations on Flexible Work Schedules—

Many companies, local governments, and other organizations have adopted an altered workweek using either flexible or compressed work schedules which have benefited both employers and employees. For most Federal employees, however, the workweek is legally limited to 5 days, 8-hours per day.

Various forms of altered schedules could be applied to selected Federal organizations with resulting benefits to the Government, the employee, and the public. Basic data is needed to identify those work schedules that will contribute most to efficient agency operations.

As a means of determining altered schedules' applicability to Federal employees, we recommended that the Civil Service Commission seek legislation to amend paragraphs 6101 and 6102 of title 5, United States Code, and section 7(a) (1) of the Fair Labor Standards Act, as amended, to permit controlled experimentation with flexible and compressed work schedules. The Commission concurred with our recommendation and is seeking the necessary legislation. (The House Committee on Post Office and Civil Service held hearings September 29 and 30 and October 7, 1975, on H.R. 6350 and H.R. 9043, both dealing with this subject.) (FPCD-75-92, Oct. 21, 1974.)

This recommendation is for consideration of the following committees:

Senate: Post Office and Civil Service
Labor and Public Welfare

House: Post Office and Civil Service
Education and Labor

*Desirability of Increasing Payment Bonds on Construction Contracts—*The Miller Act (40 U.S.C. 270a etc.) requires payment bonds on construction contracts—50 percent on contracts not exceeding \$1 million, 40 percent on contracts exceeding \$1 million but not more than \$5 million, and a \$2.5 million bond on contracts over \$5 million. Regardless of the amount of the contract, Government agencies require payment bonds for the stipulated amounts and performance bonds for 100 percent of the contract. Performance and payment bonds are gen-

erally sold as a package, and the surety industry has structured the rates so that premiums for the package are usually based on the contract amounts. Representatives of the surety industry said requiring 100-percent payment bonds would not increase surety rates because:

1. Federal construction projects represent only 10 percent of the industries' premium income.
2. With the current rate structure based on total construction costs, the Federal Government is already paying for a 100-percent payment bond.
3. Most State and local government laws, as well as private industry policy, currently permit 100-percent payment bonds.

We recommended that the Miller Act be amended to permit the Government to require construction contractors to furnish 100-percent payment bonds. (LCD-74-319, Jan. 17, 1975.)

This recommendation is for consideration by the following committees:

Senate: Committee on the Judiciary

House: Committee on the Judiciary

*Need to Eliminate Preferential Treatment Involving Prospective Immigrants—*Many aliens use foreign student status to gain entry into the United States and thereby acquire, on a preferential basis, permanent resident status under other provisions of the Immigration and Nationality Act. Many foreign students obtain the grounds for permanent resident status while violating their student status.

We recommended that the Congress impose a mandatory waiting period for foreign students before allowing them to acquire immigrant status, if grounds for such status were acquired illegally. (GGD-75-9, Feb. 4, 1975.)

This recommendation is for consideration by the following committees:

Senate: Judiciary

House: Judiciary

*Need to Amend the Intergovernmental Cooperation Act of 1968 to Require that Federal Agencies Report to Each State on All Federal Financial Assistance Received—*The act provides that the States be notified of the purpose and amounts of grants-in-aid they and their political subdivisions received. However, the definition of "grants in aid" specifically excludes such forms of Federal financial assistance as loans and research and development grants and contracts. Because of the restrictive defi-

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nition, Federal agencies are not required to report all Federal financial assistance to States.

One objective of the Intergovernmental Cooperation Act of 1968 was to inform States of Federal funds sent to them and their political subdivisions as a means of aiding State planning and budgeting. To meet this objective, we recommend that the Congress amend the act to require that Federal agencies report to each State all Federal financial assistance to the State and its political subdivisions. (GGD-75-55, Mar. 4, 1975.)

This recommendation is for consideration by the following committees:

- Senate: Appropriations
Government Operations
- House: Appropriations
Government Operations

Federal Income Taxes Should be Withheld From Agricultural Wages—Agricultural employers are not required to withhold Federal income tax from their employees' wages. As a result, many employees have trouble paying their taxes when they file their tax returns. This plight has also led to tax delinquencies and collection problems for the Internal Revenue Service.

We recommended that the Internal Revenue Code be amended to include agricultural wages in the income tax withholding system. (GGD-75-63, Mar. 26, 1975.)

This recommendation is for consideration by the following committees:

- Senate: Finance
- House: Ways and Means

Access to Records—In our report on the National Credit Union Administration, we recommended that the Congress amend the Federal Credit Union Act to clarify GAO's unrestricted access to credit union examination reports. (FOD-75-18, July 14, 1975.)

This recommendation is for consideration by the following committees:

- Senate: Banking, Housing, and Urban Affairs
- House: Banking, Currency and Housing

Better System Needed for Adjusting Top Executive, Legislative, and Judicial Salaries—There is a critical need for a better system for adjusting top Federal officials' salaries. The present 4-year process for assessing and adjusting salaries has failed to achieve its objectives. Such salaries have not changed since March 1969; since then, the salaries' purchas-

ing power has decreased considerably. In contrast, salaries of non-Federal executives have increased greatly.

Because the lowest rate of the executive schedule—\$36,000—is the statutory pay ceiling for other pay systems and because these systems have had pay increases amounting to about 50 percent since March 1969, five management levels now draw the same salary. This situation has created great inequities and is having serious adverse effects on recruitment, retention, and incentives for advancement to senior positions throughout the Federal service.

We recommended legislative action be taken to maintain reasonable and equitable pay levels for officials running the Government's huge, complex operations. (FPCD-76-2, July 15, 1975.)

On August 11, 1975, the President signed Public Law 94-82, which provides for adjusting the statutory pay ceiling at the same annual percentage increase as that applied to the salaries of general schedule employees.

This recommendation is for consideration by the following committees:

- Senate: Post Office and Civil Service
- House: Post Office and Civil Service

Health

Food Labeling: Goals, Shortcomings, and Proposed Changes—Present Federal packaging and labeling laws prescribe labeling requirements to (1) prevent deception, (2) provide that packages and their labels enable consumers to obtain accurate information about the quantity of the contents, and (3) facilitate value comparisons. Although most food products comply with Federal packaging and labeling laws and regulations, legislative changes are needed to provide consumers with more usable information on food packages and their labels so that they can compare and select those products best suited to their needs or wants.

We recommended that the Congress consider amending the Fair Packaging and Labeling Act or the Federal Food, Drug, and Cosmetic Act to (1) require full disclosure of all ingredients on packaged food products, (2) authorize FDA to require food labels to specifically identify spices, flavorings, and colorings, and (3) establish a uniform open-dating system for perishable and semiperishable foods. We also recommended that the Congress consider enacting legislation to establish a unit price

ing program, including guidelines for designing and maintaining unit pricing information and educating consumers about its use and benefits. (MWD-75-19, Jan. 29, 1975.)

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare

House: Interstate and Foreign Commerce

Need for Disclosing Overlapping Financial Interests—We recommended that the Congress consider amending the Social Security Act to require hospitals, as a condition for participating in Medicare, Medicaid, and Maternal and Child Health and Crippled Children's Services, to make publicly available information disclosing (1) overlapping financial interests of the board members and key employees, including a statement of the extent of competition involved in acquiring goods and services, and (2) the hospitals' arrangements with hospital-based specialists. Such a provision should also be considered for inclusion in any national health insurance program legislation. (MWD-75-73, Apr. 30, 1975.)

This recommendation is for consideration by the following committees:

Senate: Finance

House: Ways and Means

Public Hazards from Unsatisfactory Medical Diagnostic Products—Because the Food and Drug Administration's regulation of in vitro diagnostic products has not been effective, unreliable in vitro diagnostics are being sold in the United States and exported to foreign countries. HEW's Center for Disease Control estimates that 25 percent of all diagnostic test results are unreliable. In addition, not all biological in vitro diagnostic products are regulated in the same way, because legislation concerning their regulation is not clear.

We recommended that the Congress provide the Food and Drug Administration (FDA) a clear legislative mandate to regulate in vitro diagnostic products, including the authority to:

- Require all manufacturers to be registered.
- Require in vitro diagnostic product manufacturers to be periodically inspected.
- Obtain access to manufacturers' quality control, complaint, and other relevant records needed to determine compliance with the Federal Food, Drug, and Cosmetic Act.

—Detain suspected violative products.

—Require firms to recall all violative products under FDA's responsibility.

—Prevent export of in vitro diagnostic products not meeting U.S. standards.

We also recommended that the Congress clarify whether diagnostic products of biological origin should be controlled under the Federal Food, Drug, and Cosmetic Act or whether such products should be licensed in accordance with the Public Health Service Act. (MWD-75-52, Apr. 30, 1975.)

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare

House: Interstate and Foreign Commerce

Need for Improvements in Treating Chronic Kidney Failure—Since July 1, 1973, the Government's Medicare program has been responsible for paying for chronic kidney disease treatment for persons under 65. The program discriminates against patients whose kidney transplants fail after 12 months. Such patients must pay the cost associated with the failure and any dialysis required during the waiting period before Medicare coverage resumes. Medicare eligibility begins with the 3d month after the month in which dialysis is started and ends with the 12th month after the month a patient receives a kidney transplant. Therefore, if a transplant functioned for 12 months and then failed, the patient would have to return to dialysis and start a new waiting period for Medicare coverage to resume. We recommended legislative language to remedy that situation.

Dialysis can be performed at a center or at the patient's home. The program does not provide incentives for home dialysis, the least expensive form of dialysis treatment. Accordingly, we recommended several legislative alternatives to encourage greater use of home dialysis. (MWD-75-53, June 24, 1975.)

These recommendations are for consideration by the following committees:

Senate: Finance

House: Ways and Means

Income Security

Federal Retirement Systems—The Federal Government operates 10 retirement systems covering approximately 5.9 million civilian and military personnel. No uniform practices or principles exist to fi-

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nance these Federal retirement systems. Some are financed on a contributory basis, others are noncontributory. Some provide for fully funding benefits as they accrue, some for partial funding. Others are completely unfunded.

Lacking a coherent, coordinated Federal retirement policy, programs have evolved and developed in a piecemeal fashion, resulting in creation of duplicate and inconsistent benefits. In addition, the Congress does not receive complete or consistently developed current and projected financial information on these retirement systems.

We recommended that the Congress hold hearings to develop legislation to establish (1) an overall Federal retirement policy providing objectives and principles to guide future development and improvement of Government retirement systems and (2) a centralized mechanism to monitor the development, interrelationship, and cost of retirement programs and to improve the reporting of financial data. (FPCD-74-93, July 30, 1974.)

This recommendation is for consideration by the following committees:

Senate: Judiciary

District of Columbia
Armed Services
Post Office and Civil Service
Foreign Relations
Public Works

House: District of Columbia

Armed Services
Post Office and Civil Service
International Relations
Public Works
Judiciary

Authority to Make Over a Miner's Check to His Widow—Permitting widows to cash checks made out to deceased miners should improve the process for converting miners' benefits to widows' benefits. Under existing law, however, a surviving widow cannot properly cash a deceased miner's check. Although three bills (H.R. 16448, H.R. 17134, and H.R. 17178) concerning the black lung benefits program were introduced in the 93d Congress, none of these bills provided for making over a miner's check to his widow.

We recommended that the Congress consider a technical amendment incorporating section 205(N) of the Social Security Act into the black lung law to

permit the making over of a deceased miner's check to his widow. (MWD-75-44, Dec. 31, 1974.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

Need to Authorize Advance Payments to Summer Food Service Sponsors—Some of the nonprofit sponsors of the Special Summer Food Service Program for Children must operate on tight budgets and without adequate working capital, especially during the planning stage. We suggested that the Congress, if it decided to continue the program, consider giving the Secretary of Agriculture authority—similar to his authority under the National School Lunch Program—to make advance payments to help sponsors improve their planning and other administrative activities. Such authority should provide for adequate safeguards, to be included in the legislation or in an accompanying committee report, to insure that sponsors can administer a successful program and that the money advanced is commensurate with the volume of food services the sponsors are expected to provide.

Public Law 94-105, enacted in October 1975, authorized advance payments to summer program sponsors. (RED-75-336, Feb. 14, 1975.)

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry

House: Education and Labor

Need to Clarify Extent of Coverage Desired under the Special Summer Food Service Program for Children—The authorizing legislation, which was due to expire June 30, 1975, covered two programs and contained several vague or ambiguous provisions affecting program coverage. We recommended that, if the program were to be continued, the Congress clarify the extent of coverage desired. Such clarification should include (1) separating the authorization of the summer program from that of the year-round day-care program, to recognize their differing administrative characteristics, (2) specifying the ages of eligible children, (3) providing more definitive criteria for determining their eligibility by more clearly specifying the areas in which eligible children shall reside or by providing other appropriate criteria for determining eligibility, and (4) stating whether there shall be authority to serve free meals to chil-

dren participating in the program, regardless of their ability to pay for the cost of the meals.

Public Law 94-105, enacted in October 1975, accomplished the objective of our recommendation. (RED-75-336, Feb. 14, 1975.)

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry

House: Education and Labor

How to Improve Administration of the Federal Employees' Compensation Benefits Program—The Department of Labor uses an Employees' Compensation Fund to pay disability benefits due under the Federal Employees' Compensation Act on behalf of various Government agencies, instrumentalities, and other organizations (hereafter referred to as agencies). Each agency, however, must reimburse the Fund through Labor for benefit payments made. Certain agencies not wholly dependent on annual appropriations from the Congress must pay an additional amount for their fair share of the cost of administration.

Administrative costs could be reduced if agencies receiving appropriated funds were not required to reimburse the Fund. In addition, because they are not specifically enumerated in the law, certain agencies not wholly dependent upon annual appropriations were not billed for their fair share of the Fund's administrative costs.

We suggested that the Congress consider amending the act to (1) help strengthen or eliminate the chargeback process for agencies receiving appropriated funds and (2) make the fair-share surcharge for administrative costs applicable to agencies not wholly dependent on annual appropriations, although the agencies are not enumerated in the act. (MWD-75-23, Mar. 13, 1975.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

Interest

Need for a Uniform Method of Paying Interest on Government Trust Funds—Large sums are invested for the major trust funds in Government securities at varying interest rates. The basis for the interest rates which Treasury pays on funds borrowed from the trust funds by issuing special obliga-

tions are either prescribed by statute or established administratively. Because the basis for assigning the interest rates is not the same, inequities in interest rates paid by Treasury on borrowed funds result.

We recommend that the Congress consider enacting one law to provide that the major trust funds, rather than being invested in specific Government securities, be paid interest on the trust fund balances used for nontrust purposes. The interest rate assigned to each fund should be the same and in line with the cost of borrowing by Treasury from the public. (GGD-75-34, Jan. 10, 1975.)

This recommendation is for consideration by the following committees:

Senate: Appropriations

Finance

House: Appropriations

Ways and Means

International Affairs and Finance

Lack of Provision for Stopping Proposed Grants—Public Law 480 did not provide the Congress with a clearly defined means to stop any excess foreign currency grants proposed without appropriation. Also, a question existed regarding the executive authority to use a Presidential waiver for making such grants.

We recommended that the Congress consider the need for legislation to (1) specifically give it a clearly defined means for stopping grants proposed without appropriation which it finds objectionable, and (2) clarify the question that existed regarding the executive authority to use the first proviso of section 104, Public Law 480, for making excess currency grants without appropriation. (ID-74-78, Aug. 19, 1974, and ID-74-91, Aug. 27, 1974.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

House: International Relations

Need for Independent Review and Evaluation of the Foreign Service Personnel System—Agency for International Development positions occupied by Foreign Service employees have not been reviewed externally, although indications are that Foreign Service reserve and Foreign Service staff grade structures are high.

We recommended that the Congress consider proposing legislation to provide for external independ-

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ent review and evaluation of the Foreign Service personnel system. (ID-74-98, Aug. 29, 1974.)

This recommendation is for consideration by the following committee:

Senate: Appropriations

Need for a Uniform Benefits and Allowances System for Government Civilian Employees Overseas—We found innumerable differences, within and among agencies, in the types and amounts of allowances available and paid to U.S. civilian employees overseas. There are four benefit and allowance systems for these civilians involving different legislative authority, agency regulations, and discretionary decisions by agency officials at varying levels.

We recommended to the Office of Management and Budget (1) several options for dealing with this problem and (2) that it seek authorizing legislation as needed. We did not, however, make recommendations pertaining to specific statutes. (ID-74-67, Sept. 9, 1974.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

Post Office and Civil Service

House: International Relations

Post Office and Civil Service

Funding of Presidential Gifts and Grants—We received a request from a subcommittee chairman for information on the legal authority for, and other information relating to, President Nixon's gift of a helicopter to President Anwar Sadat of Egypt and for information on any other gifts or transfers of U.S. Government property resulting from a June 1974 visit to several Middle East and European countries. In addition to the subcommittee chairman's request, several other Members of Congress made similar inquiries.

We concluded that, under provisions of the Foreign Assistance Act of 1961, as amended, President Nixon had the authority to give the helicopter to the Arab Republic of Egypt and to grant \$10 million in U.S.-owned excess Egyptian currency to an Egyptian charity. However, we stressed that, although the helicopter gift under the act's contingency fund provision was legal, the gift was apparently contrary to the intention of the sponsor of that provision. Changes in the language of an amendment to the act made the intent of the Congress less clear

regarding the purposes for which the contingency fund could be used. We suggested that, should the Congress wish to prohibit or restrict these actions in the future, it amend the language in the act to better clarify legislative intent. (ID-75-20, Oct. 31, 1974.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

House: International Relations

Important Objective of Housing Assistance to Developing Countries Is Not Being Met—The Housing Investment Guarantee program of the Agency for International Development provided few homes for lower income persons and families, although such housing has been a legislative objective since 1965, under section 222(b)(3) of the Foreign Assistance Act of 1961, as amended.

We recommended that the Congress consider encouraging the Agency to implement projects called for by this section, or amend the legislation deleting the section from the law. (ID-75-9, Nov. 25, 1974.)

This recommendation is for consideration by the following committees:

Senate: Foreign Relations

House: International Relations

Premium Pay for Federal Inspectors at U.S. Ports-of-Entry—Four Federal agencies—the U.S. Customs Service, Immigration and Naturalization Service, Animal and Plant Health Inspection Service, and Public Health Service—perform inspection services at United States ports-of-entry. The premium pay laws and regulations of these four agencies contain different provisions for paying inspectors. As a result, different agencies' inspectors working about the same overtime hours are paid for a varying number of hours, and the amount of premium pay reimbursed to the Government by "parties in interest" (airlines or shipowners, for example) varies among the agencies.

We recommended that the Congress enact (1) one premium pay law to apply to the four inspection agencies for services at U.S. ports-of-entry and (2) legislation to establish a uniform policy on the charges to be made to the parties-in-interest for inspections at U.S. ports-of-entry. (GGD-74-91, Feb. 14, 1975.)

These recommendations are for consideration by the following committees:

- Senate: Appropriations
Post Office and Civil Service
- House: Appropriations
Post Office and Civil Service

Need to Modernize Charges for Services to Special Beneficiaries—The U.S. Customs Service provides 13 services to special beneficiaries for which it is paid a fixed fee established by statute. All of these fees were established before 1936, including 10 established in the 1790s. Opportunities for collecting some of these fees no longer exist, and the other fees do not cover the costs of the services.

We recommended that the Secretary of the Treasury propose legislation to have statutory fees transferred to the administrative jurisdiction of the Secretary. Such a law would permit the Secretary to (1) raise fees to a level which would recover all costs, (2) combine fees to eliminate certain administrative work, and (3) eliminate outdated user charges. (GGD-75-72, Mar. 10, 1975.)

This recommendation is for consideration by the following committees:

- Senate: Appropriations
Post Office and Civil Service
- House: Appropriations
Post Office and Civil Service

Proposals to Strengthen the Foreign Gifts and Decorations Act of 1966—GAO believes a need exists to amend the Foreign Gifts and Decorations Act to provide the basis for adequately implementing the constitutional intent to control the impact of gifts given by foreign governments.

In our report we included a proposed bill to amend and improve 5 U.S.C. 7342 (Public Law 90-83). (ID-75-51, Mar. 26, 1975.)

This recommendation is for consideration by the following committees:

- House: International Relations
- Senate: Foreign Relations

Need to Define Costs Chargeable Against Assistance Ceiling—We concluded that Defense's treatment of an overcharge for ammunition supplies to Cambodia in fiscal year 1974 violated the spirit of the Foreign Assistance Act of 1961, as amended.

We recommended that, in setting future ceilings on assistance to a country, the Congress consider (1)

limiting the amount of the pipeline that may be delivered during the new fiscal year to the amount reported by the administration in its budget request as obligated and undelivered and (2) directing that a consistent policy be applied in the pricing of Military Assistance Program deliveries. (ID-75-59, Mar. 28, 1975.)

This recommendation is for consideration by the following committee:

- Senate: Foreign Relations

Need for Establishing Legislative Authority and a Contingency Fund to Cope with Foreign Exchange Rate Fluctuations—Radio Liberty and Radio Free Europe, funded by U.S. Government grants from the Board for International Broadcasting, spend about 85 percent of their funds overseas and have been experiencing problems in maintaining an appropriate level of operations because of wide fluctuations in the foreign currency exchange rates.

We suggested legislative language to provide authority for a contingency fund, subject to approval by the Office of Management and Budget, which could be used to provide a level of operations for the Radios consistent with the appropriations passed by the Congress. (B-173239, Apr. 11, 1975.)

This recommendation is for consideration by the following committees:

- Senate: Appropriations
Foreign Relations
- House: Appropriations
International Relations

National Defense

Military Reenlistment Incentives—Military enlisted personnel who wish to extend their terms of service must reenlist for specified periods. Interviews of enlisted personnel assigned to 14 military installations and 7 ships indicated that fewer personnel would leave when their terms of service expired if they did not have to commit themselves for a specified period of additional service.

We recommended that the Secretary of Defense consider proposing legislation which would allow enlisted personnel to reenlist for unspecified periods. (FPCD-74-67, July 5, 1974.)

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This recommendation is for consideration by the following committees:

Senate: Appropriations
Armed Services
House: Appropriations
Armed Services

Need to Provide Maritime Administration Additional Authority for Ship Subsidy Programs—The Maritime Administration does not now have authority to approve, in appropriate circumstances, subsidized construction of ships in U.S. shipyards for non-U.S.-flag operation or to approve the subsidized U.S.-flag operation of foreign built ships. Without such authority the Administration does not have the needed flexibility to minimize construction peaks and valleys in U.S. shipyards. Minimizing peaks and valleys would encourage more specialization in U.S. yards and, thus, opportunities to be the most competitive in constructing certain types of ships, such as high technology, liquefied natural gas, and naval combat ships. Also, the lack of such authority does not encourage U.S. yards to invest in facilities and maintain those skills best suited to the Nation's need for a private shipbuilding industrial base. We recommended that the Congress consider expanding the Maritime Administration's authority for the ship subsidy programs accordingly. (PSAD-74-44, Feb. 12, 1975.)

This recommendation is for consideration by the following committees:

Senate: Commerce
House: Merchant Marine and Fisheries

Eliminating the Incentive for Accumulating Military Leave—Unlike officers, enlisted personnel may redeem unused leave for cash at the end of each enlistment; this encourages leave accumulation. As a result, the Government incurs large expenditures for unused leave, and the enlisted members do not get the benefits of a vacation.

We recommended to the Secretary of Defense the early submission to the Congress of a legislative proposal which would limit the payment for unused leave to 60 days during a service member's career. Passing such legislation would eliminate repetitive payments, equalize treatment of officers and enlisted personnel, and eliminate the incentive to accumulate leave for cash redemption. (FPCD-75-139, Mar. 20, 1975.)

This recommendation is for consideration by the following committees:

Senate: Armed Services
House: Armed Services

Varying the Amounts of Certain Reservists' Training Time According to Skill and Readiness Requirements—The military services require 99 percent of their reservists to attend 48, 4-hour drill sessions and to spend 2 weeks on active duty each year, although needed readiness and skill difficulty vary widely among units and members. On the average, reservists spend about 50 percent of their drill time and 61 percent of their active duty time training in their official military job. Remaining time is devoted to other jobs or general military training or spent idle. GAO estimated that, in fiscal year 1974, reservists' time devoted to other than official jobs or spent idle cost the services about \$1.2 billion.

We recommended that the Congress amend the existing laws to permit varying the training schedules of the Army National Guard and Air National Guard by categories according to the required kinds and degrees of training. (FPCD-75-134, June 26, 1975.)

This recommendation is for consideration by the following committees:

Senate: Armed Services
House: Armed Services

Need for Clarifying Federal Policy for Supporting Contractors' Independent Research and Development—We recommended that, if financial support for contractors' independent research and development is to be continued, the Congress establish guidelines setting forth (1) the purposes for which the Government supports independent research and development costs, (2) the appropriate amount of financial support, and (3) the degree of control to be exercised by the Government over contractors' supported programs.

We support a policy which recommends that independent research and development expenditures (1) be recognized as being in the Nation's best interest, (2) be recognized as necessary costs of doing business, and (3) receive uniform treatment Government-wide. The policy should further provide for (1) retaining Department of Defense procedures for using advance agreements and a formula for reasonableness, (2) insuring that the Government

has access to contractors' commercial records, when needed to determine that costs are allowable, (3) not precluding the use of direct contracting arrangements, and (4) insuring that allowable projects have a potential relationship to an agency function or operation.

An interagency committee has suggested adopting the Armed Services Procurement Regulation policies and procedures as a standard for the executive branch and broadening the relevancy requirement to include research and development which is in the Government's interest. We stated that, if the Congress establishes a uniform, Government-wide policy similar to that of the Armed Services Procurement Regulation, it should consider monitoring this criteria.

Also, if the Congress establishes a uniform, Government-wide policy of reimbursing the costs of independent research and development, we recommended that legislation provide for (1) having the Government present one face to industry, that is, one advance agreement, a joint technical review, or a single overhead rate, for example, and (2) including in advance agreements patents and technical data provisions granting the Government royalty-free licenses and rights to data, based on a scale of the agencies' cost participation. (PSAD-75-82, June 5, 1975.)

This recommendation is for consideration by the following committees:

- Senate: Armed Services
Government Operations
- House: Armed Services
Government Operations

Natural Resources and Environment

Improvements Needed in 1872 Mining Law—We recommended that the Congress enact legislation covering future exploration and development of all minerals presently subject to the Mining Law of 1872. This legislation would

- establish an exploration permit system covering public lands and require individuals interested in prospecting for minerals to obtain a permit,
- establish a leasing system for extracting minerals from public lands,

- require that, to preserve valid existing rights, (1) mining claims be recorded with the Department of the Interior within a reasonable time after legislation is enacted and (2) evidence of a discovery of valuable minerals be furnished before claims are recorded,
- authorize the Secretary of the Interior to grant life tenancy permits to individuals now living on invalid claims, if he determines that evicting them from the lands would cause them undue personal hardship.

We recommended also that the Congress consider including in legislation several provisions designed to provide incentives for diligent mineral exploration and development, sound environmental considerations, and a fair return to the public on the disposition of its natural resources. (RED-74-246, July 25, 1974.)

These recommendations are for consideration by the following committees:

- Senate: Interior and Insular Affairs
- House: Interior and Insular Affairs

Need to Extend Deadline for Immunity From Legal Action to Applicants for Pollutant Discharge Permits—The Federal Water Pollution Control Act Amendments of 1972 provided immunity from prosecution until December 31, 1974, to any discharger of pollutants into the Nation's waters that had applied to the Environmental Protection Agency (EPA) or an EPA-approved State for a discharge permit but had not been issued one.

Although EPA had established the goal of issuing all permits by that date, EPA's records indicated that the goal would not be met.

To discourage the possibility of legal action against a discharger who had not been issued a permit by December 31, 1974, although he had made proper application, we suggested that the Subcommittee on Environmental Pollution, Senate Committee on Public Works, propose amending the Federal Water Pollution Control Act, as amended, to provide that such a discharger not be in violation of applicable provisions of the act if a permit had not been issued. (RED-75-291, Dec. 20, 1974.)

This recommendation is for consideration by the following committees:

- Senate: Public Works
- House: Public Works

Open Legislative Recommendations From Prior Years

Agriculture and Rural Development

Need for GAO to Have Access to Records of Boards of Trade and Others Subject to Any Provision of the Commodity Futures Trading Commission Act—In a February 13, 1974, letter to the Chairman, House Committee on Agriculture, in testimony before the Senate Committee on Agriculture and Forestry on May 20, 1974, and in a letter to Senator Dick Clark on July 30, 1974, we recommended that the Comptroller General be given access to the same records as the Commodity Futures Trading Commission to insure that he has access to the records necessary for an effective evaluation.

Most of the Commission's functions would involve the review of records of exchanges, brokerage firms, and others subject to the Commodity Futures Trading Commission Act of 1974. For GAO to determine how well the Commission is performing its various functions, it must have access to the same records as the Commission. For our previous review, access to exchange records was granted on a voluntary basis after negotiations with the Department of Agriculture, the Department of Justice, and the exchanges. We have no assurance such voluntary access will be granted by the exchanges again unless access is provided under the Commodity Futures Trading Commission Act.

This recommendation is for consideration by the following committees:

- Senate: Agriculture and Forestry
Government Operations
- House : Agriculture
Government Operations

Community Development and Housing

Benefits from Federal Outdoor Recreation Grants—Among the reasons why recreation project grant programs of the Department of the Interior had not been more successful in meeting urban recreation needs was that the Land and Water Conservation Fund Act (1) required that 40 percent of Federal grant funds be apportioned equally to all States and (2) limited the apportionment to any State to 7 percent of the funds available to all States. Also, low-income, densely populated com-

munities needing additional recreation facilities had not applied for grants in many cases because they lacked the required 50-percent local matching funds.

Interior had proposed legislation which would revise the allocation formula by increasing apportionments to the more populous States. Because we believed that the proposed legislation had merit, we recommended that the Congress amend the Land and Water Conservation Fund Act to revise the allocation formula. We recommended also that the Congress consider amending the applicable laws to provide for a flexible matching formula to allow the Bureau of Outdoor Recreation to take grants of more or less than 50 percent on the basis of financial needs. (B-176823, Oct. 5, 1972.)

This recommendation is for consideration by the following committees:

- Senate: Interior and Insular Affairs
- House : Interior and Insular Affairs

Experimental Housing Allowance Program—The Experimental Housing Allowance Program being conducted by the Department of Housing and Urban Development was authorized by the Congress to demonstrate the feasibility of providing low-income families with housing allowances to help them rent housing of their choice in existing standard housing units. Because the impact of a direct cash assistance program was unknown and because of the great cost involved, we recommended that the Congress, in considering future legislation authorizing a national housing allowance program, weigh the benefit that could be derived from waiting until the experimental program is complete and more information is available on the impact of the program.

Because the sites selected for the experienced program were near average or above in terms of both housing quality and vacancy rates, we recommended that the Congress require HUD to provide assurances that the results achieved are representative of what might occur at locations which have low housing quality and low vacancy rates and which are representative of many urban metropolitan areas. (RED-74-192, March 28, 1974.)

This recommendation is for consideration by the following committees:

- Senate: Appropriations
Banking, Housing, and Urban Affairs
- House: Appropriations
Banking, Currency and Housing

Education and Manpower

Students May Borrow More Than They Can Repay—Some students obtaining loans under two of HEW's student loan programs—the Guaranteed Student Loan Program and the National Defense Student Loan Program (1) obtained loans under both programs in the same academic year and (2) borrowed more in a school year than the maximum amount allowable under either program.

We recommended the establishment of an overall limit on the amount a student may borrow when participating in more than one loan program. (MWD-72-30, Aug. 2, 1972.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

Apportionment Requirement for Federal Service Appointments—The Civil Service Act requires that appointments to competitive civil service positions in the departmental service in Washington, D.C., be apportioned on the basis of population among the States, territories, and the District of Columbia.

We reported that, because of exemptions to and waivers of the requirement, the effect of the apportionment requirement had been minimal. We concluded that the requirement had outlived its usefulness. Accordingly, we recommended that the Congress act favorably upon legislation that had been proposed to eliminate the requirement of 5 U.S.C. 3306. No action was taken on that bill. In the 94th Congress, H.R. 6195 has been introduced to abolish the apportionment requirement. (B-84938, Nov. 30, 1973.)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

General Government

Need to Revise Fees for Services Provided by U.S. Marshals—Statutory fees charged by U.S. marshals for serving processes for private litigants were about \$470,000 less than the amount necessary to recover costs incurred during fiscal year 1968.

We recommended that the Department of Justice consider proposing to the Congress legislation authorizing administrative adjustment of marshals'

fees or revising the fees, which are presently prescribed by law. Although the Department stated, in April 1969, that it was considering proposing such legislation, it had not proposed such legislation through June 30, 1975. (GGD-70-69, Oct. 7, 1969.)

This recommendation is for consideration by the following committees:

Senate: Judiciary
House: Judiciary

Multiyear Leasing of Automatic Data Processing Equipment—On the basis of our review of computer equipment installed under short-term leases negotiated by the General Services Administration, we reported that the Government was spending \$70 million to \$155 million more annually than it would under firm-term multiyear leases. Thus, we concluded that the use of multiyear leases, as an alternative to short-term rentals, had become essential if the Government was to make maximum use of its limited funds for acquiring ADP equipment.

We suggested that the Congress might wish to consider legislation authorizing GSA, through the ADP fund, to contract on a multiyear basis without the necessity of obligating the total anticipated payments at the time it entered into the leases. We commented that use of the ADP fund in this manner would not disturb agencies' traditional financial patterns. GSA could enter into multiyear leases. The ADP fund would then be obligated for payments, at multiyear leasing rates, for 1-year periods. Agencies would, in turn, lease the equipment from GSA and reimburse the ADP fund from their 1-year funds but still receive the multiyear leasing discounts.

Senate bill 2785 was introduced in the 93d Congress, 2d session, to provide the authority we had suggested. The bill was the subject of hearings in March 1974 by the Ad Hoc Subcommittee on Federal Procurement of the Senate Committee on Government Operations.

The bill was passed by the Senate on September 19, 1974, but no action was taken on the measure by the House. Senate bill 1260, introduced in the 94th Congress with the same language as the previous bill, was passed by the Senate on July 16, 1975. S. 1260 was then referred to the House Committee on Government Operations for its consideration. (Multiyear Leasing and Government-wide Purchasing of Automatic Data Processing Equip-

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ment Should Result in Significant Savings, B-115369, Apr. 30, 1971.)

This recommendation is for consideration by the following committees:

Senate: Appropriations
Government Operations

House: Appropriations
Government Operations

Operations of the Renegotiation Board—The Renegotiation Act of 1951 created the Renegotiation Board as an independent agency to eliminate contractors' excessive profits on defense and space contracts and related subcontracts. A contractor whose total renegotiable sales in a fiscal year exceed \$1 million must file a report with the Board. Contractors who fail to file, file inadequate reports, or file late are not penalized, and the act provides no penalty for late filing.

Because of the large number of delinquent filings, we recommended that the Congress amend the act to provide penalties for failure to file as required by the act.

The Board has had problems in obtaining accurate and complete information from contractors. We recommended that the Congress revise the penalty provision to hold contractors responsible for furnishing all data required by the Board and to have contractors show reasonable cause why they did not furnish the data.

Our review indicated that, of the several sales exemptions in the act, substantial sales were escaping renegotiation under the exemptions for (1) standard commercial articles and services and (2) new, durable productive equipment. We recommended that the Congress (1) require the Board to obtain and analyze profit and cost data on standard commercial articles and services to determine whether significant amounts of excessive profits are escaping renegotiation and (2) determine whether the new, durable productive equipment exemption is valid, since the release of Government-stockpiled equipment—the rationale for the exemption—has not occurred.

The contents of this report are being considered in a congressionally mandated joint study of renegotiation by the staffs of the Joint Committee on Internal Revenue Taxation and the Renegotiation Board. In addition, during hearings in March 1974 before the Subcommittee on HUD-Space-Science-Veterans of the House Committee on Appropria-

tions, this report was discussed and a digest was included in the record. (The Operations and Activities of the Renegotiation Board, B-163520, May 9, 1973.)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Banking, Currency and Housing

Need for Sanctions to Discourage Hiring Illegal Aliens—No Federal law prohibits employers from hiring aliens who are in the United States in violation of the Immigration and Nationality Act. Because jobs lure illegal aliens and employers repeatedly hire illegal aliens, a law is needed to discourage such employment.

We recommended that the Congress consider passing legislation to make it unlawful to hire illegal aliens. (GGD-74-73, July 31, 1973.)

This recommendation is for consideration by the following committees:

Senate: Judiciary
House: Judiciary

Tax Liabilities of High Income Individuals Discharged Through Bankruptcy—Taxpayers with high incomes have avoided the Internal Revenue Service's efforts to collect taxes by taking advantage of section 17 of the Bankruptcy Act (11 U.S.C. 35) which provides the discharge in bankruptcy of tax debts which became legally due and owing more than 3 years preceding bankruptcy. IRS and the courts have determined that the 3-year period starts on the due date for filing a return rather than from the date of a subsequent assessment. This substantially reduces the time that IRS has to collect the taxes. To make the Bankruptcy Act creditor preference given to the Federal, State, and local governments more meaningful, we recommended the Bankruptcy Act be amended to exclude from discharge through bankruptcy those taxes which are assessed within 3 years before a bankruptcy petition is filed. (GGD-74-1, Aug. 9, 1973.)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means

Self-employed Receive Social Security Credit Although Tax Not Paid—The Internal Revenue Service reports to the Social Security Administration the amount self-employed persons designate on their

income tax returns as self-employment income even though such persons may not have paid the applicable self-employment social security tax. We recommended that section 205(c) of the Social Security Act (42 U.S.C. 405(c)) be amended to prohibit a person from receiving credits toward social security benefits if he has not paid the required tax on self-employment income. (GGD-74-1, Aug. 9, 1973.)

This recommendation is for consideration by the following committees:

Senate: Finance

House: Ways and Means

Real Property Exchanges—The Federal Property and Administrative Services Act of 1949 and the Public Buildings Act of 1959 authorize the General Services Administration to exchange Government-owned property.

Property exchanges are negotiated on the basis of appraised fair market value. However, appraised values do not assure that the Government is receiving the highest value because participation in an exchange is limited to one individual. In some cases, former Government property was sold, shortly after an exchange, at prices much higher than the appraised value at which it had been exchanged. Under competitive bidding the Government would have more assurance of receiving the highest value for excess property than it has under negotiated exchanges based on appraised fair market value.

To give all interested parties an opportunity to acquire excess Government property in exchanges, we recommended that the Congress amend the Federal Property and Administrative Services Act of 1949 to permit GSA to offer such property at competitive bid and to deposit the cash proceeds into a building fund to be used, subject to annual appropriation acts, to acquire public building sites.

We also recommended that the Congress amend the Public Buildings Act of 1959 to eliminate the provisions authorizing the acquisition of property by the exchange method. (LCD-74-302, Feb. 15, 1974, and LCD-75-314, Mar. 3, 1975.)

These recommendations are for consideration by the following committees:

Senate: Appropriations
Public Works

House: Appropriations
Public Works and Transportation

Expenditure of Federal Funds for the Protection of Presidents, Vice Presidents, Former Presidents, and Others—As a result of our review of Federal expenditures on President Nixon's residences at Key Biscayne and San Clemente, we recommended that the Congress enact legislation along the following lines:

- Appropriations for expenditures at private residences for protective purposes should be made to the Secret Service, and no other funds should be available for that purpose.
- The accounting system of the Secret Service should require that expenditures at private residences for protective purposes be authorized by the Director or Deputy Director of the Service.
- The Secret Service should make an annual public report to the Congress, showing in as much detail as security will allow expenditures made on private residences for protective purposes.
- The report made by the Secret Service should be subject to audit by GAO, and GAO should be given complete access to all records, files and documents supporting expenditures made by the service.

In addition, we suggested that the Congress might wish to consider limiting the number of private residences at which permanent protective facilities will be provided for a President.

House bill 1244, 94th Congress, which generally adopts these recommendations, passed the House on May 5, 1975. (GGD-74-48, Dec. 18, 1973.)

These recommendations are for consideration by the following committees:

Senate: Appropriations
Government Operations

House: Appropriations
Government Operations

Access to Records—In our report on the Federal Deposit Insurance Corporation, we recommended, as we had in previous reports, that the Congress amend the Federal Deposit Insurance Act to grant GAO access to examination reports, files, and other records used by the Corporation. (FOD-75-9, June 11, 1975.)

This recommendation is for consideration by the following committees:

Senate: Banking, Housing and Urban Affairs
House: Banking, Currency and Housing

Health

Insanitary Conditions in the Food Manufacturing Industry—In an assessment of the sanitary conditions in the food manufacturing industry, we reported to the Congress that, of the 97 plants included in our sample, 39—or about 40 percent—were operating under insanitary conditions having potential for causing, or having already caused, product contamination. On the basis of the sample, we estimated that 1,800 of the 4,550 such plants were operating under insanitary conditions. Food and Drug Administration officials confirmed that our sample was representative of conditions at plants nationwide.

We suggested that the Congress consider amending the Federal Food, Drug, and Cosmetic Act to provide for civil penalties when sanitation standards are violated. (B-164031(2), Apr. 18, 1972.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Interstate and Foreign Commerce

Lack of Authority Limits Consumer Protection—The Food and Drug Administration in the Department of Health, Education, and Welfare, is responsible for enforcing the Federal Food, Drug, and Cosmetic Act which was enacted to protect the American consumer from adulterated, misbranded, ineffective, or potentially harmful products. However, the authority provided to the agency to identify and remove products suspected or known to be violative is inadequate.

Therefore, we recommended to the Congress and proposed to the Secretary of HEW that the Federal Food, Drug, and Cosmetic Act be amended to give the agency authority to (1) examine records and data related to the production and distribution of products, (2) detain products suspected or known to be violative, and (3) require firms to recall these products. (B-164031(2), Sept. 14, 1972.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Interstate and Foreign Commerce

Questionable Need for Federal Loans and Scholarships to Health Professions Students—We recommended that the Congress consider whether the goals of the loans and scholarships program for health

professions students could be accomplished through other existing programs. If the Congress decided to continue the program, we recommended that it consider several program options to more effectively meet the goals.

On June 30, 1974, the legislation authorizing this program expired, and, for fiscal year 1975, the program operated under continuing resolutions.

A number of health manpower bills have been introduced into the 94th Congress, some of which include different aspects of our recommendations. Only one bill, S. 991, would abolish the existing loans and scholarships program and rely on another program to accomplish its goals. (MWD-74-144, May 24, 1974.)

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare

House: Interstate and Foreign Commerce

Need to Bring Federal Workplaces Under the Inspection Responsibility of OSHA—Section 19 of the Occupational Safety and Health Act of 1970 requires each Federal agency to establish and maintain an effective and comprehensive occupational safety and health program consistent with standards promulgated by the Secretary of Labor, and to provide safe and healthful working conditions for Federal employees.

Because of the number and severity of the violations of safety and health standards noted during our limited inspections and the need to strengthen safety and health programs in many Federal agencies, we recommended that the Chairman, Senate Committee on Labor and Public Welfare, consider having the act amended to bring Federal workplaces under the inspection responsibility of OSHA. These inspections should supplement, and not replace, inspections by the agencies' own personnel. (B-163375, Mar. 15, 1973.)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare

House: Education and Labor

Hospital Charges to Military Dependents for Inpatient Health Care—The Department of Defense has not increased its charges to military dependents for inpatient health care since 1956. We recommend that the Department study the appropriateness of the current minimum hospital charge of \$25 and,

if warranted, propose to the Congress the legislative changes needed to increase it. (Report to the Secretary of Defense on Charges for Military Dependent Health Care, MWD-74-154, Apr. 10, 1974.)

The Department has informed us that it reviewed the \$25 minimum charge required by law (10 U.S.C. 1079(b)) and agreed that it should be immediately increased to \$50, with further increases as military compensation goes up. As of July 1, 1975, the Department was considering legislation to effect such a change.

This recommendation is for consideration by the following committees:

- Senate: Appropriations
- Armed Services
- House: Appropriations
- Armed Services
- Post Office and Civil Service

Improvements Needed in Hill-Burton Programs for the Construction or Modernization of Health Facilities in Poverty Areas—In response to a request from the Subcommittee on Health, Senate Committee on Labor and Public Welfare, we obtained information on (1) the implementation by the Department of Health, Education, and Welfare of the requirement that special consideration be given to Hill-Burton projects for the construction or modernization of outpatient facilities in poverty areas, (2) the extent to which State Hill-Burton agencies were helping poverty communities obtain Federal funding for outpatient facilities, and (3) the compliance by hospitals assisted by the Hill-Burton program with the requirement that they provide a reasonable volume of free services to community residents.

At 10 State agencies visited, we found no formal outreach programs or plans to encourage the construction or modernization of outpatient facilities in poverty areas. We noted also that State agencies, with HEW approval, had transferred a substantial amount of funds from the outpatient category to other categories. The legality of some of these transfers was questionable.

We recommended that the Subcommittee consider legislative provisions which would (1) require the State Hill-Burton agencies to encourage the construction or modernization of outpatient facilities in poverty areas and to fund up to 90 percent of eligible costs for such facilities, (2) require HEW to monitor and evaluate the outreach efforts of the State

agencies and to furnish States with guidance for determining outpatient facility needs, and (3) restrict the transfer of Federal funds out of the outpatient facility category until outreach efforts conclusively show that such funds cannot be used during their period of availability. (Review of Hill-Burton Program Compliance with Certain Legislative Requirements, request of Senators Edward M. Kennedy and Jacob K. Javits, MWD-75-25, Sept. 25, 1974.)

This recommendation is for consideration by the following committees:

- Senate: Appropriations
- Labor and Public Welfare
- House: Appropriations
- Interstate and Foreign Commerce

Income Security

Legislation Needed to Simplify the Federal Funding of State Employment Security Agencies' Administrative Expenses—In administering the Federal-State employment security programs, the Department of Labor grants obligational authority to each State from several Federal fund sources and relies on the States to account for these funds. The Department is responsible for complying with the Anti-Deficiency Act (31 U.S.C. 665) for each fund source.

Our review showed that legislation is needed to simplify the Federal funding of administrative expenses of State agencies, estimated at \$1 billion for fiscal year 1975. Without this legislation, the Department is faced with the dilemma of either (1) requiring that State agencies correctly report the use of funds and run the risk of violating the Anti-Deficiency Act for particular fund sources or (2) allowing the State agencies to incorrectly report fund usages to avoid recording and disclosing violations.

We recommended that the Secretary of Labor request, and the Congress consider, legislation to simplify the funding of administrative expenses for State employment security agencies. We suggested several alternatives to accomplish this objective:

- Limit the Department's responsibility under the Anti-Deficiency Act to total funds available to State agency administration instead of each available fund source.
- Establish an administrative operations fund.

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—Provide one appropriation for all State agency administrative expenses.

—Provide some other type of joint funding.

(Legislation Needed to Simplify the Federal Funding of State Employment Security Agencies' Administrative Expenses, B-115349, July 23, 1973.)

The Department of Labor submitted draft legislation to the Office of Management and Budget. We submitted our comments to OMB during July 1974, pointing out our objections to Labor's proposal. On June 26, 1975, the Department of Labor submitted a revised proposal to OMB.

This recommendation is for consideration by the following committees:

Senate: Appropriations
Government Operations
Labor and Public Welfare

House: Appropriations
Government Operations
Education and Labor

Need to Consider Who Should Make Future Medical Evaluations of the Special Supplemental Food Program—The Department of Agriculture was assigned responsibility for operating and evaluating the pilot program, which was authorized through June 30, 1975, and extended to September 30, 1975 by Public Law 94-28, approved May 28, 1975. However, the Department of Health, Education, and Welfare is the agency with primary responsibility for research related to maternal and child health. We suggested that, if the Congress continued this program for women, infants, and children and decided to order a further evaluation of the program's medical benefits, it consider assigning such responsibility to HEW. (RED-75-310, Dec. 18, 1974, and B-176994, May 2, 1975.)

H.R. 4222, which proposes a general revision of this program, was reported out of conference on July 30. This bill, if adopted, will extend the program to September 30, 1978. The conference report calls upon the Secretary of Agriculture to set up a panel of experts to further evaluate this program, including considering the review undertaken and findings of the two GAO reports.

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry
Select Committee on Nutrition and Human Needs

House: Education and Labor

International Affairs and Finance

Duty Payments Delayed on Lead and Zinc Imported Into Bonded Warehouses—The Tariff Act of 1930 permits a deferral of the payment of duties on imported metal until a metal enters domestic commerce or until 3 years elapse, whichever happens first. The act also provides that any lead and zinc in a company's inventory may be considered as imported metal not entered into commerce and used as a basis for deferring duty payments.

We recommended to the House Committee on Ways and Means and the Senate Committee on Finance that consideration be given to amending the Tariff Act of 1930 to (1) prohibit the inclusion of wastage metal in lead and zinc inventories used as a basis for deferring duty payments, (2) prohibit the use of lead and zinc contained in slag piles as a basis for deferring duty payments, and (3) delete the provision permitting transfer of liability for duty payments from one company to another without a transfer of the metal. (GGD-73-8, Jan. 18, 1973.)

This recommendation is for consideration by the following committees:

Senate: Finance

House: Ways and Means

U.S. Contributions to NATO—The costs of NATO are paid from various appropriations of several U.S. Government departments, and many have not been allocated or directly related to U.S. participation in NATO. Thus, the true cost of our contributions to NATO is difficult to discern.

We recommended that the Congress consider (1) authorizing and appropriating the funds needed to finance the direct costs of U.S. participation in such organizations under the Foreign Assistance Act and (2) requiring the Departments of State and Defense to furnish reports on other costs of U.S. participation in such organizations financed from other appropriations. (How the United States Finances Its Share of Contributions to NATO, ID-73-18, Feb. 23, 1973.)

This recommendation is for consideration by the following committees:

Senate: Appropriations
Armed Services
Foreign Relations

House: Appropriations
Armed Services
International Relations

Refund of Duty on Exports Financed by Agency for International Development Programs—In accordance with the provisions of section 313 of the Tariff Act of 1930 (19 U.S.C. 1313), the Bureau of Customs, Department of the Treasury, refunds duty (drawback) payments on exports of items manufactured from (1) imported material on which duty was paid or (2) similar domestically produced material substituted for imported material on which duty was paid. Drawback payments are designed to encourage exports by placing U.S. exporters in a favorable position to compete with foreign competition.

Drawback payments were being made for products exported under programs of the Agency for International Development, even though these products did not compete with foreign products. We believe that drawback payments on exports under AID programs are not necessary to encourage foreign commerce and that products exported under AID programs should be ineligible for drawback payments.

We recommended to the Chairman, Senate Committee on Finance, and the House Committee on Ways and Means that consideration be given to amending section 313 of the Tariff Act of 1930 to prohibit drawback payments for products exported under AID programs. (GGD-73-68, June 25, 1973.)

This recommendation is for consideration by the following committees:

Senate: Finance

House: Ways and Means

Need for Establishing Development Criteria for Ending U.S. Assistance to Recipient Countries—The question of when a foreign aid recipient reaches the point in its development when it no longer needs further U.S. concessional assistance has not been adequately addressed by State and AID program managers.

We recommended that the Congress require the Department of State and AID to identify precisely and objectively that point at which a country no longer requires U.S. concessional assistance. (ID-73-52, July 30, 1973.)

This recommendation is for consideration by the following committees:

Senate: Appropriations

Foreign Relations

House: Appropriations

International Relations

Ship Transfers to Foreign Countries—Public Law 92-270 authorized the loan of 10 destroyers and 6 submarines to certain foreign countries with the caveat that all related expenses be paid by the recipient countries or financed as military assistance. We identified \$18 million in expenses connected with the ships transferred under this authority for which we believe the Navy should have been at least partially reimbursed.

Defense Department presentation documents to the Congress show little or no information on ship transfers. As a result, ship transfer costs are not apparent to interested congressional committees.

We suggested that the Congress require the Defense Department's annual presentation documents to show all costs associated with transfers of naval vessels to foreign countries. (ID-74-49, June 25, 1974.)

This recommendation is for consideration by the following committees:

Senate: Appropriations

Armed Services

Foreign Relations

House: Appropriations

Armed Services

International Relations

National Defense

Need to Assure Congressional Oversight of Acquisition of Capital Assets Through Long Term Leasing—There is presently no legislative requirement for agencies to obtain congressional approval through the authorization process for capital assets acquired through long term leasing, except with respect to Government programs for leasing buildings. Without such legislation, there are opportunities for backdoor financing of capital assets through the use of operation and maintenance funds.

We recommended that the Congress evaluate the need for legislation similar to Public Law 92-313 of June 16, 1972. The Department of Defense had drafted legislation to have authority to build and charter ships for lengthy periods—25 years or more. The Department of Defense has coordinated this proposal with other Federal agencies and is currently awaiting final coordination by the Office of

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Management and Budget. (B-174839, Aug. 15, 1973.)

This recommendation is for consideration by the following committees:

- Senate: Appropriations
Armed Services
- House: Appropriations
Armed Services

Need to Reduce the Number of Negotiated Contract Sources Solicited and to Eliminate Preparation of Determinations and Findings for Some Procurements—The Department of Defense is required to solicit proposals from the maximum number of sources for negotiated procurements and to prepare determinations and findings in most negotiated contract situations. Substantial administrative costs could be avoided without sacrificing competition if the Department was allowed to solicit only a competitive number of sources and to not prepare determinations and findings for some procurements.

We recommended that the Congress enact legislation (1) authorizing agencies to solicit proposals from a competitive, rather than a maximum, number of sources, and (2) repealing the requirement that contracting officers prepare determinations and findings for certain procurements. (B-168450, Sept. 17, 1973.)

These recommendations are for consideration by the following committees:

- Senate: Armed Services
Government Operations
- House: Armed Services
Government Operations

Natural Resources and Environment

Leasing of Federal Lands for Development of Oil and Gas Resources—The Department of the Interior had granted most of the leases for developing oil and gas resources on Federal lands noncompetitively and, in many cases, at prices less than their indicated fair market value. The law required that lands outside the boundaries of a known geological structure of a producing oilfield or gasfield be leased noncompetitively. Also, the statutory right of lessees to sublease in units as small as 40 acres apparently had impeded rather than induced the development of oil and gas resources.

We suggested that the Congress consider amending the Mineral Leasing Act to (1) require that oil

and gas leases on all Federal lands be awarded competitively unless otherwise justified and (2) increase the minimum acreage limitation applicable to the assignment of the leases. (B-118678, Mar. 17, 1970.)

This recommendation is for consideration by the following committees:

- Senate: Interior and Insular Affairs
- House: Interior and Insular Affairs

Acquisition of Land for National Recreation Areas Containing Improved Properties—In enacting legislation authorizing the establishment of national recreation areas, the Congress frequently has to define boundaries before such important facts as the cost of various tracts of land are known. We, therefore, recommended that the Congress, in enacting such legislation, provide the Secretary of the Interior with guidelines for changing established boundaries when the acquisition of high-cost properties on or near the boundaries is involved.

We recommended also that the Congress require the Secretary to analyze the location and estimated cost of high-cost properties bordering those authorized recreation areas for which additional funds are needed and to justify the desirability of acquiring such properties. (B-164844, Apr. 29, 1970.)

This recommendation is for consideration by the following committees:

- Senate: Interior and Insular Affairs
- House: Interior and Insular Affairs

Need to Revise the Interest Rate Criteria for Determining the Financing Cost of Water Resources Projects—The Federal costs of financing small reclamation loans and multipurpose water resources projects had been understated because the interest rates used in computing the financing costs had been based on the criteria prescribed in the Water Supply Act of 1958, and these rates were not representative of the Treasury's borrowing costs. As a result, the Government's investment in the municipal and industrial water supply features of these projects was understated by about \$5 million and annual interest payments to the Treasury will be reduced by about \$80 million on the Government's unrepaid investment in the projects during the repayment period.

We recommended that the existing legislation be amended to provide for the use of interest rates which are more representative of the cost of funds

made available by the Treasury. (B-167712, Aug. 11, 1972.)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs

House: Interior and Insular Affairs

Need for Reevaluation of Acreage Limitation on Irrigation Benefits—The Reclamation Act of 1902 limits to 160 acres the land on which any one owner is entitled to receive irrigation benefits from a federally subsidized water resources project. At the Bureau of Reclamation's Central Valley Project, beneficiaries were receiving project water on large landholdings by leasing eligible land from the individual owners, and retaining or controlling eligible land through establishment of corporations, partnerships, and trusts.

We recommended that (1) if the 160-acre limitation is still considered appropriate to encourage the establishment of family-size farms, the Congress should consider enacting legislation to prevent large landowners and farm operators from benefiting through their control of numerous 160-acre tracts by arranging corporations, partnerships, trusts and/or by leasing 160-acre tracts, or (2) if the 160-acre limitation is no longer considered appropriate, the Congress should consider establishing a new acreage limit for family farms eligible to receive Federal project water at subsidized rates. (B-125045, Nov. 30, 1972.)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs

House: Interior and Insular Affairs

Controlling Water Pollution—The 1972 amendments to the Federal Water Pollution Control Act established the goals of (1) eliminating the discharge of pollutants into navigable waters by 1985 and (2) achieving water quality sufficient for protecting aquatic life and for recreation by 1983. The attainment of these goals will require an ambitious research and demonstration program within a relatively short period of time.

The 1972 amendments established a commission (the National Commission on Water Quality) to study the technological aspects of achieving the effluent limitations and goals set forth for 1983, as well as all aspects of the economic, social, and environmental effects of achieving or not achieving these limitations and goals. The Commission was required to report to the Congress by October 1975. We recommended that, if the Congress finds it necessary as a result of the Commission's study to reassess and revise legislative goals, the Congress determine the direction of Federal research programs—in terms of priorities and funding levels—to meet the revised goals. (RED-74-184, Jan. 16, 1974.)

This recommendation is for consideration by the following committees:

Senate: Public Works

House: Public Works

Following our recommendation, the Department of Health, Education, and Welfare is recovering about \$14.8 million in erroneous payments made by the New York City Human Resources Administration for the Medicaid program. The erroneous payments resulted from a defective computer program. The other major source of collections involved adjusting contract prices and recovering funds from contractors on the basis of our work in reviewing prices negotiated for Government contracts.

CHAPTER THREE

FINANCIAL SAVINGS AND OTHER BENEFITS

The full effect of GAO's activities, in terms of financial savings and improvements in the operations and effectiveness of Government programs and activities, cannot be determined. For instance, the actions taken on our recommendations, leading perhaps to increased effectiveness in Government programs, cannot be measured in financial savings.

When we can identify those savings and when actions have been taken by the Congress or by an agency, we keep a record of them. Table 1 summarizes the collections and other measurable savings attributable to our work during fiscal year 1975. Of the \$502,775,000 listed, approximately \$147 million will continue to be saved in future years.

This chapter also illustrates the savings not fully or readily measurable and the other benefits resulting from GAO's activities.

Collections

Collections attributable to our activities during the fiscal year totaled \$43.8 million. Of this \$10.1 million represented overcharges for commercial transportation services procured by Government agencies, and \$5.3 million involved debts which Government agencies had been unsuccessful in collecting. Our transportation audits and claims settlement activities are discussed in greater detail in chapter 15.

Other Measurable Financial Savings

Other measurable financial savings, including revenues attributable to GAO's work during fiscal year 1975 totaling \$458,934,000, are listed below. The items consist largely of realized or potential savings in Government operations attributable to actions taken or planned on the basis of findings developed in GAO's examinations of agency and contractor operations. In most instances, the potential benefits are based on estimates, and for some items, the actual amounts to be realized depend on future actions or events.

<i>Action taken or planned</i>	<i>Estimated savings</i>
Facilities Construction:	
The Department of Defense will not institute a program to air-condition all new and existing military family housing in Hawaii—Defense (nonrecurring \$55,800,000; estimated annual savings \$9,500,000)	\$65, 300, 000
Construction of 146 family housing units at the Naval Complex, East Bay, San Francisco, and 200 units at the Granite City Depot, St. Louis, was canceled—Defense (nonrecurring)	8, 300, 000
Construction of a 300-family housing unit project at Fort Eustis, Virginia, programmed for fiscal year 1974, was canceled—Army (nonrecurring)	8, 000, 000
The fiscal year 1975 TRIDENT facilities program budget request was reduced—Navy (estimated annual savings)	3, 800, 000
Construction of a 100-family housing unit project at Fort Eustis, Virginia, programmed for fiscal year 1975, was canceled—Army (nonrecurring)	3, 200, 000
Proposed military construction requirements and associated collateral equipment were eliminated—Navy (nonrecurring)	2, 726, 000

Table 1

**FINANCIAL SAVINGS ATTRIBUTABLE TO THE WORK
OF THE GENERAL ACCOUNTING OFFICE,
FISCAL YEAR 1975**

**Collections and Other Measurable Savings
(000 omitted)**

	Collections	Other measurable savings	Total
DEPARTMENTS			
Army	\$ 726	\$ 54, 228	\$ 54, 954
Navy	4, 960	59, 016	63, 976
Marine Corps	-	67, 900	67, 900
Air Force	613	8, 631	9, 244
Defense	6, 680	164, 398	171, 078
Health, Education, and Welfare	14, 926	19, 840	34, 766
Housing and Urban Development	210	7, 150	7, 360
Interior	-	374	374
Justice	168	9, 132	9, 300
State (including AID and USIA)	15	86	101
Treasury	76	40, 960	41, 036
General Services Administration	-	980	980
Government-wide	-	1, 796	1, 796
AGENCIES			
Civil Service Commission	38	-	38
Defense Supply Agency	-	2, 400	2, 400
District of Columbia Government	19	86	105
Environmental Protection Agency	-	2, 600	2, 600
Federal Deposit Insurance Corporation	-	245	245
Federal Power Commission	-	455	455
Government Printing Office	-	1, 353	1, 353
Library of Congress	-	1, 100	1, 100
Office of Management and Budget	-	2, 700	2, 700
Postal Service	-	11, 069	11, 069
Small Business Administration	20	35	55
Veterans Administration	-	2, 400	2, 400
Total for Departments and Agencies	28, 451	458, 934	487, 385
Transportation Audit	10, 090	-	10, 090
General Claims Work	5, 300	-	5, 300
Total	\$43, 841	\$458, 934	\$502, 775

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>	<i>Action taken or planned</i>	<i>Estimated savings</i>
Programed Air Force and Army facilities at McClellan Air Force Base, Travis Air Force Base, and Pacifica, California, were canceled—Army and Air Force (nonrecurring—\$1,200,000 and \$900,000)	\$2,100,000	Supply Management:	
The plan to relocate the Atlantic Undersea Test and Evaluation Center to Fort Lauderdale was canceled and substantial recurring savings were achieved by consolidating activities at West Palm Beach—Navy (nonrecurring \$746,000; estimated annual savings \$95,000)	841,000	Requirements to stock bulk petroleum were reduced—Defense (nonrecurring)	\$27,801,000
The public works functions of six military installations in the San Francisco Bay Area were consolidated into one Public Works Center—Defense (estimated first-period savings plus indeterminable future savings)	703,000	Transfer of assets incorrectly recorded on Army depot records as belonging to the Defense Supply Agency to satisfy requirements for items previously transferred to the Army for management—Defense (nonrecurring)	2,400,000
A California Army National Guard armory programed for fiscal year 1977 in San Francisco, California, was canceled—Army (nonrecurring)	605,000	The mechanized preparation of material orders and job orders in the planning department of Mare Island Naval Shipyard has been expedited—Navy (estimated annual savings)	1,120,000
Savings resulted from deferring a consulting contract—Army (nonrecurring)	450,000	The safety level allowance for stocked items was reduced from 120 to 90 days of supply—Defense (nonrecurring)	453,000
Revenues:		"Hidden assets" (generators) were identified that were not being considered for application against the Army's supply requirements, even though the need for these generators was included in the Army's requirements studies—Army (nonrecurring)	392,000
Legislation was enacted to increase the rate of interest charged on delinquent estate taxes—Treasury (nonrecurring)	40,600,000	The requisitioning objective for shop stores materiel was reduced from 90 to 60 days of supply—Defense (nonrecurring)	100,000
Regulations requiring all mail without postage to be returned to the senders substantially reduced the volume of such mail—Postal Service (estimated annual savings)	11,000,000	Assets being held for a project which had terminated were identified and made available to fill other requirements—Army (estimated annual savings)	21,000
Procedures were started to periodically establish prices charged for Library of Congress services which will more accurately reflect costs—Legislative (estimated annual savings)	1,100,000	More responsive action is being taken to reconcile unfiled requisitions with customers, thereby resulting in cancellations of materiel no longer needed—Defense (nonrecurring)	73,000
Billings to hydroelectric dam operators increased, to correct understatements of direct costs of administering the hydroelectric project license program—Federal Power Commission (nonrecurring plus indeterminable future savings)	455,000	Orders were canceled for spare parts no longer needed—Defense (nonrecurring)	65,000
Additional revenues were recovered for airlift services furnished by the Military Airlift Command during the airlift to Israel—Air Force (nonrecurring)	171,000	Excess property was used in lieu of new procurement—Army (nonrecurring)	14,000
The amount required to be repaid to the Treasury from the Federal Columbia River Power System was adjusted to include additional interest on the investment in power facilities—Interior (nonrecurring)	115,000	Equipment requisitions were canceled by the Army and excess equipment turned in because need was not justified—Army (nonrecurring)	10,000
Savings resulted from reduced claims against the U.S. Customs Service for refund of duty upon the exportation of certain manufactured items—Treasury (nonrecurring)	36,000	Payments to Government Employees and Other Individuals:	
		Reenlistment travel payments to military personnel were terminated in situations where no travel was required or performed—Defense (estimated annual savings)	22,200,000
		The number of pay raises (quality increases) was reduced by granting Federal employees, under agency incentive awards programs, one-time, lump-sum payments (special achievement awards)—Government-wide (estimated annual savings)	1,795,000
		Eliminating 995 parachutist positions in non-tactical units resulted in the reduction of hazardous duty payments—Army (estimated annual savings)	878,000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>	<i>Action taken or planned</i>	<i>Estimated savings</i>
The employees' compensation fund was reimbursed for benefit payments made to Federal Deposit Insurance Corporation employees—Federal Deposit Insurance Corporation (nonrecurring \$195,000; estimated annual savings \$50,000)	\$245, 000	To disclose ineligible Medicaid recipients, the Illinois Department of Public Aid established quarterly matching of Medicaid eligibility files with Department of Labor earnings and unemployment compensation data—Health, Education, and Welfare (estimated annual savings)	\$600, 000
The practice of paying hazardous duty pay to parachutists for periods of travel and leave en route to nonparachute duty positions was discontinued—Defense (estimated annual savings)	100, 000	A continuation grant to be awarded a Community Health Network organization was reduced by the amount of unused funds in a prior grant to the organization—Health, Education, and Welfare (nonrecurring)	155, 000
Overpayments were prevented by correcting procedures which resulted in excessive payments of temporary lodging allowances at the U.S. Taiwan Defense Command—Defense (estimated annual savings)	51, 000	Practice of paying fees to mortgagees for billing and accounting for rental assistance subsidies was discontinued—Housing and Urban Development (estimated annual savings)	150, 000
Legislation was revised to eliminate unnecessary physical examinations for employed disabled retirees over 50 years of age—District of Columbia Government (estimated annual savings)	28, 000	Grant funds awarded to a health maintenance organization which had previously demonstrated questionable fund management were withdrawn—Health, Education, and Welfare (nonrecurring)	69, 000
Procedures were changed to prevent improper payments of temporary lodging allowances at Elmendorf Air Force Base, Alaska, for periods before the date military personnel report for duty—Air Force (estimated annual savings)	8, 000	Welfare payments to currently employed clients were adjusted and procedures were established to insure that prompt adjustment would be made in future cases—District of Columbia Government (nonrecurring \$12,000; estimated annual savings \$46,000)	58, 000
Records were corrected to prevent improper payments for unused leave upon separation from the service—Air Force (nonrecurring—\$11,000 potential overpayments, \$3,000 potential underpayments)	8, 000	Income earned from National Institutes of Health grant funds was applied to projects NIH would otherwise have funded—Health, Education, and Welfare (nonrecurring)	38, 000
Loans, Contributions, and Grants:		Benefits:	
A computer programing error by the city of New York, which had resulted in payment of Medicaid bills incurred by ineligible persons, was corrected—Health, Education, and Welfare (estimated annual savings)	16, 000, 000	Revised criteria for determining need for orthodontic care under the Civilian Health and Medical Program of the Uniformed Services resulted in reduced program costs—Defense (estimated annual savings).	19, 600, 000
The Pilot Cities program, designed to develop new and advanced concepts of law enforcement with national application, did not meet this objective and was discontinued—Justice (nonrecurring)	9, 132, 000	Unauthorized benefits being provided under the handicap portion of the Civilian Health and Medical Program of the Uniformed Services were eliminated—Defense (estimated annual savings)	5, 500, 000
Federal operating subsidies were reduced because of an across-the-board rent increase by the New York City Housing Authority—Housing and Urban Development (estimated annual savings)	7, 000, 000	Communications:	
Plans to expand a regional grant system to provide grant information to States were terminated in favor of using existing internal systems of Federal agencies—Office of Management and Budget (estimated annual savings)	2, 700, 000	Telecommunications center staffing is being reduced by 900 positions—Defense (estimated annual savings)	9, 000, 000
Application to continue a grant to a Community Health Network organization was rejected because of lack of progress of the project—Health, Education, and Welfare (nonrecurring)	1, 678, 000	A programed record communications system was canceled and existing record communications centers at Travis AFB, California, were consolidated—Air Force (nonrecurring \$243,000; estimated annual savings \$722,000)	965, 000
		Programs were begun to reduce the cost of commercial telephone toll calls—General Services Administration (estimated annual savings)	650, 000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Communications requirements were withdrawn at Oakland Army Base, California, and at Military Traffic Management Command Headquarters, Falls Church, Virginia—Army (nonrecurring \$500,000; estimated annual savings \$50,000)	350,000
The National Park Service has purchased or is purchasing previously leased radio equipment—Interior (nonrecurring)	259,000
AUTODIN terminals in San Diego were consolidated—Navy (estimated annual savings)	36,000
Logistics:	
Integrated manager supply support items were eliminated from the Marine Corps' centrally controlled supply system—Marine Corps (nonrecurring \$65,000,000; estimated annual savings \$2,900,000)	67,900,000
The number of end items for which insurance-type spare parts were being stocked was reduced and procedures for managing this program were strengthened—Navy (nonrecurring)	11,400,000
The 60th Military Airlift Wing at Travis Air Force Base is reducing its number of monthly local flying hours by increasing the utilization of a C-141 flight simulator for proficiency flying—Air Force (estimated annual savings)	626,000
Army and Air Force industrial gas plants were consolidated in Okinawa—Army (nonrecurring \$281,000; estimated annual savings \$200,000)	481,000
Quality control/quality assurance organizations in Okinawa were consolidated—Army (estimated annual savings)	380,000
Closing two fishing camps at King Salmon, Alaska, eliminated operation and maintenance costs—Air Force (estimated annual savings)	318,000
Army Natick Laboratories took action to eliminate unnecessary reviews of standardization documents and to increase the number of items included in item reduction studies—Army (nonrecurring)	143,000
Computerized bid analysis was installed by Regional Printing Procurement Offices—Government Printing Office (estimated annual savings)	113,000
A numerically controlled measuring machine was transferred from the closed Hunters Point Naval Shipyard to the Mare Island Naval Shipyard—Navy (estimated annual savings)	28,000
The Government was reimbursed for costs of operating and maintaining materials-handling equipment at the commissary store at Fort Hood, Texas—Army (estimated annual savings)	19,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
The Government was reimbursed for costs of maintenance support and vehicle use by the commissary store at Camp Derby, Italy—Army (estimated annual savings)	7,000
Contracting Policies and Practices:	
Savings resulted from pricing contracts for foreign goods and services in local currency instead of in dollars—Defense (estimated annual savings)	2,840,000
Request for budget authority to purchase additional electron microscopes and to upgrade others was withdrawn because it could not be justified on the basis of workload—Veterans Administration (nonrecurring)	2,400,000
Unobligated project funds resulting from cancellation of questionable contract arrangements were returned to the Treasury—Health, Education, and Welfare (nonrecurring)	1,300,000
Costs were reduced through leasing equivalent ADP equipment from a third-party leasing firm rather than the manufacturer—Government Printing Office (nonrecurring)	1,240,000
Savings resulted from the determination that a contractor not be reimbursed by the Government for certain pension costs—Army (nonrecurring)	196,000
Purchases improperly charged to fiscal year 1974 appropriations were identified—Navy (nonrecurring)	165,000
Savings resulted from canceling two local procurement contracts which were funding unauthorized assistance to the Government of Vietnam National Police—Defense (nonrecurring)	192,000
Savings are expected from decreased maintenance expenditures through increased warranty enforcement—Army (estimated annual savings)	100,000
Savings resulted from using untreated rather than treated lumber when appropriate—Army (estimated annual savings)	77,000
Transportation:	
Savings resulted from accelerated deposit of checks received for payment of material sold under the Foreign Military Sales Act of 1968—Defense (estimated annual savings)	806,000
Unaccompanied baggage of Army personnel was diverted from commercial transportation to otherwise unused space on Military Airlift Command flights—Air Force (estimated annual savings)	443,000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Use of available space on Military Airlift Command flights to transport household goods moving commercially has resulted in savings in transportation cost and in temporary lodging allowance cost—Air Force (nonrecurring).....	\$192,000
Interest Income:	
Savings in interest costs resulted due to depositing receipts on a daily basis—Defense (estimated annual savings).....	380,000
Savings resulted from revised billing procedures on loans to foreign governments and collection of interest—Agency for International Development (estimated annual savings).....	43,000
Savings resulted from uncollected interest payments—Agency for International Development (estimated annual savings).....	26,000
Savings resulted from uncollected principal repayments—Agency for International Development (estimated annual savings).....	17,000
Automatic Data Processing:	
Use of available computer capacity at the Bureau of the Mint resulted in cancellation of a request for a new computer system for the U.S. Customs Service—Treasury (non-recurring).....	324,000
Savings resulted from automating and consolidating a payroll function and from discontinuing the rental of low-usage equipment—Defense (estimated annual savings).....	34,000
Energy Conservation:	
Estimated savings resulted from implementing GAO-suggested energy conservation measures—General Services Administration (estimated annual savings).....	330,000
Other Items:	
Fiscal year 1975 funding for the armored reconnaissance scout vehicle was reduced—Army (nonrecurring).....	29,100,000
The Associate Degree Completion Program for enlisted personnel, used to satisfy individuals' educational aspirations rather than as a means to fill job requirements, was eliminated—Navy (estimated annual savings).....	21,800,000
Fiscal year 1975 funding was reduced for the PHALANX weapon system—Navy (non-recurring).....	17,100,000
Planned contract award for procurement of night sights to be used on TOW and DRAGON weapon systems was canceled—Army (nonrecurring).....	7,838,000
Fiscal year 1975 appropriation was reduced for the Advanced Airborne Command Post program—Air Force (nonrecurring).....	5,000,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
OMB requirement that the National Bureau of Standards make a study to develop test procedures for determining automobile fuel economy was canceled because the procedures would have no advantages over those being used by the Environmental Protection Agency—Environmental Protection Agency (nonrecurring).....	\$2,600,000
On GAO's recommendation, proceeds from the sale of surplus property, formerly granted to Taiwan for specified purposes, will now accrue to the U.S. Government because of Taiwan's healthy and expanding economy and favorable trade position—Defense (estimated annual savings).....	900,000
Government contributions to retirement funds of overseas employees was reduced by properly classifying the retirement system to be used for these employees as Social Security rather than Civil Service Retirement—Army (estimated annual savings) ..	400,000
Savings resulted from correcting errors in actuary reports and deferring payment of pension liability—Army (nonrecurring \$152,700, including deferral of \$140,700) ..	153,000
Some Postal Service star routes were eliminated and the number and/or frequency of trips performed on some routes were reduced—Postal Service (estimated annual savings).....	69,000
Savings resulted from discontinuing unnecessary preparation and filing of documents and abolishing three positions through more efficient procedures—Small Business Administration (estimated annual savings).....	35,000
Overtime salary expense at the commissary store at Sagami-hara, Japan, was eliminated by reducing and realigning store hours and rescheduling performance of monthly price changes and quarterly inventories—Army (estimated annual savings).....	14,000
Total	<u>\$458,934,000</u>

Additional Financial Savings Not Fully or Readily Measurable

Many significant one-time or recurring financial savings result from joint efforts of GAO and the Congress, departments, or agencies. Actions are taken to eliminate unnecessary expenditures or to otherwise correct deficiencies identified in GAO's audit reports, but the amount of savings directly attributable to our work cannot be fully or readily measured. Some illustrations follow.

Planning Effort Discontinued on Uneconomical Water Resources Project

At the request of Senator Charles Percy, we reviewed the economic and environmental aspects of the proposed William L. Springer project in Illinois. The Corps of Engineers' latest economic analysis of the project showed that (1) the major benefits for the project had increased from \$27 million to \$110 million, and (2) the benefit-cost ratio for the project was 1.11 to 1, with annual benefits and costs of \$5.4 million and \$4.9 million, respectively.

We reported that (1) water supply benefits were overstated by \$65,900 annually, because they were based on outdated water demand figures, (2) flood control benefits of \$477,500 annually were not realistic, because they were based on an alternative plan of development that was not part of the current project plan, and (3) recreation benefits valued at \$641,200 annually were questionable, because the Environmental Protection Agency rated water quality in the proposed reservoir as unacceptable for swimming.

Eliminating these questionable benefits from the project's economic analysis would reduce the benefit-cost ratio to .91 to 1, meaning costs would exceed benefits. Thus, over the life of the project, total costs would have been about \$9 million more than benefits.

On the basis of our report, Senator Percy and other Members of Congress withdrew their support for the project. On May 27, 1975, the Corps of Engineers announced that, on the basis of project economics, no additional planning would be done and that the Chief of Engineers was recommending that the project be placed on the inactive list.

Reduction in Funds for Military Support in South Vietnam

Congressmen Leggett and Harrington asked GAO to assess the propriety and legality of an accounting change proposed by the Department of Defense that would increase, by \$266 million, the amount available for military assistance to South Vietnam. We advised congressional leaders in both the Senate and the House that the proposed change presented substantial factual and conceptual questions. Our findings were used by Members of Con-

gress to argue against the proposed change; it was subsequently disapproved by the Armed Services Committees.

Investment in Ammunition Plant Modernization and Expansion Reduced

In April 1973 we advised the Department of Defense that Army and Navy plans to modernize and expand ammunition plants could result in modernizing too many production lines. Army and Navy mobilization planning was based, with the exception of continuous process plants, on operating plants 16 hours a day, 5 days a week—or 80 hours a week. However, during mobilization these plants most likely would operate at maximum capacity—24 hours a day, 6 or 7 days a week, as was done during World War II and the Vietnam conflict. Therefore, by not planning for production at full capacity, Defense planned for more production lines than needed to meet mobilization requirements.

We advised the House Committee on Appropriations of the questionable planning, and suggested that the Army and Navy reassess their mobilization planning. The Committee agreed with us and, during hearings, cited our findings and requested comments from the Army. The Army told the Committee that its policy was to achieve mobilization requirements at minimum peacetime costs. In line with this policy, the Army had requested a joint-service study to determine the optimum production capabilities of modernized plants for mobilization planning. The study had concluded that modernized noncontinuous production lines should be planned to operate 120 to 132 hours a week during mobilization. Shortly thereafter, factors of 120 to 132 hours a week were incorporated in Department of Defense planning policy, and the Army and Navy revised their ammunition plant modernization and expansion plans accordingly.

The Army's plan to modernize and expand ammunition plants over the period 1970-88 is currently estimated to cost \$6.4 billion and reflects reductions in planned investments of approximately \$1 billion, by using the new planning factors. The Navy is also using the new planning factors in its modernization and expansion plan. The estimated reduction from using the new factors is about \$18.5 million.

Reduced Federal and State Expenditures for Child Support Program

Child support payments from absent parents reduces the amount of State and Federal funds needed under the Aid to Families with Dependent Children program.

Our review showed that, in the State of Washington, efforts to collect child support payments were more effective than in other States. We recommended that the Department of Health, Education, and Welfare encourage States to adopt features of the Washington program that might strengthen their own efforts.

Following our recommendation, several States patterned their program after Washington's, and others made significant improvements. Increased collections have resulted.

We estimate that State and Federal expenditures for the dependent children program will be reduced by several million dollars annually. A precise amount cannot be estimated at this time, because States do not maintain specific collection data.

Reducing Grant Aid for the Korean Security Assistance Program

A plan begun in 1971 called for the United States to contribute \$1.5 billion over a 5-year period to modernize Korea's armed forces by funding operation, maintenance, and investment costs. Studies prepared after August 1971 showed that Korea was economically capable of assuming an increased share of its defense costs. On the basis of our fieldwork in 1973, we recommended that (1) Korea assume more of the cost of modernizing its armed forces, (2) grant aid be replaced by foreign military sales, and (3) military equipment be delivered in the future only if Korea can financially maintain the equipment at mutually agreed, predetermined levels of readiness.

Subsequently, U.S. officials tried harder to have the Koreans assume a greater share of their defense costs. As a result, Korea's reliance on grant aid has been reduced. At the time of our followup work, the Korean government was funding a much higher share of its defense costs through foreign military sales and commercial purchases. Shifting from grant aid to foreign military sales and assuming operation and maintenance costs should save over \$200 million.

Substantial Savings Possible From Increased Purchases Through the General Services Administration

In fiscal year 1973, civil agencies procured \$4.5 billion in goods and services from commercial sources, of which \$1.4 billion was for identical or similar goods and services available through the General Services Administration. On the basis of a nationwide statistical survey, we estimated \$300 million might have been saved if civil agencies had obtained the \$1.4 billion in goods and services from the Administration. The savings may be somewhat less, because General Services does not consider all costs of doing business in its reported savings.

In line with a recommendation in our December 1974 report, the General Services Administration has taken constructive actions to increase its ability to expand sales of cost-effective items and to permit agencies to save money. The actions taken were:

- An Automated Delivery Order System was implemented, enabling the Administration to determine total demand for a given item or class of items.
- A Market Research Division was created to plan, develop, and conduct customer research.
- A contract was made with a consulting firm to study and report on the Federal Supply Service organization and operations.
- Legislation calling for development of an industrial funding concept for procurement and supply operations was formulated.

Guidelines Established to Accelerate Repayment of Low-Interest Loans to Economically Developed Countries

In our review of U.S. aid to Brazil, we concluded that Brazil's strong economic growth made it reasonable for the Agency for International Development to seek renegotiation of the \$1.3 billion in low-interest concessional loans made to Brazil either by accelerating loan repayments or by increasing interest rates to cover the U.S. Government's cost for servicing these loans. No agency criteria existed for renegotiating such loans.

We recommended in our report to the Congress (B-133283) that the Department of State and the Agency try to renegotiate, to the extent possible, better loan terms.

FINANCIAL SAVINGS AND OTHER BENEFITS

In September 1974, as a result of our recommendation, the Agency issued a document which established criteria for evaluating a former recipient's economic condition to determine whether the U.S. Government should request accelerated loan repayment. The document established organizational responsibility for implementing this new policy guidance. Department of State officials said they were identifying the countries that would be subject to the new policy and were in the early stages of negotiation with some countries.

Revised Guidelines for Rental Assistance Payments on Replacement Rental Housing

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 authorized rental assistance payments to persons displaced by Federal public works so they could obtain decent replacement rental housing. The General Services Administration is responsible for monitoring relocation.

We recommended that the Federal guidelines be revised because we found significant variations in determining differential rental payments between agencies at the same locations and within agencies at different locations.

In October 1974, new payment guidelines were issued which provide that differential rental payments for replacement housing be based upon the lesser of the difference between the rent previously paid and (1) the rent actually paid for replacement housing or (2) the rent for comparable replacement housing.

Improved Government Agency Cooperation in Collecting Federal Income Taxes From Illegal Aliens

The Internal Revenue Service began a program to insure that an agent be available whenever an illegal alien is held by the Immigration and Naturalization Service. The agent determines whether any tax is due the Government and tries to collect it. The program is based on recommendations we made during a review of the adverse impact of illegal aliens.

We cannot fully measure the amount of taxes which will be collected under this program. However, a test made by the 2 agencies over a 3-month

period resulted in \$168,000 being collected from 1,702 illegal aliens. About 800,000 illegal aliens were apprehended during fiscal year 1974.

Depreciation Costs To Be Recovered Through Asset Use Charges

In October 1974, we expressed concern to the Secretary of Defense over the losses sustained by the Government through the Foreign Military Sales Program. These losses were caused by the military departments' failure to implement (1) Department of Defense regulations and (2) our recommendation on recovering the cost of Government-owned plants and equipment used to produce articles for sale to foreign countries.

On January 2, 1975, the Assistant Secretary of the Army (Financial Management) directed the Army Materiel Command to recover all depreciation and other unfunded costs for all open and unbilled foreign military sales orders. Also, in response to the recommendations in our report, the Secretary of Defense, on June 17, 1975, issued specific instructions to Defense activities to recover depreciation costs by applying an asset use charge. These actions should result in recovering more depreciation costs in foreign military sales.

Improvements in Contractor Operations

As part of our continuing review of contractor operations, we noted certain practices that need improving to increase efficiency and economies for all procuring agencies. For example:

- A defense contractor's production control system did not provide for the smooth flow of parts and did not effectively control the issuance of raw material to the manufacturing department. About \$8.9 million of the contractor's actual inventory was excess to known requirements, while production was behind schedule on other parts valued at \$8.7 million needed to cover known requirements. Greater efficiency and economies will result from actions taken by the contractor to strengthen its production control system.
- A defense contractor's preventive maintenance program for periodic cleaning, servicing, and inspection of machinery and equipment needed improvement. The contractor acknowl-

edged that problems did exist and subsequently installed an automatic data processing system for control items requiring preventive maintenance.

- A study of the productivity of a contractor's inspectors in the receiving inspection department disclosed that about 30 percent of the inspectors' time was spent in direct production, 35 percent in indirect production, and 35 percent not producing. Greater economies, applicable to almost all products manufactured, will result from actions taken by the contractor to reduce quality assurance costs by increasing the inspectors' productivity.
- A review of a defense contractor's purchasing system disclosed several irregularities regarding price/cost analyses, lax review and approval procedures, and inadequate assurances of the reasonableness of prices paid for noncompetitive procurements between \$10,000 and \$100,000. In October 1974, the contractor advised us of specific actions taken to improve the procurement system.

Travel Instructions Revised To Avoid Additional Costs

Government travelers on official business may rent cars from commercial car rental firms under Government contracts at special low rates obtained as the result of competitive bidding. The Department of Health, Education, and Welfare, Office of Education, required travelers to justify on their travel vouchers the necessity for using other than a Government contract car. This instruction apparently encouraged travelers to use Government-approved car rental firms, since the office's experience was better than that at those Department agencies which had no such requirement.

We discussed this with a Department official in May 1974, and in August 1974 an addition was made to the Travel Manual, requiring all travelers to state on their travel vouchers the necessity for using other than a Government contractor for renting commercial vehicles. Travelers were told that any apparent failure to use available Government-approved contract firms might result in disallowance from their reimbursement voucher.

We informed the General Services Administration of the potential for savings in all Federal agen-

cies, and they agreed to conduct a study to determine the extent that travelers were using more costly rental vehicles and to take whatever action was necessary to correct abuses and reduce Government costs.

Increased Revenue From Rental of Postal Boxes

We reported to the Congress on the Postal Service's need to increase rates to recover the cost of providing service to commercial firms renting multiple post office boxes. We recommended that (1) two classes of post office box delivery service be established—one class for those who rent one box to receive mail normally delivered to home or business and one class for the commercial firm which rents more than one box—and (2) box rental rates for each class of box delivery service be adjusted to recover the cost of providing such service.

Following our report, the Postal Service said it was adopting our recommendations but that cost studies would be needed to support a rate change recommendation. A series of studies were made and in the April 8, 1975, *Federal Register* the Service proposed its new regulations. The regulations provide that (1) box service be reorganized into two categories of service: caller service for recipients of large volumes of mail and lockbox service for others and (2) rates be increased to cover costs attributable to these services. The Service estimated that increased rates would generate additional annual revenue of \$40 million. However, the amount of revenue which would exceed additional costs was not readily measurable.

Canceling Additional Heavy Lift Helicopter Prototype

In May 1971 the Army received approval for a heavy lift helicopter program. Subsequently, a contract was awarded for an advanced technology component program, to minimize costs and technical risks associated with full-scale development of a heavy lift helicopter by developing selected critical components. In January 1973 an austere heavy lift helicopter prototype program was added to the contract. The Army's fiscal year 1975 appropriation request included \$14 million to start a second, more fully equipped prototype, estimated to cost \$38.5 million.

In our March 1974 staff study on the heavy lift helicopter program, we reported that the Army was building one austere prototype. We concluded that, since the critical components had not been fully tested in the advanced technology component program, the second prototype was premature. In acting on the Army's budget request, the Senate Armed Services Committee cited our staff study in denying the requested funds for a second prototype. No funds were included for a second prototype in the Army's approved appropriations. Subsequently, the Secretary of the Army stated that only one prototype would be developed.

Improved Management of Government-Held Mortgages

We reported that the return on the Government's investment in multifamily mortgages assigned to the Department of Housing and Urban Development had been reduced and that future losses would result unless administrative improvements were made. As of March 31, 1973, the Department held mortgage notes for 1,098 mortgages, 580 of which were delinquent.

On the basis of our recommendations, the Department provided a number of improvements. These included: (1) setting forth uniform criteria for establishing management fees, (2) identifying management expenses which could be paid from project income, (3) holding training workshops in basic financial analysis, (4) having project owners certify monthly accounting reports, and (5) issuing instructions to field personnel on the consistent interpretation of the Department's policy on defaulted mortgages.

Reduced Expenditure for Laboratory Manual

The Army Aviation Systems Command was in the process of awarding a contract for the preparation of a spectrometric oil analysis laboratory manual for the Army.

The Navy and Air Force already had laboratory manuals, and the Navy was trying to coordinate its manual with the Army. The Navy contended the Army did not need to come up with its own manual.

In June 1974, we brought to the attention of Army officials the fact that both the Navy and Air

Force had already developed laboratory manuals which might be of use and might negate the need for additional Army Materiel Command expenditures.

In July 1974, we were advised that the Navy-prepared manual would be augmented in lieu of preparing a complete Army manual.

Increased Efforts To Collect Delinquent Taxes From Employers

The Internal Revenue Service was rarely prosecuting employers delinquent in paying taxes withheld from employees' wages. Collection officials did not use the prosecution authority because they preferred regular collection procedures and believed prosecution was ineffective. Only 84 cases were referred to the Department of Justice between 1959 and 1969, of which 54 convictions were obtained.

We reported that such few cases referred for prosecution did not adequately test the effectiveness of the prosecution laws and recommended that the Commissioner of Internal Revenue increase the number of cases selected for prosecution. Between March 1973 and June 1974 the Service referred 253 cases to the Justice Department for prosecution. There were 106 convictions during the same period, with 115 cases still pending.

We believe that increased prosecution will help the Service evaluate its collection program; however, the impact of prosecutions in terms of delinquent taxes collected cannot be measured at this time.

Eliminating Parallel Development of Nuclear Weapons

During our review of selected nuclear weapons programs, we noted that the Atomic Energy Commission (now Energy Research and Development Administration) and the Department of Defense had pursued parallel development programs on a nuclear projectile during fiscal years 1972 and 1973. This duplication cost over \$4 million and could have been avoided if the division of responsibilities had been agreed to early in the program.

At the time of our review a similar nuclear projectile was being developed by these agencies, and, apparently, responsibility again was to be divided and another costly parallel development program started. We recommended that the agencies divide

the responsibilities for nuclear weapons very early in the development program.

Army representatives subsequently stated that we helped expedite the formal agreement between the agencies on the division of responsibilities, thus eliminating the possibility of parallel development programs.

Other Benefits

Some actions taken in response to GAO's recommendations result in benefits other than financial savings. If the Congress enacts recommended legislation, or if new agency regulations or procedures are adopted, day-to-day operations at Federal, State, and local levels may improve. Sometimes the actions have a direct, favorable effect on the well-being of individual citizens.

Legislation Enacted To Assist Blind Vendors

Public Law 93-516, approved December 7, 1974, contained a number of provisions designed to protect blind vendors operating on federally controlled property. Recommendations which we made in a report to the Chairman, Subcommittee on the Handicapped, Senate Committee on Labor and Public Welfare, were instrumental in developing the legislation.

Increased Control and Consumer Awareness of Salmonella in Raw Meat and Poultry

Salmonellosis—the infection caused by the salmonella bacteria—is considered by some authorities to be one of the most important communicable disease problems of bacterial origin in the United States. Meat and poultry are among the foods most likely to carry salmonella bacteria.

As a result of our recommendations, HEW and Agriculture have initiated actions to (1) control salmonella earlier and more effectively, (2) emphasize to consumers the serious health problem associated with handling raw meat and poultry and the precautions in handling them, and (3) periodically measure the effectiveness of their consumer education programs.

Changes in Body Armor Program Could Reduce Casualties

Our report to the Secretary of Defense in May 1972 recommended that the Army de-emphasize weight reduction of body armor and place a higher priority on developing a new helmet and vest to meet the soldier's need for head, face, neck, and body protection. We also recommended that the Army use the vest in training programs, so soldiers would become accustomed to using it.

As a result of our report, the Army revised its material need for personnel armor and now gives first priority to casualty reduction, followed by human factors, reliability, and maintainability. In addition, the Army revised its training regulations to encourage use of body armor and helmets during appropriate training periods and to stress the importance of protective armor as a means of preventing or minimizing wounds in combat operations.

Establishment of Safe Drinking Water Standards

No Federal laws provided specifically for regulating the quality of public water supplies. Some supply systems were delivering water with bacteria levels exceeding the Federal drinking water standards for 1 to 2 months during a year. In addition, the Government did not have a formal program for monitoring the quality of bottled water and had not established standards for bottled water quality.

To correct weaknesses identified during our review, the Congress enacted Public Law 93-523, approved December 17, 1974, which required the Environmental Protection Agency to establish national primary drinking water standards designed to reasonably protect the public health and to establish national secondary standards designed to reasonably insure esthetically adequate drinking water. This law also provided for more effectively regulating (1) water available to interstate travelers, (2) water at Federal recreation sites, and (3) bottled water.

Expediting Disability Compensation Payments

Federal employees unable to work because of job-related injuries waited 4 to 6 weeks, sometimes more, before receiving disability compensation. This delay occurred despite the fact that 90 percent of

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all disability claims were uncontested, requiring minimal time to adjudicate. In our report, we recommended that each Federal agency be authorized to immediately pay employee claims by continuing to pay them until claims are processed, with provisions for recovering erroneous payments. On September 7, 1974, the Federal Employees Compensation Act was amended by enactment of Public Law 93-416(1), making the changes we sought.

Warning of Possible

Adverse Effects on Fetuses From Excessive Radiation Exposure

In line with our recommendations, the Atomic Energy Commission (1) requested its contractors and licensees to advise all women working at jobs involving radiation exposure of the possible effects on fetuses, (2) developed a guide regarding such risks, for dissemination to licensee employees, (3) published proposed amendments to its regulations that would require licensees to include information about biological risks to fetuses in instructions to workers regarding protection problems relating to radiation exposure, and (4) instructed licensees to make a particular effort to keep radiation exposure to a fetus at the lowest practicable level during the entire gestation period, as recommended by the National Council on Radiological Protection.

Improved Reporting on Export Sales of Wheat

In response to our recommendations, the Department of Agriculture improved its procedures for reporting export sales of wheat. The Department's reports are based on data obtained from exporters, pursuant to section 812 of the Agriculture and Consumer Protection Act of 1973. The revised procedures provide for greater interpretive analysis and comments on the data collected, including the significance of sales to unknown destinations. Data and interpretive analysis also will be provided for important weekly changes in previously reported exported sales. In addition, cumulative exports of wheat, by class of wheat, will be reported. These actions should help to provide a better basis for weekly evaluations by the Government, the trade, and the public of foreign demand for wheat.

Improved Control Over Suspected Fraud and Abuse in Medicaid

Proposed regulations published by the Department of Health, Education, and Welfare in April 1975 required States to report to the Social and Rehabilitation Service those providers suspected of fraud under Medicaid. The regulations were intended to facilitate an exchange of information between the Service and the Social Security Administration about providers participating in both Medicaid and Medicare. The Social and Rehabilitation Service also took steps to establish a fraud and abuse unit under its Medicaid program.

The regulations and establishment of the fraud and abuse unit were related to our review of the Social and Rehabilitation Service's management of suspected fraud and abuse in Medicaid.

Better Job Placement Assistance for Displaced Federal Civilian Employees

Although various programs were established to help employees obtain other employment when their Government jobs were abolished, we reported to the Civil Service Commission that little actual assistance had been provided.

As a result of our report, the Commission expanded its reviews of agencies' assistance programs, set up new computerized systems to identify personnel being displaced and the job vacancies for which they might be referred, and improved the cross-referencing of records for the different programs involved in assistance efforts.

Improved Personnel Management in the Agency for International Development

In a report to the Senate Subcommittee on Foreign Operations, Committee on Appropriations, we identified a number of serious personnel management problems. Subsequently, AID took a series of important steps to help correct the undesirable conditions described in the report.

To assure compliance with Civil Service Commission classification standards, a major classification review of General Schedule positions in Washington was undertaken; to preclude aggravation of the existing overgrading problem in the Foreign Service, promotions of higher graded personnel were frozen and new promotion review procedures were

implemented. Plans and/or procedures have also been drawn up to

- perform cyclical reviews of Foreign Service staffing both overseas and in Washington,
- maintain a ceiling on the number of personnel assigned to the Foreign Service reassignment and medical subcomplements (personnel not assigned to a permanent position), and
- facilitate the matching of position requirements and staff occupational capabilities by computerizing the necessary personnel data.

Strengthened Energy Conservation Standards for New Homes

Our review showed a need to significantly reduce the amount of energy used to heat and air-condition single family homes whose mortgages are insured by the Federal Government. We recommended that the Department of Housing and Urban Development strengthen its thermal standards for new construction and establish standards for existing homes. The Department of Agriculture and the Veterans Administration also use these standards.

In November 1974 the Department, following our recommendations, upgraded its thermal standards for new homes but did not take action regarding existing homes. However, if the standards are properly applied, energy conservation should be substantially increased.

Eliminating the Reuse of Disposable Catheters and Guidewires in Non-Federal Hospitals

As a result of our recommendations to the Secretary of Health, Education, and Welfare, the agency has taken actions to assure that disposable catheters and guidewires used in vascular studies are not reused. There is evidence to indicate that the reuse of these devices could result in increased potential for infection and other health problems.

Better Criteria for Inspecting Nuclear Power Reactors

As recommended in our report to the Congress, the Nuclear Regulatory Commission provided its reactor inspectors with guidance on the maximum scope of inspection and on methods for implement-

ing the quality assurance criteria which licensees are expected to follow and which inspectors are to use in evaluating the effectiveness of licensees' quality assurance programs. The Commission also required licensees to upgrade their quality assurance programs. In addition, the Commission's procedures were changed to require that inspectors review licensees' quality assurance audits.

Improvement in Program To Bring Medical Care to Poor Children

The Secretary of Health, Education, and Welfare announced on June 2, 1975, that he was applying the first penalties authorized by the Social Security Amendments of 1972 against seven States for failure to fully implement the early periodic screening, diagnosis, and treatment program. The penalties amounted to about \$1.7 million.

Congress mandated through the 1972 amendments that, beginning in fiscal year 1975, States which failed to implement the program adequately would be assessed a penalty of 1 percent of their Federal share of costs under the aid to families with dependent children program for each quarter of inadequate performance. We reported to the Congress that, as of June 30, 1973, 4 years after the Congress required the early periodic screening program to be implemented, none of the eight States we reviewed had implemented the program for all eligible children. In another report, we recommended that the Secretary assess financial penalties on States that do not take adequate steps to meet Medicaid requirements, including the screening program.

The Department of Health, Education, and Welfare determined that seven States had failed to carry out one or more of these key actions—informing, screening, and treating—necessary to bring medical care to eligible poor children during the July through September quarter of fiscal year 1975. We believe this assessment of penalties will improve the program's effectiveness but the extent of the improvement cannot readily be measured at this time.

Psychiatric Facilities Must Meet More Stringent Standards

Our review of the Civilian Health and Medical Program of the Uniformed Services showed that the

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definition of a psychiatric hospital had been broadly interpreted under the program. We found that approved psychiatric facilities were engaging in questionable practices and providing what appeared to be less than an acceptable quality of care.

In a July 1971 report to the Committee on Appropriations, House of Representatives, we recommended that more definitive criteria for approving psychiatric facilities under the program be established and enforced. Effective July 1, 1974, the program requires that facilities, to be eligible for payments, must meet more stringent standards which should improve the quality of care and reduce questionable practices.

Improved Guidance to States for Regulating Nuclear Materials

In line with our recommendations, the Nuclear Regulatory Commission provided States which regulate users of radioactive materials under agreements with the Commission with guidance on the minimum information needed to support the issuance of licenses and on standardized inspection and enforcement procedures covering the scope of inspection for various types of licenses. The Commission also provided the States with a licensing training course and inspection training for State personnel. Commission personnel were given additional guidance on the scope of their work needed to support determinations that State programs for regulatory users of radioactive material are adequate and compatible with the Commission's program. For nonagreement States, the Commission increased its efforts to better enable them to become agreement States.

Improvements in Operations of Massachusetts Division of Employment Security

On the basis of our recommendations, the Department of Labor encouraged the Massachusetts employment service agency to further improve its job referral and placement operations in several areas. These included improving the accuracy of job applicant files, increasing the matching of applicants and jobs, increasing the number and timeliness of job referrals, initiating job development activities, increasing specialization of local office personnel by

occupation or industry, and increasing the placement in jobs of unemployment insurance recipients.

Improved Reporting to the Congress

The Renegotiation Board decided to stop reporting to the Congress voluntary refunds and price reductions reported to it by contractors, after we found that these amounts were incorrectly reported and that the Board's criteria for such reporting was subject to various interpretations. Eliminating this largely irrelevant data should enable the Congress to make a more realistic evaluation of the Board's productivity.

Increased Training for Navy Disbursing Clerks

Our continuing audits of pay and travel transactions in the Navy show that error rates on ships and at foreign stations are usually much higher than at domestic shore stations. Nearly half of all Navy disbursing clerks, many of whom are assigned to ships and foreign stations, have had no formal disbursing training.

On the basis of our suggestion, the Naval Technical Training Command provided formal classroom training for 180 additional disbursing clerks during fiscal year 1974. The Navy plans to provide similar training for all new disbursing clerks beginning with fiscal year 1975. We believe the increased training can help improve the accuracy of disbursements. Also, it should help the Navy to more efficiently implement its new computerized military pay system which is scheduled to become operational in 1976.

Improvements in the Civilian Payroll Processing System

Audit of the Department of Defense civilian payroll processing systems showed that weaknesses existed in the controls over the company systems, the data entered into the systems, and their output. Individual weaknesses, common to many of the activities visited, included insufficient separation of duties, inadequate system documentation, and inadequate controls over computer programs and changes to the programs.

In reports to commanders of local Defense activities, we made recommendations for improving in-

dividual payroll operations. In a report to the Congress we recommended that (1) DOD's planned standard payroll system for civilian employees include specific controls to insure that weaknesses found during our audit are precluded and (2) representatives of internal audit activities actively participate in the new systems design, development, and testing.

In response to our recommendations, officials at local payroll activities have taken the corrective action necessary to improve their civilian payroll operations. The Department also agreed to incorporate into its standard civilian payroll system the controls necessary to preclude the weaknesses found in the existing systems. The U.S. Army Audit Agency will participate in the development and testing of the standard system to insure that effective internal controls and audit trails are established.

Nuclear Weapons Safety

In 1968 the Assistant to the Secretary of Defense for Atomic Energy established new safety criteria for the design of nuclear weapons in normal (operational) and abnormal (accident) environments. While there was no specific design criteria for an accident environment before 1968, the action taken by the Assistant to the Secretary of Defense for Atomic Energy did not require that the new criteria be applied to the existing stockpile.

In view of the increased emphasis on nuclear weapon safety, we proposed that the Atomic Energy Commission (now Energy Research and Development Administration) and the Department of Defense jointly review stockpiled weapons in the light of current safety criteria. In response to our suggestion the agencies are establishing a joint steering committee and working groups to evaluate weapons using current safety criteria. These corrective actions could result in savings of dollars and/or human lives.

Better Evaluation of Real Property Needs of Government Agencies

Executive Order 11508, February 1970, required the General Services Administration, along with the various landholding agencies, to survey their real property to determine what was not used, underused, or not optimally used. In June 1973, we pointed out that GSA and agency standards con-

cerning land use were too general to promptly identify inadequately used land. In addition, the diversified uses of Federal land made the use of general standards difficult.

In response to our recommendations that the President take action to have GSA and other agencies develop land use criteria, the Administrator of General Services signed Federal Management Circular 73-5 in December 1973. This circular provided that the head of each agency evaluate program needs for real property and develop criteria to achieve effective and economical use of the property.

Improvements in Incentive Awards Program for Federal Employees

The Civil Service Commission gave our report on the need for a more effective incentive awards program wide distribution throughout the Government to increase the awareness of agency administrators to program weaknesses. In addition, the Commission revised administrative guidelines to clarify which actions might properly be taken under differing circumstances, encouraged agencies to keep employees well informed of specific reasons for granting awards, and emphasized to agencies that more promotion and publicity for suggestion programs were desirable. A survey conducted by the Commission approximately 1 year after our report was issued revealed that a large percentage of Government agencies had taken positive actions to correct program deficiencies and improve effectiveness.

Improved Security Controls at a VA Pharmacy

During our examination of Veterans Administration pharmacy operations, we observed a security control weakness within the inpatient pharmacy at a VA hospital. Access was freely granted to anyone who desired entrance, thereby increasing the risk of pilferage from the pharmacy.

We recommended installation of a surveillance window and an admitting buzzer in the pharmacy office so that personnel desiring entrance could be screened and their entrance controlled from within the pharmacy. The hospital took action to install the security measures.

Improved Working Conditions

Our review of the Postal Service's working conditions improvement program indicated that the Service had not effectively carried out the program during the 2 years it had been in existence. We reported to management the need for (1) improving reporting procedures to keep management better informed of the program's progress, (2) encouraging and utilizing employee input on the adequacy of working conditions and contemplated improvements, (3) improving the procedure for identifying needed facilities improvements, and (4) establishing a system of priorities for these improvements.

Service officials told us that, as a result of our audit and subsequent meetings with Service representatives, revised instructions—which specifically addressed the weaknesses we had reported—had been issued to regional program coordinators. The representatives said that the program has now been improved and new interest has been aroused, to enable accomplishment of program goals and objectives.

Improved Administrative Control of Obligations

We reported that the Army and Air Force did not record obligations for separation allowances for foreign national employees at the time they were incurred but at the time they were paid. As of June 30, 1974, the estimated amount of unrecorded obligations was at least \$305 million.

To provide disclosure and improved administrative control of the Government's obligation for separation allowances, we recommended that the Secretary of Defense direct the military departments to (1) record all unrecorded obligations for separation allowances, (2) record all future obligations when they are incurred, and (3) require that the amount of obligations recorded against current appropriations be equal to the total increase in the liability for separation allowance payments.

Accounting procedures were changed to require that all future obligations for separation allowances be made on an accrual basis and that the amount of obligations recorded against current appropriations be equal to the full amount of the liability incurred in the fiscal year.

Improved Housing Rehabilitation Program

The Atlanta Housing Authority, the local agency responsible for administering HUD's rehabilitation loan and grant programs in Atlanta, Georgia, in accordance with our suggestions, established written contracting procedures and centralized control over the selection of contractors to be sent invitations to bid to insure that (1) contractors are given an equal opportunity to participate in the work, (2) contract files are complete, (3) barred contractors are not awarded contracts, (4) cost estimates are safeguarded, and (5) changes in rehabilitation work are made only by written contract amendment. In addition, HUD, in accordance with our recommendation, took action to strengthen its monitoring of the programs.

Revised Regulations for the Business and Industrial and Community Facility Assistance Programs

Certain parts of the Farmers Home Administration's regulations for implementing the business and industrial and community facility assistance programs authorized by the Rural Development Act of 1972 did not adequately reflect provisions of the authorizing legislation and its legislative intent. Our report to the Subcommittees on Rural Development and Agricultural Credit and Rural Electrification, Senate Committee on Agriculture and Forestry, stated that the Farmers Home Administration had agreed to revise parts of its regulations; we suggested that the Subcommittees insure that these revisions were made.

In response to the Rural Development Subcommittee's inquiry, the Farmers Home Administration revised its business and industrial and community facility assistance regulations to:

- Require business acquisitions for which loans are made to be accompanied by economic and environmental improvements.
- Clarify that determinations of the unavailability of other credit are not required for guaranteed loans to cooperatives.
- Permit public bodies to construct and equip factories for lease.
- Specify a 5-percent interest rate for nonprofit associations and Indian tribes for community facility-type projects.
- Provide further guidance on joint financing.

—Provide for veterans' preferences for business loans.

Security Over Personnel Records of Government Employees Improved

We reported that (1) certain practices at Army installations we visited could result in unauthorized disclosure of personnel information and (2) civilian employees, as well as retired and active duty military members, were having difficulty obtaining access to their personnel records to verify or correct them.

As a result of our report, the Army adopted protective measures to safeguard personnel records against unauthorized disclosure and use. The Civil Service Commission advised us that in future evaluations of civilian personnel offices stress would be placed on the protection afforded personnel records. In addition, a congressional subcommittee used our report to support passage of the Privacy Act of 1974.

Improved Procedures for Monitoring Assistance to Small Businesses

Section 8(a) of the Small Business Act of 1953 authorizes the Small Business Administration (SBA) to enter into procurement contracts with Federal agencies and, in turn, to subcontract the work to small businesses. SBA has encouraged nondisadvantaged businesses (sponsors) to provide management services, training, and capital to 8(a) firms.

In response to recommendations in our report to the Congress, SBA strengthened its procedures by requiring periodic analyses of financial transactions between sponsors and 8(a) firms and the quality of services rendered by sponsors.

Improved Procedures for Processing Applications Under FHA's Business and Industrial Loan and Grant Programs

The Consolidated Farm and Rural Development Act requires the Department of Labor to certify that assistance under the Farmers Home Administration's business and industrial loan and grant programs will not likely result in (1) transfer of employment or business activity from one area to another or (2) overproduction of goods, materials, or commodities or the overavailability of services or facilities in an area. Under its procedures, the Depart-

ment solicited labor union comments on loan and grant applications but did not thoroughly investigate negative comments or directly communicate them to the applicants or businesses involved for their response. As a result, certifications were denied on the basis of inaccurate information.

In line with our recommendations, the Department revised its regulations, effective February 28, 1975, to provide for publishing a list of pending applications in the *Federal Register* and asking for comments from all interested parties. The revised regulations also provide that any adverse comments received be forwarded to the applicant for response.

Improved Financial Disclosure Procedures for U.S. Geological Survey Employees

We reported that the financial disclosure procedures of the Department of the Interior were not effective in preventing many employees of the U.S. Geological Survey from possessing financial holdings which constituted a real or potential conflict of interest.

The Department issued new regulations concerning employee conduct and avoidance of conflicts of interest and developed guidelines for Bureau counselors to use in annually reviewing employees' financial disclosure statements, thus implementing our recommendations.

Improved Benefit-Cost Analyses for Federal Water Resource Projects

Governing criteria had not been uniformly and consistently applied by the Bureau of Reclamation, Department of the Interior; the Corps of Engineers, Department of the Army; the Soil Conservation Service, Department of Agriculture; and the Tennessee Valley Authority in making benefit-cost determinations for water resources projects. We noted inadequate agency guidance, varying interpretations and inconsistent application of governing criteria, and a lack of or incomplete studies and analyses by the agencies of data pertinent to making determinations and computations.

We recommended that (1) the agencies develop detailed procedures for benefit-cost determinations and strengthen their internal management procedures relating to such determinations and (2) the Water Resources Council periodically review and

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evaluate agencies' procedures for uniformity and consistency with the governing criteria.

The Council and the agencies generally agreed with our recommendations and are taking action to implement them. The actions being taken should help to insure that benefit-cost determinations for water resource projects are prepared in accordance with governing criteria and policies and are adequately documented and supported.

Improved Regulations for Prepaid Health Plans

The Department of Health, Education, and Welfare published proposed regulations on June 5, 1974, with respect to management and control of prepaid health plans under Medicaid.

In our report to the Congress on prepaid health plans, which was issued while HEW's proposed regulations were being considered, we made several recommendations to improve the program. The Department issued its final regulation on May 9, 1975, and cited our report for a number of changes it had made to implement our recommendations.

Use of Psychotherapeutic Drugs

Psychotherapeutic drugs in VA psychiatric hospitals were being misused in five areas: (1) dosages exceeded recommended maximums, (2) there was only limited use of drug holidays, (3) drugs to treat Parkinson's disease symptoms were overused, (4) more than one psychotherapeutic drug was used simultaneously on the same patient, and (5) drugs were administered too frequently. VA hospital officials accepted our recommendations that the hospitals establish a continuing educational program on proper drug use and develop a review system to monitor drug use and initiated action to comply with our recommendations.

Better Recreational Opportunities To Be Provided at Lake Berryessa

In July 1974 we reported to the Congress that the Bureau of Reclamation's failure to adequately control the development of public recreational facilities had severely restricted public access to and use of Lake Berryessa, California. We recommended that the Secretary of the Interior obtain the statutory au-

thority to develop, operate, and maintain recreation facilities at Bureau reservoirs when other Federal or non-Federal agencies are either unwilling or unable to assume such responsibility or when management by a non-Federal agency is unsatisfactory.

Public Law 93-493, approved October 27, 1974, authorized expenditures of \$3 million for development of public use facilities at Lake Berryessa and such other funds as necessary for the administration, operation, and maintenance of the facilities. As a result, the general public will benefit by having better recreational opportunities at Lake Berryessa.

Improved Effectiveness of Job-Matching System for Federal Employees

The Federal Automated Career System is a centralized, computer-based skills inventory operated by the Civil Service Commission to enhance the career development and use of Federal employees by better matching jobs with people and to improve manpower planning through improved gathering and analysis of statistics on the work force.

We reported that the system's effectiveness had been limited, and we recommended specific improvements in its operation. The Civil Service Commission has taken positive actions to implement all of our recommendations, including (1) increasing the accuracy of the data base, (2) improving registration procedures, (3) promoting a greater awareness among using agencies and eligible registrants of the proper use and benefits of the system, and (4) conducting studies of agency staffing needs and problems to determine optimal coverage.

Cutback in Program Not Accomplishing Its Intended Objectives

In March 1974 we reported to the Congress that the Department of Housing and Urban Development's homeownership opportunities program for low-income families was not accomplishing its intended objectives. It had not attracted a sufficient number of qualified families with homeownership potential; many local housing authorities had altered selection standards to qualify some participants in the program; many families accepted in the program had not accepted homeownership responsibilities or performed routine maintenance; and various other factors had hindered accomplishment of program

objectives. We recommended that the Department either discontinue the program or strengthen it to insure that the objectives are achieved. In July 1974 the Department discontinued the program for general use.

Certifying Independent Laboratories

Federal regulations stipulate that an independent laboratory must qualify for the Medicare program in order to receive payment for Medicaid services. The Florida Division of Family Services certified all licensed laboratories which applied without regard to Medicare certification status. The State agency certified 19 non-Medicare laboratories, and these laboratories received unauthorized payments totaling about \$8,900 during the period January 1, 1973, through April 30, 1974.

In June 1974, we suggested to Department of Health, Education, and Welfare officials that the State agency use Medicare qualifications as its standard for certifying independent laboratories for Medicaid. HEW officials advised us in July 1974 that the Florida Division of Family Services had been contacted and that certain action was being taken to correct the deficiencies.

Better Controls Over Removal of Government Property

Weak internal controls over the issuance of property passes and lack of intraservice coordination in the implementation of local procedures permitted Government property to be removed without proper authority at the Long Beach Naval Terminal Island Complex. Both the Long Beach Naval Support Activity (the host activity) and the Long Beach Naval Shipyard (a tenant) state in their regulations that only authorized personnel are allowed to sign property passes, and that a current list of authorized personnel is to be maintained and coordinated between the tenant activities and the host activity. These regulations were not being followed. This permitted unauthorized personnel to gain access to property passes and to misuse the property passes to remove Government property from the premises. The Terminal Island military and civilian security force could not stop such activities because the lists maintained at the complex's gates of personnel authorized

to sign property passes were incomplete and inadequate.

In October 1974, we advised Navy officials to upgrade their procedures and coordinate their efforts to implement a better control system.

Navy officials revised and promulgated procedures that should provide improved control over the removal of Government property from the Terminal Island Complex.

Federal Personnel Data System Development Enhanced

The Civil Service Commission has taken positive actions to incorporate our suggestions into its Federal Personnel Management Information System planning and development efforts. These actions include making a study to document information flow; determining central planning agency requirements and collection problems and the relative costs of satisfying a given requirement; documenting how the required output will be used; performing a cost benefit/effectiveness analysis for each report; and establishing priorities for all system products.

Cost-Plus-Percentage-of-Cost Contracts Prohibited

The Environmental Protection Agency's policy permitted grantees to enter into contracts providing for reimbursing contractors a fixed percentage of direct cost for overhead expenses and profit. Cost-plus-percentage-of-cost contracts are undesirable because they do not give the contractors any incentive to keep costs as low as possible or to be cost conscious.

We recommended that the Agency establish a policy to prohibit its officials from approving any cost-plus-percentage-of-cost contract and develop a procedure to effectively implement such a policy. In line with our recommendation, the Agency published revised regulations to prohibit the use of cost-plus-percentage-of-cost contracts for any procurement.

Improved Project Officer Training and Orientation

In a November 1972 report to the Congress on the need to improve the administration of the water

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pollution research, development, and demonstration program, we pointed out that some project officers of the Environmental Protection Agency were having trouble with accounting and administrative matters. In line with our recommendations that it insure that all project officers are adequately trained to administer the extramural grants and contracts program, the Agency contracted for the development of two training courses for (1) contract project officers and (2) research and development grants and interagency agreements project officers.

Establishment of Special Panels To Study Management Issues

In line with our recommendations, the Energy Research and Development Administration ap-

pointed (1) a special panel to review and report on the roles and interactions of the Government and the private sector in a national laser fusion program and (2) an overview panel to study how to approach determining priorities and goals for fusion programs. Agency officials told us that the establishment of the panel was precipitated by our inquiries into and beliefs on these matters.

CHAPTER FOUR

LEGAL SERVICES

Highlights

The Office of the General Counsel, directed by Paul G. Dembling, General Counsel, and Milton J. Socolar, Deputy General Counsel, continued its expansion to provide a full range of legal services within GAO and for the Congress; agency and department heads; fiscal, certifying, and disbursing officers; and individual claimants.

As in previous years, we made professional staff members available to committees of the Congress for their assistance; commented on proposed legislation; and furnished both formal and informal advice to individual members and their staffs. Our written decisions affected the rights and obligations of agency heads, disbursing and certifying officers, and individual claimants.

To respond to the needs of GAO's divisions and offices, we continued to enlarge our Special Studies and Analysis branch, which provides GAO with the same nature, extent, and variety of legal services as our four other internal branches provide to the outside world. During the year, to answer legal problems arising from daily work, the Special Studies and Analysis branch issued 279 opinions and memorandums.

In fiscal year 1975, we disposed of 4,971 legal matters. (See table 1.) These 4,971 separate matters produced the quantity and types of responses shown in table 2.

Table 1

Procurement law:	
Bid protests.....	1,093
Other	546
Personnel law:	
Civilian	844
Military	454
Transportation law.....	776
General government matters.....	1,256
Special studies and analysis.....	2
Total	4,971

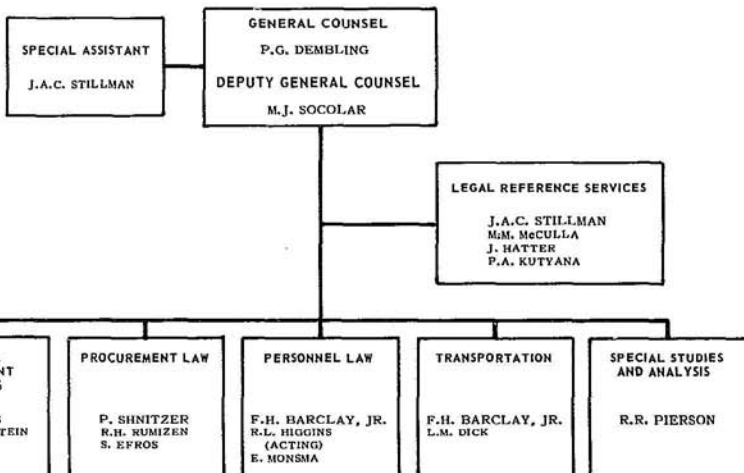
Additionally, 2,439 letters were sent out in bid protest cases, while 1,537 letters were written on matters other than bid protests.

At June 30, 1975, we had 125 full-time attorneys on our professional staff. During the year, we added 25 new attorneys; another 9, who had accepted offers made during the fiscal year, reported for duty between June 30 and September 2, 1975. This virtually completes the staff expansion we

Table 2

Decisions rendered:	
To heads of departments and agencies.....	868
To certifying, disbursing and contracting officers	58
To individual claimants.....	2,202
	3,128
GAO internal matters:	
Reviews of audit reports.....	473
Memorandums to divisions and offices.....	866
	1,339
Congressional requests:	
Opinions	431
Comments on legislation.....	266
	697
Miscellaneous:	
Circular letters.....	91
Litigation reports (Attorney General/Court of Claims)	490
Comments on proposed procurement regulations	14
Advice or opinions to the Office of Management and Budget.....	12
	607
Total	5,771

OFFICE OF THE GENERAL COUNSEL



JUNE 30, 1975

began in fiscal year 1973. We also have continually modified and improved our summer legal intern program so that it will attain its objective of providing us with a pool of capable law students whom we have evaluated and to whom offers of postgraduation employment can be made with a great likelihood of acceptance.

To reduce professional staff turnover and encourage versatility in the development of attorney skills, we initiated a rotation program for newly hired lawyers. The program exposes them, at the start of their careers, to the full spectrum of legal problems that we encounter, in the expectation that their permanent working assignments will be made on the basis of enlightened preference and mutual agreement. At the same time, we have created an opportunity for voluntary rotation by our existing staff which will permit them to acquire new and valuable skills and enhance their work responsibilities. We also have commissioned a series of studies of our clerical employees in Legal Reference Services, to assure that they are provided with appropriate career ladders and promotional possibilities, to-

gether with a proper structuring of their duties to foster greater job satisfaction.

General Government Matters

In fiscal year 1975, the unsettled political and social conditions of the day produced a general interest in scrutinizing Government operations more carefully. As a result, hundreds of questions—from congressional committees and individual Members and their staffs, from agency heads, from GAO personnel and the general public, involving highly complex, timely, and controversial legal issues—were submitted to our attorneys for resolution. As in past years, we continued to provide advice on the fiscal and administrative aspects of particular legislation, to discuss legal inconsistencies or technical difficulties presented by legislative language, to prepare statements or testimony for congressional committee hearings, and to furnish formal and informal advice to the other offices and divisions of GAO.

We became increasingly involved in cooperative or joint ventures with other GAO offices and divi-

sions. Thus, we participated in reviewing Department of Defense procedures relating to Southeast Asia funding and support, including a proposed \$266,000,000 "bookkeeping adjustment" in the Military Assistance Service Funded account, and analyzed an alleged \$21,500,000 "overcharge" to the Cambodian military assistance program. We provided continuing legal supervision over GAO's forms clearance and review functions for regulatory agencies under the Federal Reports Act, preparing and revising GAO regulations issued under that act and furnishing advice on a broad range of legal issues. The following instances will illustrate the topical and significant questions which our attorneys were required to resolve.

In connection with the crisis in Cyprus, we advised Senator Thomas Eagleton that (1) if Turkey diverted American-supplied defense materiel for its intervention in Cyprus, this would violate international agreements and the stated policies of the Foreign Assistance and the Foreign Military Sales Acts and (2) executive branch officials were required to determine whether these violations warranted an immediate end to further military aid to Turkey. (B-125085, Oct. 7, 1974.)

The resignation of former President Nixon raised legal questions from many sources.

We advised the Office of Management and Budget that current General Services Administration appropriations were not available to provide transition services to Mr. Nixon, although the Executive Office appropriation for "unanticipated personnel needs" could be used for this purpose pending congressional consideration of specific transition funds. (B-149372, Sept. 10, 1974.) We advised the Chairman, Subcommittee on Treasury, U.S. Postal Service, and General Government, Senate Committee on Appropriations, of Mr. Nixon's eligibility for services under the Presidential Transition Act, recommending, at the same time, the necessity for limiting the money spent on non-reimbursable personnel details and questioning the propriety of including a maid, a butler, and three military drivers on the payroll. (B-149372, Sept. 20, 1974.) A similar opinion was furnished to the Chairman, House Subcommittee on Treasury, Postal Service, and General Government. (B-149372, Sept. 30, 1974.) Ultimately, a money limit was imposed, and the maid and the butler were excluded.

Other problems presented to us included: anal-

yses of a Presidential agreement with GSA about Mr. Nixon's papers; the use of transition appropriations to provide legal assistance in Watergate-related matters; the propriety of using White House appropriations and employees detailed from other agencies to assist the President in the impeachment investigation; and whether the Department of Justice could properly defend former Government officials in lawsuits involving their conduct in office.

In an opinion sent to the Chairman of the same House Subcommittee, we held that (1) an OMB proposal to redeploy Customs Patrol and Border Patrol officers along the Mexican border to more effectively police illegal immigration constituted a transfer of functions between two different agencies for which positive legislation would be required and (2) the restrictive provisions of the Treasury, Postal Service, and General Government Appropriation Act of 1975 prevented the proposal's implementation. Partly on the basis of this opinion, the House Committee on Appropriations recommended withdrawing the proposal; subsequently, the executive branch decided not to implement it. (B-114888, Oct. 11, 1974.)

The Chairman, Senate Armed Services Subcommittee on Research and Development, asked us to review the implications of DOD research and development contractors using their own funds in excess of Government contractual liability. Therefore, with eight GAO regional offices, we examined all major weapons systems currently being developed and concluded that, while no violation of law existed where such use was voluntary, the practice contained several possible pitfalls and should not be encouraged. (B-163058, Mar. 17, 1975.)

In another case, the People's Republic of China, as part of a cultural exchange program, sent to this country an exhibition of Chinese archaeological discoveries, to be shown at museums throughout the United States. The Government agreed to indemnify the People's Republic for loss of or damage to the collection to the extent of \$51,300,000. Responding to a request by the Department of State, we held that the Department could assure a museum which could not afford to insure the collection during its exhibition that the United States would not seek recovery from the museum if indemnification of the People's Republic became necessary as a result of the museum's negligence. (B-183401, Mar. 27, 1975.)

Procurement Law

In the past year, our attorneys disposed of 1,639 legal matters. Of these, 546 involved questions relating to the acquisition, lease, sale, or disposition by the Government of goods, services, equipment, buildings, or other facilities. The remaining 1,093 were "bid protest" submissions, in which parties aggrieved by agency procurement actions invoked the aid of GAO procedures to obtain timely and inexpensive dispositions of their complaints in an unbiased and independent forum. (See table 3.)

In fiscal year 1975 many areas of procurement law were clarified, redefined, and developed. New GAO bid protest procedures were adopted, replacing our 1972 interim procedures. Under these, the time limit for filing protests has been lengthened to 10 days from 5; a goal has been established to issue decisions in protest cases within 25 days after the record has been closed; bid protest conference rules and the effect of judicial proceedings have been clarified; and a provision for requests for reconsideration has been added. We clarified the extent of our jurisdiction in bid protests against subcontract awards, limiting it to three situations: (1) where a prime contractor is acting as the Government's purchasing agent, (2) where the Government materially participates in or controls subcontractor selection, and (3) where the procuring agency requests an advance decision from the Comptroller General. (B-183039, Mar. 19, 1975.) For the first time, we allowed the recovery of actual bid preparation costs by an aggrieved bidder, changing our criterion for such an award from the former standard of "subjective bad faith" to one of "arbitrary and capricious" administrative action. (B-181261, June 9, 1975.)

In a protest involving the lease and subsequent purchase by the Army of six computer systems, we found that the Army's dealings with the equipment vendor constituted, in effect, a sole source procurement which was not permissible because prior authorization had not been obtained from GSA for this type of procurement. As a result of this decision, the program cost will be reduced by approximately \$10,000,000. (B-180113, Sept. 6, 1974.)

We have traditionally maintained that, since it restricts the operation of the principle of free and maximum competition for the award of Government contracts, any system which prequalifies or limits the

Table 3
BID PROTEST ACTIVITY

Disposition of cases handled:	
Protests sustained.....	46
Protests denied.....	493
Total bid protests decided.....	539
Protests withdrawn before decision.....	327
Protests declared untimely.....	101
Protests over which GAO lacked jurisdiction.....	20
Miscellaneous actions.....	106
Total other than bid protest.....	554
Total bid protest cases handled.....	1,093
Distribution of protests decided:	
Defense Communications Agency.....	4
Defense Mapping Agency.....	1
Defense Supply Agency.....	42
Department of the Air Force.....	58
Department of the Army.....	106
Department of the Navy.....	119
Marine Corps.....	4
Total Department of Defense.....	334
Architect of the Capitol.....	2
Atomic Energy Commission.....	3
Consumer Product Safety Commission.....	1
Department of Agriculture.....	14
Department of Commerce.....	7
Department of Health, Education, and Welfare.....	16
Department of Housing and Urban Development.....	4
Department of the Interior.....	20
Department of Justice.....	5
Department of Labor.....	3
Department of Transportation.....	28
Department of the Treasury.....	5
District of Columbia Government.....	11
Energy Research and Development Administration.....	1
Environmental Protection Agency.....	5
Federal Communications Commission.....	1
Federal Maritime Commission.....	1
Federal Power Commission.....	1
General Services Administration.....	38
Government Printing Office.....	3
National Aeronautics and Space Administration.....	12
National Science Foundation.....	1
Small Business Administration.....	4
Tennessee Valley Authority.....	1
United States Tax Court.....	1
Veterans Administration.....	17
Total other than Department of Defense.....	205
Total bid protests decided.....	539

eligibility of offerors on a given contract should be used only in rare instances or unusual circumstances. Thus we invalidated a master agreement for consulting services, prepared by the Department of Agriculture, which limited qualified offerors to 10 in each of 8 specified areas where the only justification for such a system was administrative convenience. (B-182337, Jan. 20, 1975.) However, in an advance decision, we tentatively approved a prequalification system developed by the Department of Health, Education, and Welfare for use in those situations where, otherwise, a sole-source award would be required. (B-183629, June 27, 1975.)

In another case, the Department of the Navy awarded a contract to operate a sonobuoy quality assurance testing program and to manage Navy facilities. The award was made to a competitor of the company which had provided these services for 16 years. The unsuccessful bidder protested that the awardee be excluded from consideration on the grounds of conflict of interest and unfair competitive advantage. We held, with respect to the first claim, that no conflict of interest appeared, since the successful bidder would not evaluate the results, in one capacity, of the tests which it was required to conduct in another. We similarly held, with respect to the latter claim, that no unfair competitive advantage arose by reason of visits by the successful bidder's engineers to the Navy's facilities, these visits having been made under other contracts. (B-182844, Jan. 31, 1975.)

In response to a question presented by the Office of Federal Contract Compliance, we held that the Equal Employment Opportunity regulations issued by the State of Illinois for construction contracts violated Federal conditions for competitive bidding. (B-167015, July 2, 1974.)

Personnel Law

Civilian Personnel

A variety of statutes, regulations, and administrative instructions provide equitable treatment to civilian employees of the Federal Government in questions concerning their legal rights. This body of law controls such matters as severance, overtime, holiday, Sunday, night, and environment differential compensation; reimbursement of travel, transportation, and relocation expenses; vacation and sick

leave; removal from service; and numerous personnel management matters.

By statute, agency heads and certain other Government officials who question the propriety of making any such payments may seek an advance decision by the Comptroller General. When issued, such a decision is binding upon both the Comptroller General and the agency requesting it. If a Federal employee believes himself entitled to particular compensation or benefits, the Comptroller General provides a convenient, inexpensive, and expeditious forum where the employee's claims may be adjudicated.

In fiscal year 1975, our attorneys continued to process a broad range of substantive questions. Additionally, we reexamined our traditional position regarding make-whole remedies, particularly in cases involving arbitration awards. In consequence, and overruling any decisions to the contrary, we held that a National Labor Relations Board employee who, in violation of a collective bargaining provision had been deprived of a promotion, was entitled both to the promotion and to back pay, because a violation of this sort, which deprived him of rights to which he was entitled, was an unwarranted and unjustified personnel action for which the Back Pay Act of 1966 afforded the employee redress (54 Comp. Gen. 312 (1974)). Subsequently, this principle was applied (1) to uphold an arbitrator's award of retroactive promotions and back pay to employees of the Office of Economic Opportunity priority consideration for a promotion (54 Comp. Gen. 403 (1974)), (2) to an employee of the Defense Supply Agency who had not been given priority consideration for a promotion (54 Comp. Gen. 435 (1974)), and (3) to invalidate a compromise award wherein an employee of the Office of Economic Opportunity was denied back pay, even though granted a retroactive promotion (54 Comp. Gen. 538 (1974)).

In a related area, we decided that the award of back pay was proper (1) where the Assistant Secretary of Labor determined that a Federal employee was the victim of discrimination, resulting in a loss of pay because of his participation in union activities (54 Comp. Gen. 760 (1975)) and (2) where, in violation of a negotiated agreement, an employee had been improperly denied overtime work assignments, to his monetary detriment. (B-1752275, June 20, 1975.)

Pursuant to a negotiated agreement between them, the Aberdeen Proving Ground regularly paid dues to a union that represented some of its employees. One such payment contained an overpayment, deducted from the wages of an employee who was no longer a member of the bargaining unit. The Proving Ground corrected this error by reducing the next installment by the amount previously overpaid, a practice which the union contended violated the agreement. When the arbitrator to whom this dispute was submitted upheld the union and directed the sum be paid, the Proving Ground asked for a decision by the Comptroller General as to whether the award could be implemented. We held that the union was not entitled to receive the erroneous overpayment and that the agency was within its rights in applying independently for a decision without first exhausting other administrative remedies available to it through the Federal Labor Relations Council. (B-180095, Apr. 30, 1975.)

Military Personnel

A complex system of statutes, regulations, and military instructions govern the entitlement of members of the active, reserve, and retired armed services and the survivors of such members to pay, allowances, and annuities. This system also applies to the U.S. Coast Guard and to commissioned officers of the Public Health Service and the National Oceanographic and Atmospheric Administration. With so many people involved, any determination made with respect to pay and allowance entitlements—whether for a large or a small amount in an individual case—may greatly affect total Federal expenditures for military pay and allowances.

In the past year, major areas in our work involved questions with respect to the implementation of new statutes enacted to facilitate the establishment of an all-volunteer force, the rights of retired members and their survivors, family relationships for purposes of allowance computation and death benefits, allowance rights when both husband and wife are members, and restrictions on job assignments applicable to military personnel.

In a report to the Chairman, House Armed Services Committee, we suggested certain amendments to the Survivor Benefit Plan provisions which we felt were advisable on the basis of decisions relating

to payments under the plan since its enactment in 1972. (B-183457, June 10, 1975.)

In a joint effort with GAO's Federal Personnel and Compensation Division, we reviewed the Defense Department practice of assigning military officers to Principal Deputy Assistant Secretary of Defense and Assistant Secretary of Defense positions. As a result of our comments, the Department changed regulations and procedures to prevent such military personnel from acting for or performing the duties of an Assistant Secretary of Defense, which military officers are, by law, prohibited from performing. (B-146890, Mar. 6, 1975.)

In one of several cases involving allowance entitlements, when both husband and wife are members of the armed services or when one spouse is a military member and the other a civilian employee, we held that two military members would not be entitled to allowances at the "with dependent" rate, based upon the husband's children by a previous marriage and a child born to the current marriage, and that only one member would receive the increased allowances based upon dependent children (54 Comp. Gen. 665 (1975)).

In a case involving the implementation of the selective reenlistment bonus and discontinuance of the variable reenlistment bonus and regular reenlistment bonus under 37 U.S.C. 308, as changed by Public Law 93-277, effective June 1, 1974, we concluded that a regular reenlistment bonus based upon the superseded provisions could not be paid to a member who was discharged before June 1 and reenlisted after that date. The savings provision of Public Law 93-277 applicable to such bonuses covered only members in service on the effective date of the act (54 Comp. Gen. (1974)).

Transportation Law

The purpose of our work in this area is to insure that the Federal Government pays its fair share for transporting its goods or personnel throughout the world, whether by air, motor, pipeline, rail or water, either singly or in combination. In addition to our decisions, we provide the Congress with comments on proposed legislation that affects transportation law and furnish to the Department of Justice such technical and support services as it may require to prosecute or defend suits brought against or by carriers to recover overcharges or underpayments.

In an international air transportation loss and damage claim, we allowed the carrier to recover moneys administratively deducted to reimburse the Government for the loss of personal effects, since the Air Force had not brought suit within 2 years as required by the Warsaw Convention (54 Comp. Gen. 633 (1975)). In another case, through administrative oversight, household effects of a member of the Armed Forces, which were declared worthless as a result of damage by Hurricane Camille, were transported from Mississippi to Dallas, Texas, and were allowed to sit in storage there at Government expense for 5 years. The warehouseman submitted a claim for storage for the period, a portion of which was time-barred. We were able to get the goods out of the warehouse and allowed payment to the mover for that part of his claim which was not time-barred. (B-181333, Mar. 26, 1975.)

We supported a petition addressed by a private shippers' organization to the Interstate Commerce Commission which, in effect, would shift the burden of justifying extraordinary charges imposed by carriers from the shippers seeking to avoid them to the carriers who wish to impose them. If ICC adopts this position, existing procedures will be substantially altered and will significantly affect the filing of tariffs with the Commission by the transportation industry.

At the request of the Chairman, House Committee on Interstate and Foreign Commerce, we commented on the Transportation Improvement Act of 1974, one provision of which would have amended section 22 of the Interstate Commerce Act. We believed that the proposed amendment would adversely affect the public interest by removing the flexibility in contracting with carriers which the Government now enjoys; therefore, we recommended not adopting it. Our comment was largely responsible for eliminating this language from the act.

With regard to the International Fair Competitive Practices Act of 1974, we issued, for use throughout the Government, guidelines to implement the "fly American flag" provisions of the act. The guidelines require Federal employees in international travel to use American-flag airlines unless: (1) such use would result in an enroute delay of 6 or more hours over other available foreign-flag air service, (2) passenger service on the American-flag carrier would take 12 or more hours longer between the points of origin and destination than other available air service, or (3) passenger or freight service by the American carrier would not accomplish the mission

of the governmental agency, department, or instrumentality for the particular flight.

Special Studies and Analysis

In fiscal year 1975, we expanded our activities to satisfy the needs of the various offices and divisions of GAO for ongoing in-house legal services. Besides their regular responsibility for providing analysis and interpretation of the provisions of the Congressional Budget and Impoundment Control Act of 1974, our attorneys, under the act, initiated legal action, in the name of the Comptroller General, in the U.S. District Court for the District of Columbia, against the Secretary of the Department of Housing and Urban Development and the Director of the Office of Management and Budget to release impounded funds. This action will doubtless have substantial significance, since one of the issues in dispute is the constitutional power of the Comptroller General to bring suit to compel an agency in the executive branch to perform a given act.

On many occasions and in widely diversified activities, we furnished continuing legal advice and services to the audit divisions in the course of their regular work. Thus, the Special Studies and Analysis group participated in auditing the Internal Revenue Service and the Bureau of Alcohol, Tobacco, and Firearms, answering questions about the authority of these organizations to inspect taxpayers' books and records, to make termination and jeopardy assessments, and to investigate potential violations arising under either the Internal Revenue Code of 1954 or the Federal Alcohol Administration Act.

We helped audit the Department of State's administration and enforcement of the Foreign Gifts and Decorations Act, suggesting potential weaknesses in the act and drafting proposed amendatory legislation to remove them. Our attorneys similarly answered legal questions, particularly with respect to GAO's authority to review records, raised in the first known comprehensive audit of the White House appropriations accounts, which was undertaken at the request of the Counsel to the President. We are providing legal services in GAO's audit of FBI operations being performed at the request of the Chairman, House Judiciary Committee. Our services pertain mostly to the areas of collection, maintenance, distribution, and destruction of domestic intelligence files. Finally, we assisted in the audit of Federal ef-

forts by the Food and Drug Administration and the Drug Enforcement Administration to regulate methadone programs, to control the abuse or diversion of that substance.

Our activities included the preparation, at the request of the Comptroller General, of proposed legislation which would relieve GAO of some of the disabilities under which it has operated since the enactment of the Budget and Accounting Act of 1921. This bill, S. 2268, confers authority upon the Comptroller General to bring declaratory judgment actions to determine the legality of proposed executive branch expenditures; to sign and issue subpoenas for the production of records to which he has been given the right of access; to bring legal action to compel the production of records or information to which he is entitled by law; to conduct profit studies on a selective basis on contractors having contracts with the Government totaling more than \$1,000,000 in the most recent fiscal year; and to be represented in legal actions brought under the provisions of this bill by GAO or by outside counsel.

Legal Reference Services

The Index-Digest, Index and Files, and the Legislative Digest Sections, Legal Reference Services, provide a complete support service to help our attorneys and the staffs of other GAO divisions and offices carry out their daily work. Legal Reference Services issues numerous periodicals to keep GAO personnel, Government agencies and departments, and private organizations informed of legislative or legal developments pertaining to GAO which would affect their special interest. Thus, we distribute ad-

vance copies of decisions and digests, prepare monthly pamphlets summarizing decisions in particular areas, prepare an annual volume of decisions which illustrate novel and important points of law or which otherwise are of widespread interest and applicability throughout the Government, and serve as a clearinghouse for distributing legislation introduced and being considered by the Congress.

On a regular basis we make copies of our procurement law decisions available for commercial publication. The text of all published decisions and the digests of all unpublished ones are systematically sent to the Air Force Accounting and Finance Center in Denver, Colorado, for inclusion in its computerized research service, Project FLITE (Federal Legal Information Through Electronics).

Our Index-Digest Section annotates and cross-references all decisions, maintains an elaborate card index file, and provides telephone and personal research services. In the past year its employees processed 4,045 research inquiries and distributed 41,882 copies of our decisions.

The Index and Files Section logs, indexes, cross-references, and processes all incoming and outgoing letters and prepares daily reports on all these matters to inform GAO's offices and divisions about our activities. This year its personnel processed 67,377 pieces of incoming correspondence and sent out 16,495 decisions, reports, and letters.

During fiscal year 1975 the Legislative Digest Section prepared 15,449 legislative history files on public and private bills introduced in the second session of the 93d Congress and the first session of the 94th Congress and processed requests for reports on 266 bills from committees and individual Members of Congress.

CHAPTER FIVE

FINANCIAL AND GENERAL MANAGEMENT STUDIES

Responsibilities

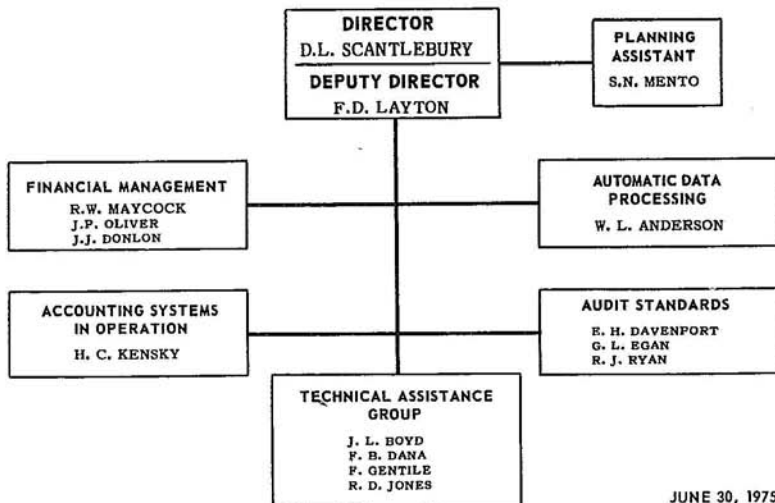
The Financial and General Management Studies Division

—helps Government agencies develop accounting

- systems that meet the principles and standards prescribed by the Comptroller General and approves the systems;
- reviews agency accounting systems in operation and settles the accounts of accountable officers, except for military disbursing officers;
- reviews automatic data processing activities or programs on a Government-wide basis;
- provides expert technical and advisory services to other GAO divisions and offices in automatic data processing, systems analysis, actuarial science, and statistical science;
- promotes the improvement of auditing of Federal and federally assisted programs at all levels of government—Federal, State, and local; and
- participates in the Joint Financial Management Improvement Program.

This Division is supervised by Donald L. Scantlebury, Director, and Fred D. Layton, Deputy Director.

FINANCIAL AND GENERAL MANAGEMENT STUDIES DIVISION



JUNE 30, 1975

Approval of Agency Accounting Systems

The Budget and Accounting Procedures Act of 1950 requires that executive agency accounting systems be approved by the Comptroller General when deemed by him to be adequate and in conformity with the principles, standards, and related requirements prescribed by him. The act also provides that GAO cooperate with executive agencies in the development of their accounting systems.

Three agencies' accounting principles and standards, covering 5 systems and designs for 27 systems, were approved during fiscal year 1975, as shown in table 1.

Accounting Principles and Standards

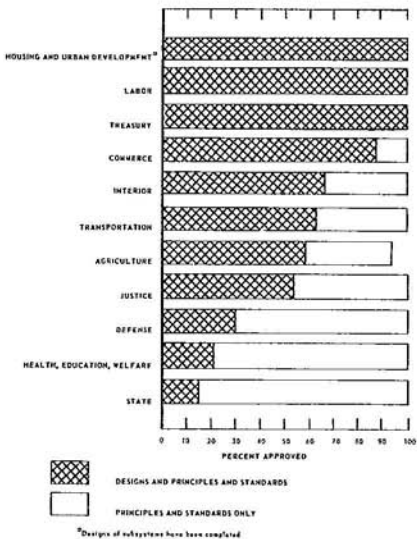
Of the 11 Federal departments, 10 have had principles and standards approved for all of their accounting systems. The Department of Agriculture has had principles and standards approved for all but 1 of its systems. (See tables 2 and 3.)

Table 1

	Approval date		Approval date	
	Principles and standards	System designs	Principles and standards	System designs
CIVIL DEPARTMENTS				
Department of Health, Education, and Welfare:				
Social and Rehabilitation Service.....	6-30-75			
Department of Justice:				
Drug Enforcement Administration.....	5-14-75			
Automated Debt Collection/Information System.....	6-30-75			
Federal Bureau of Investigations Payroll.....	6-30-75			
Department of Transportation:				
National Highway Traffic Safety Administration..	2-28-75			
INDEPENDENT AGENCIES				
General Services Administration—Federal Buildings Fund.....	11-22-74			
ACTION.....	3-31-75			
National Foundation on the Arts and the Humanities.....	6-24-75			
Small Business Administration—General Accounting (Loan Collections) ¹	6-30-75			
Veterans Administration—Centralized Accounting System for Construction Appropriations ¹	6-30-75			
MILITARY DEPARTMENTS				
Department of the Air Force:				
Job Order Cost Accounting System.....	3-6-75			
Federal Computer Performance Evaluation and Simulation Center Cost Accounting.....	4-11-75			
Department of the Air Force—Continued				
Air Reserve Pay and Allowance System.....	6-4-75			
Academy Stock Fund.....	6-25-75			
Commissary, Stock Fund, Base Level.....	6-25-75			
Commissary, Stock Fund, Division Office.....	6-25-75			
Laundry and Dry Cleaning, Industrial Fund, Base.....	6-25-75			
Laundry and Dry Cleaning, Industrial Fund, Central Office.....	6-25-75			
Department of the Army:				
Corps of Engineers.....	11-18-74			
Standard Army Intermediate Level Supply.....	5-9-75			
Department of the Navy:				
General Area Support Points Payroll.....	3-14-75			
Naval Ordnance Activities, Payroll.....	3-14-75			
Naval Shipyards, Payroll.....	3-14-75			
Marine Corps Civilian Payroll.....	5-16-75			
Industrial Fund, Shipyards.....	6-30-75			
Regional Finance Centers, Support Services, Bond Accounting.....	6-30-75			
Regional Finance Centers, Support Services, Civilian Pay.....	6-30-75			
Office of the Secretary and Defense Agencies:				
Defense Contract Audit Agency Accounting....	2-11-75			
Defense Supply Agency's Automated Payroll, Cost and Personnel System Payroll.....	2-13-75			
Defense Investigative Service.....	6-4-75			

¹ Reapproval.

TABLE 2
APPROVAL STATUS BY DEPARTMENT
AT JUNE 30, 1975



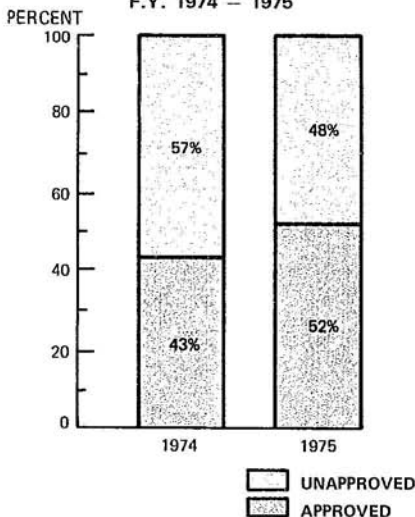
Accounting System Designs

The approval of 27 system designs during 1975 brought the total number approved to 148, or 52 percent of the 286 system designs identified to date as being subject to approval. This represented the greatest number of system designs approved in any year since the law was enacted. (See table 4.)

Review of Accounting Systems in Operation

The Budget and Accounting Procedures Act of 1950 requires GAO to review executive agency accounting systems in operation from time to time. We (1) ascertain whether accounting systems have been implemented and are operating in accordance with the principles and standards and designs approved by the Comptroller General, (2) identify areas needing improvement, and (3) settle accounts of accountable officers.

TABLE 3
ACCOUNTING SYSTEM DESIGN
APPROVALS
F.Y. 1974 - 1975



At June 30, 1975, there were 15 reviews in process covering matters such as (1) controls over property, (2) recovering costs of goods and services furnished from foreign countries, (3) using composite checks to pay Federal employees, and (4) violations of the Anti-Deficiency Act.

During 1975, we prepared 35 reports on accounting system and financial management activities. Five were submitted to the Congress and 30 were sent to agency officials. Some of the reports are summarized below.

Charging for Depreciation in Foreign Military Sales

In October 1974, we told the Secretary of Defense that we were concerned by the losses the Government continued to sustain because the military departments were not recovering the costs of Government-owned plants and equipment used for producing articles for sale to foreign governments.

During the 3-year period 1971-74, the Defense

Table 4

	Principles and standards		Designs		Subject to approval
	Approved	Unapproved	Approved	Unapproved	
Civil departments and agencies:					
Agriculture	16	1	10	7	17
Commerce	8	--	7	1	8
Department of Health, Education, and Welfare	19	--	4	15	19
Department of Housing and Urban Development	1	--	1	--	1
Interior	18	--	12	6	18
Justice	13	--	7	6	13
Labor	2	--	2	--	2
State	6	--	3	3	6
Transportation	8	--	5	3	8
Treasury	19	--	19	--	19
Executive Office of the President	4	--	4	--	4
Independent agencies	50	5	40	15	55
Total civil	164	6	114	56	170
Percent	96	4	67	33	100
Department of Defense:					
Air Force	39	--	17	22	39
Army	22	--	4	18	22
Navy (including the Marine Corps)	34	--	9	25	34
Defense agencies	20	--	4	16	20
Total defense	115	--	34	81	115
Percent	100	--	30	70	100
District of Columbia Government	1	--	--	1	1
Total all systems	280	6	148	138	286
Percent	98	2	52	48	100

¹ The number of systems will be reduced to 6 when planned consolidations have been made.

² Excludes the bullion accounting system which is being merged with the Bureau of the Mint's accounting system into a new system now being designed.

³ For the most part, these systems are the principal automated ones.

⁴ Actual number of accounting systems not yet determined.

Department identified \$4,769,000 in depreciation costs that its industrial fund should have recovered from foreign governments.

We made several recommendations to the Secretary of Defense for recovering depreciation costs. The Department revised its instructions to set out specific rules governing the sale of Defense articles and Defense services to foreign countries and international organizations. The instruction provides for applying asset use charges to recover depreciation costs, as well as the costs of attrition and imputed interest. (FGMSD-75-5, Oct. 7, 1974.)

Need To Improve Payroll System

The computerized payroll system at the Department of Housing and Urban Development handles a payroll totaling \$267 million per year for about 17,000 employees. We found serious weaknesses in important control areas of the system. A well developed network of manual and automated controls is necessary to help make sure that processing in a computer-based system is complete and accurate.

We recommended to the Secretary that the control weaknesses found in the current payroll system be eliminated in the design of the Department's new

payroll system, scheduled to become operational in April 1976. We also recommended that the Department's internal auditors monitor the design of the new system and test the controls after the system becomes operational. (FGMSD-75-31, June 18, 1975.)

Obligations for Separation Allowances for Foreign National Employees

The Army and Air Force were not recording obligations for separation allowances at the time they were incurred and thus were consistently understating their obligations. We estimated that the amount of the unrecorded obligations was at least \$305 million at June 30, 1974.

We recommended that the Secretary of Defense improve administrative control of the Government's obligations for separation allowances. The Depart-

ment agreed with our recommendations and plans to record all future obligations for separation allowances when they are incurred and in amounts equal to the full amount of the liability that accrues during each fiscal year. (FGMSD-75-6, Oct. 21, 1974.)

Computerized Civilian Payroll Processing Operations in the Department of Defense

We audited automated payroll systems at 66 of the Department of Defense's approximately 400 payroll activities, which processed approximately \$13 billion in salaries during 1974.

We reported that much improvement could be made in the controls over the computer systems, their output, and the data entered into the systems. At many of the 66 activities, we found that (1) system and program documentation was out of date or not



John Alamilla, Ernest Porter, and Shirley Ward of GAO review accounting system documentation with George Boyd, Defense Investigative Service, and John Crehan, Department of Defense.

prepared, (2) separation of duties was insufficient for effective internal control, (3) physical control over computer tapes and other records was inadequate, (4) procedures were not adequate to insure that all documents affecting pay transactions would be promptly processed, and (5) control over computer program changes was inadequate.

In reports to commanders of Defense field activities, we made recommendations for improving the payroll systems, and generally these officials took corrective action.

The Defense Department is planning to design a standard payroll system for civilian employees. It estimates that such a system, if operated on a decentralized basis, will save about \$20 million over the life of the system and that an additional \$20 million will be saved if the system is operated on a regionalized basis.

In a report to the Congress, we recommended that the Defense Department include in its standard system specific controls to insure that weaknesses found during our audits are precluded. We recommended also that the Secretary of Defense require the internal auditors of the military departments to actively participate in its design, development, and testing. The Department agreed with our recommendations. (FGMSD-75-15, Mar. 24, 1975.)

Use of Letter of Credit by Federal Grant-making Agencies

Federal agencies have made considerable progress in using letters of credit. Their use has increased from \$1.5 billion in 1965 to \$38.6 billion in 1974. The Department of the Treasury estimates that about \$30 million was saved in 1973 by using this financing method.

However, not all Federal agencies took advantage of the more sophisticated techniques developed for administering letters of credit. Opportunities for further savings in interest costs still exist. In our report to the Congress, we pointed out that grant-making Federal agencies had little incentive to minimize cash balances of grantees, since interest costs incurred on funds outstanding were borne by the Treasury rather than by the operating agencies. We concluded that the Treasury could help to further reduce the Government interest cost by evaluating various techniques developed and by providing the administering Federal agencies with specific

guidance for determining the most advantageous letter-of-credit financing method to use in specific circumstances.

Our review showed that, although progress was made in the use of the letter of credit, certain problems still existed. These problems contributed to the withdrawal of Federal funds before they were needed for disbursement by 16 of 17 recipients included in our review. We made several recommendations to the Secretary of Treasury and the Administrator of General Services designed to strengthen the leadership provided by these agencies in improving letter-of-credit financing methods by Federal agencies. The agencies are taking actions, in line with our recommendations, which will bring about improvements in cash management and thereby further reduce Treasury's interest costs on borrowed money. (FGMSD-75-17, Apr. 29, 1975.)

Loan Accounting System

We reported to the Congress that the Farmers Home Administration had not developed and submitted its loan accounting system design to the Comptroller General for approval as required by the Budget and Accounting Procedures Act of 1950. A prior December 1970 report to the Congress recommended that the Administration assign an adequate staff to the task of designing an accounting system.

The Farmers Home Administration discontinued work on developing the loan accounting system in fiscal year 1973 because other financial management projects were given higher priority. The report pointed out that (1) several deficiencies, which were included in our previous report, had not been corrected, (2) documentation of the accounting system was not up to date, and (3) not all records needed to permit continued automatic data processing operations were duplicated and stored at a remote location.

We recommended that the Secretary of Agriculture direct the Administrator, Farmers Home Administration, to assign a high priority to correcting the weaknesses in the system, developing its design, and establishing a firm target date for its submission to the Comptroller General. We also recommended that the Department's Office of Audit consult with the Administration to develop the system and to monitor the development effort's progress.



Treasury Department officials discuss accounting systems operations with GAO's Systems in Operation Group, Financial and General Management Studies Division. At table, left to right, David Mosso, Deputy Fiscal Assistant Secretary, Treasury; Gerald Murphy, Deputy Commissioner, Bureau of Government Financial Operations, Treasury; and Donald L. Scantlebury, Director, Financial and General Management Studies Division.

The Department agreed with our recommendations and took or plans to take actions to correct the deficiencies in the loan accounting system. It also established a target date of April 1, 1976, for submitting the system for approval. (FGMSD-75-37, June 18, 1975.)

Accounting for Obligations

At the request of the Chairman, Subcommittee on State, Justice, Commerce, the Judiciary and Related Agencies, Senate Committee on Appropriations, we reviewed the overobligation of \$800,000 of the Equal Employment Opportunity Commission's fiscal year 1974 appropriation for salaries and expenses. The overobligation was reported by the Commission to the Congress and the President as required by the Anti-Deficiency Act.

We informed the Commission of additional obligations totaling \$128,961, which it subsequently reported to the Congress and the President. The Commission acted on our recommendations to establish an effective system of fund control. (FGMSD 75-28, Apr. 14, 1975.)

Testimony Before Congressional Committee

In testimony given on August 8, 1974, before the Subcommittee on Legal and Monetary Affairs, House Committee on Government Operations, we commented on the progress the Department of Treasury was making in returning unclaimed bonds held in safekeeping for veterans and other individuals. We also commented on the Department of Defense's program for safeguarding servicemen's savings bonds. "Unclaimed bonds" was the subject of two previous GAO reports—one to the Congress (B-179225, Aug. 10, 1973) and one to the Secretary of Defense (FGMSD-74-32, July 11, 1974).

Automatic Data Processing

The Federal Government spends over \$10 billion annually to use computers and related resources for its activities. We study and report on Government-wide issues and policy matters that arise in managing and using these resources. Our principal objective is

to find ways to improve Government operations. Strong capabilities in this highly technical area enable us to serve the Congress, assist other Federal agencies, and provide technical assistance in the audit of Federal programs and operations. Our automatic data processing staff also provides instructors and materials and develops generalized and specialized training in computer system auditing.

Increased Use of Computer-Output-Microfilm Technology

Computer-output-microfilm technology enables computer output to be recorded directly on microfilm rather than on paper. We found that several

Government installations greatly reduced operating costs by using such systems; other benefits included faster information retrieval, more versatile output formats, and easier handling and distribution of reports. We found, however, that many Federal managers were unaware of these benefits and that the equipment was frequently underutilized.

In our report to the Congress, we recommended that the General Services Administration: (1) inform Federal managers of the benefits of this technology, (2) suggest that agencies investigate using it, and (3) encourage agencies to share their equipment. GSA is preparing a handbook on this technology and revising Federal regulations to emphasize sharing equipment. The National Bureau of



An advantage of computer-output-microfilm: Merle K. Courtney, GAO staff member from Norfolk, holds microfiche containing information equivalent to computer printouts on desk.

Standards is working on standards and guidelines for acquiring and using computer-output-microfilm equipment and services. (FGMSD-75-13, Nov. 26, 1974.)

Improving Documentation of Computer Systems

Flowcharts and other documents that show what is going on inside a computer when it is performing various tasks are important in developing automatic data processing systems. Since 1971 GAO has pointed to problems and additional costs resulting from inadequate documentation. In our report to the Congress, we recommended that the National Bureau of Standards develop standards for documenting computer systems. The Bureau agreed and said that it was developing these standards. (FGMSD-75-3, Oct. 8, 1974.)

Improving Computer Use at the Mint

The Bureau of the Mint spent about \$4 million for a new computer system without defining its total data processing needs. Nearly a year after installing its computer, the Mint was using only one-third of the system's productive capacity. In addition, a file for 1 application contained about 224,000 duplicate name and address records, which caused the Mint to mail duplicate coin-order forms to customers at a cost of about \$200,000 a year.

We reported to the Congress on the potential savings available from sharing this computer with other agencies and from removing the duplicate records. As a result, the Mint advised other agencies that time was available and established a plan for eliminating the duplicate records. (FGMSD-75-19, Mar. 20, 1975.)

Opportunities To Improve the Utilization and Management of Automatic Data Processing

We reviewed the Government Printing Office's use of automatic data processing equipment for material and financial management and printing operations. In a report to the Joint Committee on Printing we suggested the agency modernize application systems to eliminate excessive manual records and to improve computer use, to release one com-

puter system, and to improve ADP planning and control. We estimate that direct financial benefits in ADP and other areas could gradually build to \$2 million or more annually over the next 3 to 5 years. Agency officials were receptive to these suggestions and began taking corrective actions. (FGMSD-75-12, Feb. 26, 1975.)

Technical Assistance Services

The Technical Assistance group has a central analytical capability to support audits, studies, and evaluations performed by GAO operating divisions and offices. Personnel with specialized education and experience provide expert technical advice and services in automatic data processing, systems analysis, statistical science, and actuarial science.

The group keeps abreast of new developments in each area of expertise to maintain an internal capability for applying new methods and techniques to GAO assignments. During fiscal year 1975, ap-



Brian Keenan and Betty Gant, Technical Assistance Group, use the new minicomputer word processing system to cut questionnaire production and mailout time and costs in half.

proximately 262 requests for assistance were handled. In some cases the work included developing important portions of the reports issued by other GAO operating groups.

Audit Standards

- The Audit Standards group primarily
- plans, coordinates, and monitors GAO's reviews of Federal agency internal audit systems;
 - fosters audit cooperation and improves auditing at the Federal, State, and local level by publishing the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities & Functions";
 - provides support and assistance to the national and regional intergovernmental audit forums;
 - reviews financial reports of federally chartered organizations.

Reviews of Federal Agency Internal Audit Systems

Strong internal audit systems are an essential ingredient in effective financial management control systems in Government agencies. As such, these systems are important factors for the General Accounting Office to consider in reviewing agency operations and performance. The need for effective internal auditing systems in Federal agencies has been recognized by the Congress in several laws.

To assist Federal agencies in establishing adequate internal audit systems, GAO has published a statement of basic principles and concepts. This statement, entitled *Internal Auditing in Federal Agencies*, was first published in 1957. It was revised in 1968 and again during August 1974.

From time to time, GAO reviews each Federal agency's internal audit system to determine scope of audit coverage, rationale behind planning, effectiveness of utilization of State and local audit work, quality of reports and supporting documentation, and extent of followup on recommendations.

On December 23, 1974, the Comptroller General designated the Financial and General Management Studies Division as the lead division responsible for planning, monitoring, and coordinating these reviews. To properly carry out this responsibility, we keep informed about how Federal audit agencies

divide their time among competing work demands, make Government-wide studies of Federal agency audit systems, and review department and agency progress in implementing the auditing standards issued by GAO in 1972.

During 1975 we worked with other GAO divisions in reviewing audit systems of the Departments of Commerce; Transportation; and Health, Education, and Welfare, as well as at several independent agencies, such as the Small Business Administration and the Environmental Protection Agency.

Improving Intergovernmental Audit Cooperation

In 1972 the Comptroller General published *Standards for Audit of Governmental Organizations, Programs, Activities & Functions*, which was the first step in the long process of strengthening the audit of governmental programs and activities at all levels of government.

After the standards were published many questions were asked about the interpretation of some of the standards and about how the standards should be applied. Therefore, we published a September 1974 booklet to answer these frequently asked questions (*Questions and Answers on the Standards for Audit of Governmental Organizations, Programs, Activities & Functions—Audit Standards Supplement Series No. 5*).

We cooperated with State and local organizations to promote the use and acceptance of the audit standards. For example, we cooperated with the International City Management Association and 13 cities and counties to demonstrate how the kind of auditing contemplated by the Comptroller General's standards could be applied at the local government level. A report summarizing the results of this effort is being prepared. Illustrative audit guides are also being prepared to assist other cities and counties in performing similar audits.

We prepared an illustrative report on an audit of an air pollution control program, jointly funded by a local government and the Environmental Protection Agency. This report illustrates the type of reporting contemplated by the audit standards when programs at the local level are audited according to Federal guidelines.

We also published "Suggested State Auditing Acts and Constitutional Amendments" in response to requests from State auditors in States having

audit laws that restrict State audits to financial auditing or impose other limitations on their audit activities. The publication provides guidance to States that want to change their laws to provide authority for auditing the efficiency and economy of operations and program results, as well as financial operations.

Another area addressed during the year was reimbursing State auditors for audits of federally assisted programs. We submitted a report to the Congress which pointed out that many State auditors are unable to obtain reimbursement for audits of federally assisted programs, which are required when States accept certain Federal funds. Federal policy allows State audit costs to be charged against federally assisted programs, but State auditors are having difficulty in obtaining reimbursements because Federal and State program officials must approve State audit costs before they can be paid. These officials resist using program funds to pay for State audits.

We recommended that the General Services Administration work with the other Federal agencies to improve these reimbursement procedures. (FGMSD-75-22, June 25, 1975.)

Audit Forums

The National Intergovernmental Audit Forum, established in 1973, composed of audit representatives from Federal, State, and local government, continues to be instrumental in (1) providing a means for exchanging views and solving common problems, (2) promoting the acceptance and implementation of GAO's audit standards, (3) encouraging coordination of audits and standardization of audit guidelines, and (4) promoting understanding and communication that will result in cooperative audit work and mutual reliance on audits performed by others.

Regional forums have also been established in the 10 Federal regions. The regional forums' membership includes nearly 300 representatives from Federal, State, and local government audit organizations.

Federally Chartered Organization

The accounts of private corporations established under Federal charters must comply with the fi-

na ncial reporting requirements of Public Law 88-504. These organizations, such as the United States Olympic Committee and the American Historical Association, must be audited annually by public accountants and the reports submitted to the Chairman, House Committee on the Judiciary. Under an agreement with the Chairman, GAO reviews these audit reports and comments on their compliance with the statute. During fiscal year 1975 we reviewed 37 such reports.

Joint Financial Management Improvement Program

The Joint Financial Management Improvement Program, authorized by the Budget and Accounting Procedures Act of 1950, is a Government-wide cooperative undertaking to improve and coordinate financial management policies and practices throughout the Government. Leadership is provided by the five principals of the program—the Comptroller General, the Secretary of the Treasury, the Director of the Office of Management and Budget, the Chairman of the Civil Service Commission, and the Administrator of General Services. These principals furnish broad policy guidance. A steering committee, made up of representatives from each of the central financial agencies, coordinates the program. The committee meets regularly to discuss problems, direct work projects, and evaluate financial management progress throughout the Government. The Director, Financial and General Management Studies Division, is GAO's steering committee member.

Day-to-day conduct of the program is the responsibility of full-time Executive Director Donald C. Kull. More detailed information about the program's accomplishments and activities appears in separately published annual reports on the program. Following are summaries from some of the projects which the joint program participated in during the year.

Measuring and Enhancing Federal Productivity

The joint program, in its role in the interagency project for measuring and enhancing productivity in the Federal Government, issued its second 2-volume report on Federal productivity in June 1975.

Overall productivity increased from 100 in 1967, the base year, to 110.7 in fiscal year 1974, or an average of about 1.5 percent per year.

A booklet was sent to the Congress in January 1975, providing a simplified explanation to questions often asked about Federal productivity, telling how it can be measured and improved, and telling how such measurement can contribute to more efficient and less costly Government.

Money Management Pilot Study

Much progress has been made in using letters of credit to hold down the amounts of money advanced to contractors and other recipients of Federal funds, but other cash management techniques are not used widely. Thus, an interagency project team was created to make a money management pilot study, using the Department of Agriculture as the pilot agency. Preliminary study results indicate that changes in agency cash management techniques could produce worthwhile savings in governmental interest costs.

Institute for Applied Public Financial Management

The joint program, in cooperation with American University, is developing a curriculum designed to

integrate the teaching of budgeting, accounting, and auditing so participants will understand all three aspects of governmental financial management. Applying the acquired knowledge and skills in actual agency operating problems will be emphasized.

Operating Budgets for Program Management

An interagency team made up of high-level financial managers from several operating agencies and central agencies was organized under the joint program to study the use of operating budgets for program management. The study team found strong support for the use of operating budgets but a wide diversity of practices. A booklet on guidelines for use by agencies will be prepared.

Assisting Agencies

The joint program helps agencies deal with specific financial management problems, particularly those relating to other programs and agencies. The approach followed is to help an agency with a problem by arranging for advice from other agencies that have previously solved a similar problem.

We also carry out GAO's statutory responsibilities for

- reviewing and approving requests for collecting information by independent regulatory agencies and
- evaluating the effectiveness of information-gathering systems of the independent regulatory agencies.

Monte Canfield, Jr., is Director of this Office, and J. Dexter Peach is Deputy Director.

CHAPTER SIX

SPECIAL PROGRAMS— ENERGY, FOOD, AND MATERIALS

Responsibilities

The Office of Special Programs has lead division responsibility for GAO's work on energy, food, and materials programs. These areas are considered special because, in each case, the Nation is changing from relative abundance to relative scarcity. These circumstances make it particularly important that energy, food, and materials policies and programs be closely examined, to develop information for use in making the adjustments necessary to meet the challenges of the 1970s and 1980s. Our work includes:

- GAO-wide program planning, coordination, and monitoring of energy, food, and materials activities (including related environmental impacts) for purposes of assuring a comprehensive, coordinated, and cohesive effort in each area.
- Evaluating and continually monitoring the programs of the Federal Energy Administration, as required by statute.
- Working on assignments which emphasize energy, food, and materials problems involving policy considerations.

Energy Staff

Our energy staff develops information which will be helpful both to GAO divisions in deciding on energy-related audit assignments and to the Congress when it is considering legislation and monitoring Federal programs.

The energy staff is developing a series of papers called "Energy Advisories," which will examine major energy problem areas, address alternative solutions, and discuss the tradeoffs involved in selecting various alternatives.

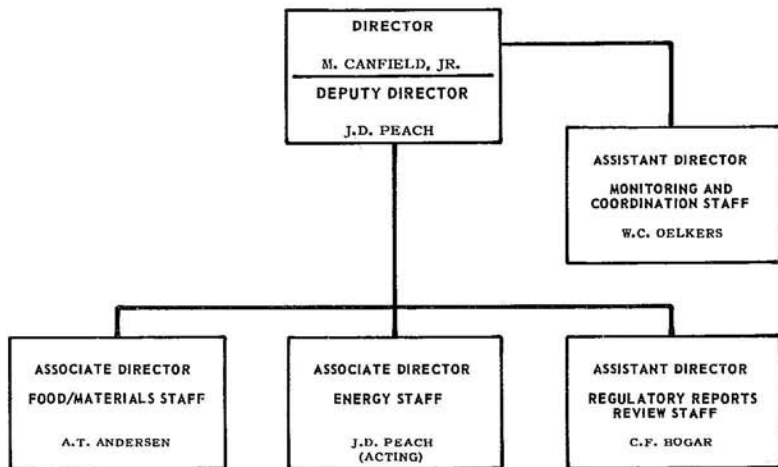
Energy problem areas under study include (1) conservation, (2) research and development, (3) Federal proprietorship of energy resources, (4) data collection and analysis, and (5) international aspects. Energy pricing will be examined as additional staffing needs are met.

The energy staff audits the Federal Energy Administration according to legislative mandate—the Federal Energy Administration Act of 1974 requires that GAO continuously monitor and evaluate the agency's programs.

The energy staff also monitors and coordinates energy-related audits being conducted by other GAO divisions and offices. We do this by keeping in contact with the various audit groups during the planning and execution of their work, to insure that the important energy issues are focused upon and that the resultant GAO reports are consistent from an energy viewpoint.

In response to congressional inquiries, we developed a package of energy proposals, designed to ease the Nation's energy problems, which included supporting quantitative information regarding the energy, economic, and budgetary impacts that would occur from implementing our proposals and other energy proposals. In March 1975 we provided testi-

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mony to the Congress on our package of proposals and the related analysis (see p. 84).

Food and Materials Staff

Our food and materials staff has concentrated on (1) identifying and analyzing significant policy issues, (2) coordinating and monitoring related GAO jobs, (3) evaluating the policy consistency of GAO reports, and (4) assisting in the initiation of new reviews.

In fiscal year 1976 we expect to become increasingly involved in identifying priority issues and proposing or conducting pertinent studies to identify policy options and assist the decisionmaking process.

In the materials area, we intend to concentrate on (1) developing refined methods for evaluating major material shortage problems, (2) examining policy options for ameliorating the disruptive effects stemming from short-term shortages, and (3) examining policy alternatives for stabilizing long-term supply flows of, and price levels for, raw materials.

In the area of food policy, emphasis will be placed

on (1) refining methods of issue identification and analysis, (2) delineating policy options in foodstuff reserves, and (3) examining nutrition policy and its implications.

Regulatory Reports Review Staff

Our regulatory reports review staff carries out the responsibilities given GAO by section 409 of Public Law 93-153. This law, enacted November 16, 1973, amended the Federal Reports Act to require GAO to review how independent Federal regulatory agencies collect information, to insure that such information is obtained with a minimum burden on those businesses—particularly small businesses—and persons required to provide the information. The amendments also seek to eliminate duplicate data-collection efforts and to insure that collected information is tabulated to maximize its usefulness. The law requires GAO to review (1) existing information-gathering practices of the independent regulatory agencies and (2) requests for additional infor-

mation. Our review and clearance functions apply to the following 13 Federal agencies:

Civil Aeronautics Board
 Commodity Futures Trading Commission
 Consumer Product Safety Commission
 Equal Employment Opportunity Commission
 Federal Communications Commission
 Federal Energy Administration
 Federal Maritime Commission
 Federal Power Commission
 Federal Trade Commission
 Interstate Commerce Commission
 National Labor Relations Board
 Nuclear Regulatory Commission
 Securities and Exchange Commission

During fiscal year 1975, we received 181 requests from the agencies listed above for approval of proposed reporting or recordkeeping requirements, including review and clearance of several controversial recordkeeping and reporting requirements. By June 30, 1975, 157 requests had been approved, 1 disapproved, and 12 were pending. We made no decision on the remaining 11 requests, because the agencies did not submit them for clearance soon enough.

Testimony at Hearings

In September 1974 we testified before the Subcommittee on Legislation and Military Operations, House Government Operations Committee, on a bill to establish a Commission on Federal Paperwork. Legislation approving establishment of the Commission was enacted on January 3, 1975, with the

Comptroller General as one of the designated members.

Work in Process

We are reviewing the data-gathering practices of the 13 regulatory agencies under our jurisdiction and plan to report on this work to the Congress when it is finished.

GAO Work on Energy

In fiscal year 1975 GAO spent about 152 staff years on energy-related assignments. We completed 101 energy-related reports—42 to the Congress, Members of Congress, and committees and 59 to agency officials. The number and types of reports completed are shown in table 1 and are followed by brief summaries of major areas of emphasis in GAO's energy-related work.

Controlling the Prices of Petroleum Products

The Federal Energy Administration is responsible for administering petroleum price controls to promote stability in consumers' energy prices, promote industry competition, and prevent unreasonable profits. We monitored how FEA enforced the pricing regulations, and in July 1974 found the efforts limited and possibly misdirected. On December 6, 1974, we reported the following major problems in compliance activities:

—Almost no direct audits were made of crude

Table 1

Prepared by	Reports submitted to		Total
	Congress ¹	Agency officials	
Office of Special Programs	12	6	18
Resources and Economic Development Division	19	3	22
Logistics and Communications Division	4	49	53
Procurement and Systems Acquisition Division	2	1	3
International Division	4	—	4
General Government Division	1	—	1
Total	42	59	101

¹ Includes reports to the Congress, Members of Congress, and committees.

- oil producer operations, which provide the basis for the cost of domestic oil.
- FEA primarily audited retailers, although there was evidence of major violations by wholesalers.
- Audits of refiner operations were not completed.
- Substantive regulatory issues were unresolved.
- Organizational disputes within FEA hindered the refinery audit effort.

We thought substantive improvements were needed to assure that firms were complying with the pricing regulations. In March 1975 we reported that FEA had begun restaffing to improve the compliance program, particularly at the producer and refiner levels. These reports were prepared at the request of the Chairman, Subcommittee on Reorganization, Research, and International Organizations, Senate Committee on Government Operations. (OESP-75-15, July 23, 1974; OSP-75-7, Dec. 6, 1974; OSP-75-12, Mar. 31, 1975.)

Outer Continental Shelf

During the year GAO submitted two reports to the Congress concerning the Department of the Interior's leasing policies, goals, and practices on the Outer Continental Shelf. In the first report we noted that the Department's leasing goals had increased between 1970 and 1974 from 1 million to 10 million acres—only 0.8 million acres less than the total acreage leased in the 20-year period of the Federal leasing program. We questioned the basis for establishing the accelerated leasing goal and recommended that the Secretary of the Interior (1) define leasing goals and specify how they will be met and how they relate to overall national energy goals and plans and (2) reconsider the accelerated leasing schedule in light of Government and industry capabilities and possible alternatives to leasing of new areas.

In the second report, we noted that the Federal Government's programs for evaluating Outer Continental Shelf oil and gas resources had been hindered by inadequate data and analysis, had not reasonably insured a fair market value return on leasing of public lands, and were jeopardized by an accelerated leasing program. We made several recommendations to the Secretary of the Interior for improving Federal programs for deciding where to lease potential

offshore oil resources and at what dollar value, including a recommendation for a federally directed exploration program to systematically appraise Outer Continental Shelf oil and gas resources with stratigraphic test drilling, to determine the nature of rock layers and their physical and chemical properties, before leasing. (RED-75-343, Mar. 19, 1975, and RED-75-359, June 30, 1975.)

Research and Development

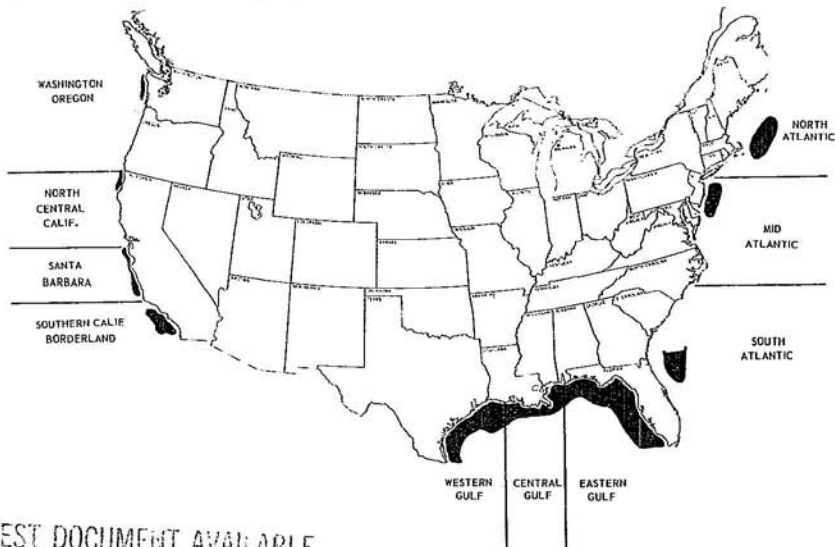
Three major reports dealing with energy research and development were issued in fiscal year 1975—two to the Congress and one to a congressional committee.

In the first report we reviewed (1) the status of the Federal Government's coal research programs and (2) the problems which need to be resolved so that these programs can help reduce the Nation's energy needs. We concluded that, for coal to play an important role in meeting future energy requirements, three developments were essential—research must demonstrate the commercial feasibility of converting coal to other sources of energy; the coal industry must be willing to finance and be capable of supplying increased quantities of coal; and environmental problems associated with coal supply and use must be rationally resolved.

In a second report we examined the problems of identifying, developing, and using geothermal resources—the natural heat of the earth—including dry steam, hot mineralized water, hot dry rock, and geopressed zones. These resources can be used to produce energy, fresh water, and minerals. Problems had been encountered in identifying geothermal resources and in determining the quantities available for development. In addition, potential problems—including resolution of legal issues—existed in leasing lands for geothermal development, and certain technical problems existed which needed to be solved before energy and fresh water could be produced in large quantities.

The third report contained information on Federal and State solar energy research development and demonstration activities and included information on Federal agencies involved in solar energy research and development and related funding and State-funded solar energy research programs and funding levels. (RED-75-322, Feb. 18, 1975; RED-75-330, Mar. 6, 1975; RED-75-376, June 10, 1975.)

OUTER CONTINENTAL SHELF AREAS UNDER CONSIDERATION FOR LEASING



BEST DOCUMENT AVAILABLE

Source: Department of Interior, Bureau of Land Management.

Nuclear Energy

The growing shortage of fossil fuels is spurring the search for alternative energy sources. Nuclear power reactors, using enriched uranium as a fuel, are an alternative to fossil fuel. During the year we sent three reports to the Congress on nuclear energy—two on nuclear reactor development and one on fusion power and isotope separation.

The first report on nuclear reactor development examined the past, present, and future of the Liquid Metal Fast Breeder Reactor (LMFBR) program, the Nation's highest priority reactor development program. The LMFBR is a nuclear fission reactor which produces more nuclear fuel than it consumes. Efforts to develop the LMFBR have cost the Government about \$1.8 billion and will probably cost an additional \$8.9 billion through the year 2020. The first large commercial LMFBR is scheduled to begin operation in 1987. Developing an LMFBR is

also a high priority program of foreign governments. We reported that, if the Congress wants to know whether greater reliance can be placed on foreign LMFBR technology, it should explore, with the Energy Research and Development Administration, the advantages and disadvantages of using foreign LMFBR technology.

The second report on nuclear reactor development evaluated the methodology used to determine the current cost and schedule estimates of the Clinch River Breeder Reactor—the first LMFBR demonstration plant. The cost estimate for the Clinch River reactor increased from \$699 million in August 1972 to about \$1.7 billion in September 1974, and the scheduled completion date was delayed 3 years. Commercial operation was expected to begin early in 1983, but several potential problems exist that could lead to additional delays, increased costs, and further delay to the overall breeder program.

The third report to the Congress provided infor-

mation on fusion power and laser isotope separation—two nuclear concepts that could greatly improve the Nation's future energy situation. We reported that the programs of the Energy Research and Development Administration in the fusion area are managed by two separate divisions within the agency having different management philosophies. We concluded that (1) a method should be established to identify priorities for the various approaches and (2) early involvement of the private sector in fusion development is desirable.

Laser isotope separation, if successfully developed, could save the Nation as much as \$80 billion, according to the agency. The agency and at least one private firm are experimenting with using laser beams to enrich uranium. (RED-75-352, Apr. 28, 1975; RED-75-358, May 22, 1975; RED-75-356, May 22, 1975.)

Energy Conservation

Energy conservation *must* be a key element of national energy policy. The Federal Government can play two important roles in energy conservation: it can set an example as an energy consumer and use its influence in the private sector to bring about energy conservation programs. During the year, we reported on both of these Federal roles.

In a report to the Department of Defense and the General Services Administration, we pointed out that greater effort was needed to conserve utilities in Government installations. Planning in building design and construction needs to be improved so that energy can be used more efficiently and utility costs lowered. To insure that the Government receives the lowest rate for utilities, we recommended that (1) utility rate consultants be used until enough in-house expertise has been developed and (2) Federal agencies disseminate information on utility management and conservation actions.

In a report to the Department of Defense, we pointed out that Government contractors need to be further committed to energy conservation. We concluded that a formal Government-wide contractor energy conservation policy should be developed and that agency monitoring and followup on the implementation of conservation programs should be coordinated.

In our report to the Congress on the need for

national standards for residential energy conservation, we noted the various practices that impede the efficient use of energy in the residential sector. During January 1975, in response to congressional inquiries, GAO developed a package of energy proposals which included energy conservation measures that could be taken to improve energy efficiency in all parts of the economy, including the residential sector. This report expanded upon and supported those proposals related to the residential sector and offered some additional proposals concerning major policy issues that must be addressed by the Congress to reduce energy consumption in the residential sector. (LCD-75-325, Sept. 17, 1974; PSAD-75-27, Oct. 29, 1974; RED-75-377, June 20, 1975.)

Testimony at Hearings

During the fiscal year, we testified on various energy issues at 10 hearings before committees and subcommittees.

We testified in September 1974 and April 1975 on the exploration, development, and administration of the Outer Continental Shelf before the Senate Committee on Commerce, National Ocean Policy Study; Senate Committees on Interior and Insular Affairs and on Commerce; and Subcommittee on the Department of the Interior and Related Agencies, House Committee on Appropriations.

In December 1974 and May and June 1975 we testified on the effectiveness of the Federal Energy Administration's compliance and enforcement program to the Subcommittee on Reorganization, Research, and International Organizations, Senate Committee on Government Operations; Subcommittee on Oversight and Investigations, House Interstate and Foreign Commerce Committee; and Subcommittee on Administrative Practices and Procedures, Senate Committee on the Judiciary.

In March 1975 we testified before the House Ways and Means Committee and the Subcommittee on Energy and Power, House Committee on Interstate and Foreign Commerce, on alternative energy proposals developed by GAO.

We also testified in April 1975 before the Subcommittee on Conservation, Energy, and Natural Resources, House Committee on Government Operations, and the Senate Government Operations Committee on GAO's work on energy, natural resources, and conservation.

Work in Process

At June 30, 1975, reviews in process concerned the effectiveness of energy conservation actions at Government installations, actions being taken by Federal agencies to assist and encourage contractors to develop energy conservation programs, policies and procedures for administering leases of energy resources on Federal lands and the Outer Continental Shelf, the promises and uncertainties of the Liquid Metal Fast Breeder Reactor program, and the status of foreign breeder reactor programs. We were also reviewing programs on solar energy, uranium ore, and safeguarding nuclear materials.

GAO Work on Food

During the fiscal year, GAO completed 33 food-related reports—32 to the Congress, Members of Congress, and committees and 1 to an agency official. The number and types of reports completed are shown in table 2 and are followed by brief summaries of major areas of emphasis in GAO's food-related work.

Possible Wheat Shortages

In a report to Congressman Charles A. Vanik, we provided an analysis of the wheat supply-and-demand situation, including the impact of weather, imports, and reserves and the reporting and confidentiality of wheat export sales. To furnish a better basis for evaluating the foreign demand for wheat,

we recommended that the Department of Agriculture's weekly exports report disclose (1) the contingent nature of sales with unknown destinations and (2) important changes in previously reported sales. We recommended also that the report show cumulative exports of wheat by type. The Department implemented our recommendations. (RED-75-252, July 30, 1974.)

Food Aid

At the request of the Chairman, Subcommittee on Foreign Agricultural Policy, Senate Committee on Agriculture and Forestry, we studied selected food aid topics as related to Public Law 480 commodities.

In 1973 limited commodity availability imposed severe constraints on the Public Law 480 program. To reconcile the conflicting objectives of relieving price pressures in the United States and continuing Public Law 480 food aid, a high-level, Government-wide group reviewed the Department of Agriculture's determination of available commodities for fiscal year 1975 and decided on each country's allocation of these commodities.

Our report pointed out that major problems in distributing, handling, and storing Public Law 480 commodities in recipient countries existed at this time and that there were no assurances that the neediest people received these commodities. Our report also pointed out the potential adverse effect of permitting developing countries to delay necessary internal agricultural reforms by continued reliance on food aid. (ID-75-38, Oct. 31, 1974.)

Table 2

Prepared by	Reports submitted to		
	Congress ¹	Agency officials	Total
International Division	5	--	5
Manpower and Welfare Division	5	--	5
Logistics and Communications Division	6	--	6
Procurement and Systems Acquisition Division	--	1	1
Resources and Economic Development Division	9	--	9
General Government Division	5	--	5
Federal Personnel and Compensation Division	2	--	2
Total	32	1	33

¹ Includes reports to the Congress, Members of Congress, and committees.

Increasing World Food Supplies

The world food situation has been in the limelight since 1972, because of the first overall decline in food production in recent years. The critical world food situation has been discussed repeatedly by the Congress and by various international agencies.

Our report discussed the principal issues affecting the world food situation and the responses needed to deal with food problems. More food will be needed to feed expanding populations, although countries experiencing the most rapid population increases do not produce food fast enough to keep pace with this growth and do not have the foreign exchange to purchase it. Increased food production in developing countries and decreased population growth must be addressed internationally. Multilateral assistance programs could more appropriately emphasize agriculture and population control programs.

The United States, with its tremendous agricultural base and technical know-how, is in a position to exercise leadership in mobilizing an effective international response to world food problems.

Our report provided an information base for congressional hearings in September 1974 and for delegates attending the World Food Conference in November 1974. (JD-75-4, Sept. 6, 1974.)

U.S. Fishing Industry Can Be Strengthened

We reported to the Congress that the U.S. fishing industry has not increased its harvests to meet the rising domestic demand for fish. In 1973 U.S. fishermen supplied only 33 percent of the edible fish products used in the United States, while imported fish products reached a record level of \$1.6 billion. In the past, the United States has been able to depend on imports to meet its growing demand for fish and fish products, but signs indicate that this may not always be the case. More attention must be given to utilizing our fisheries resource.

We recommended that the Department of Commerce's National Marine Fisheries Service complete the National Fisheries Plan, and in particular (1) require planning for fishery development by species or groups of species with similar characteristics and (2) establish criteria for determining which underutilized species have the highest potential for de-

velopment. We also recommended that the Secretary of Commerce provide for monitoring implementation of the plan after it has been approved. The Department agreed with our findings and recommendations and said the plan would be completed by July 1975. (GGD-75-68, May 30, 1975.)

Food Labeling: Goals, Shortcomings, and Proposed Changes

Although most food products comply with Federal packaging and labeling laws, improvements are needed so that labels tell consumers what they need to know to compare and select those products best suited to their needs or wants.

We reported to the Congress that (1) products exempted or permitted to have a generalized ingredient listing may not provide consumers, especially those on special diets, with the information needed to choose products best suited to their needs, (2) the Federal Drug Administration's education program to explain a new nutritional labeling format to consumers may not be effective, (3) product labels seldom disclose the amount of characterizing ingredients in the product, such as beef in beef stew, (4) labels generally do not bear information or grades concerning product quality, and the Department of Agriculture's several sets of grade names and designations are confusing, (5) the variety of dates ("pull date," "packed date," "expiration date," etc.) used in open dating systems have resulted in general misunderstanding of the meaning of open dates and limited use of open dates by consumers, and (6) studies indicate that consumers, by using unit pricing, can save money and can offset the cost of providing the pricing.

The Departments of Health, Education, and Welfare and Agriculture generally agreed with our recommendations for improving the labeling of food products and are taking steps to implement them. (MWD-75-19 and MWD-75-19A, Jan. 29, 1975.)

Work in Process

Reviews in process at the end of the year included:

- The Department of Agriculture's research and development policies.
- Evaluations of school feeding and child nutrition programs.

2 of 4



Effects of railcar shortages on grain distribution.

Federal food inspection, consolidation, techniques, and standards.

Fertilizer-related problems of the less developed countries.

The potential for increasing food availability in developing countries by reducing food storage losses.

GAO Work on Materials

During fiscal year 1975 GAO submitted 12 reports to the Congress, Members of Congress, con-

gressional committees, and agency officials. The number and types of reports are shown in table 3.

A broad range of concerns pertaining to the future adequacy of material supplies is reflected in recent and current GAO efforts. These include, for example, assessing material stockpiles as a management alternative for coping with short-term shortages; investigating the implications for the U.S. economy of growth in foreign mineral and metal processing capacities; recommending changes in basic laws governing exploration and development of domestic mineral reserves; analyzing critical material impediments to new energy production technologies; and studying means to improve Federal materials research and development efforts.

Table 3

Prepared by	Reports submitted to		
	Congress ¹	Agency officials	Total
International Division	3	—	3
Resources and Economic Development Division	4	—	4
Logistics and Communications Division	3	1	4
Procurement and Systems Acquisition Division	—	1	1
Total	10	2	12

¹ Includes reports to the Congress, Members of Congress, and committees.

BEST DOCUMENT AVAILABLE

obtaining and using fiscal, budgetary, and program-related data and improving the quality, availability, and usefulness of such information.

Our responsibilities under the twofold objectives are:

Expanding GAO program analysis and evaluation

- Providing GAO-wide assistance and coordination in identifying and analyzing major program issues and alternatives and furnishing this information to the Congress in a timely manner.
- Conducting special program analysis and evaluation studies.
- Developing analyses of the impact of (1) Federal programs on the economy and (2) changing economic conditions on those programs.
- Developing and coordinating GAO-wide plans and efforts relating to reviews of tax policy issues and to Federal agency program-evaluation systems.
- Synthesizing available evaluations and analyses of program issues for use by the Congress and GAO.
- Developing and recommending to the Congress appropriate methods for evaluating and assisting the Congress in providing program-evaluation language in legislation.

Cooperating in the development of improved Federal agency and congressional information systems

- Developing classification structures for Federal agencies to report program, budgetary, and fiscal information to the Congress and assisting it to specify and meet its information needs.
- Developing a central congressional budgetary information system.
- Developing ways in which data files in executive agencies can be made accessible to meet information requirements of the Congress.
- Improving capabilities and procedures to provide the Congress with more effective and timely information services for inquiries not requiring audits.

The Office of Program Analysis is supervised by Harry S. Havens, Director, and Dean K. Crowther, Deputy Director.

CHAPTER SEVEN

PROGRAM ANALYSIS

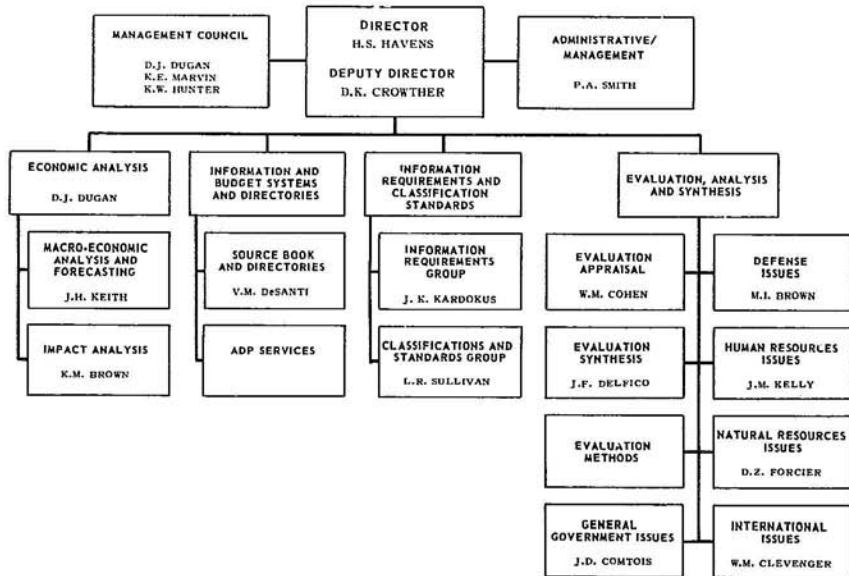
Responsibilities

The Legislative Reorganization Act of 1970 and the Congressional Budget and Impoundment Control Act of 1974 clarified and expanded GAO's responsibilities to assist the Congress in analyzing and evaluating Federal programs and to improve the quality of information the Congress receives. To help GAO fulfill its responsibilities, the Office of Program Analysis was established on September 5, 1974. On June 18, 1975, the functions of the Congressional Information Services Group, established and operating in the Financial and General Management Studies Division to carry out provisions of the Legislative Reorganization Act of 1970, were transferred to the Office of Program Analysis to combine the complementary responsibilities.

During the year, we focused on two overall objectives in supporting the Congress, its committees, and other staff:

- Broadening the analytical information GAO provides to the Congress by expanding our capacity to analyze and evaluate major program issues and by highlighting the implications of choices available to the Congress in its deliberations.
- Assisting the Congress with its requirements for

OFFICE OF PROGRAM ANALYSIS



JUNE 30, 1975

GAO Cooperation in Preparing Report to Committee on the Budget

In January 1975 the Budget Committees of the Senate and the House of Representatives asked a working group comprising staff from the Congressional Research Service, the Joint Committee on Internal Revenue Taxation, and the General Accounting Office to prepare a report to be submitted to the Congress by the Director of the Congressional Budget Office by April 1 of each year under section 202(f)(1) of the Congressional Budget Act, Public Law 93-344.

The report, issued April 15, 1975, for use by the Committees on the Budget, was entitled "1976 Budget: Alternatives and Analyses, Report to the Committee on the Budget of the U.S. Congress." GAO's contribution to the report included several

illustrative analyses of selected programs and an analysis of alternative energy proposals. In several cases the papers were prepared on the basis of program reviews which were in progress or had been completed by the General Accounting Office. GAO analysts helped prepare most of the papers submitted. Following is a listing of the papers as they appeared in the report and synopses of three of them.

- "SALT II and Long Term Strategic Force Structure"
- "The Role of the U.S. Navy in the NATO Strategy"
- "National Health Insurance Cost Estimates"
- "General Revenue Sharing"
- "Financing the Construction of Municipal Waste-Water Treatment Facilities"
- "U.S. Postal Service Self-Sufficiency"
- "The Highway Trust Fund"

- "Urban Mass Transit: The Case of the Washington D.C. Metro System"
- "Federal Maritime Subsidy Programs"
- "Analysis of Alternative Energy Proposals"

General Revenue Sharing

A paper on general revenue sharing, prepared with the participation of General Government Division staff and based on work they did, analyzes the implications of four program alternatives: terminating the program, expanding the program to include other grants-in-aid, continuing the program with minor changes, and continuing the program with major modifications to the formula for allocating revenue sharing funds to the States. Separate topics discussed include the amount and method of funding, as well as how long to extend the program.

The general revenue sharing program has had only one stated objective: fiscal assistance to State and local governments. However, many implicit objectives have been ascribed to it, including the decentralization of power and decisionmaking from Federal to State and local governments. Resolving the many implicit and conflicting views held on the program appears to be a major task facing the 94th Congress.

Highway Trust Fund

A paper prepared on six alternative uses of the Highway Trust Fund has important implications for State and local governments. This paper was prepared with the participation of Resources and Economic Development Division staff and based on work they did.

The fund obtains revenues from gasoline and other taxes paid by highway users. Grants are made to States for constructing and improving interstate and defense highways and for urban and rural transportation programs. The alternatives analyzed involved three major questions:

- At what level should highway construction be funded?
- Should the 90-percent cost-sharing ratio for interstate projects be retained?
- Should funds now available for highway construction be used for other purposes?

The paper examines the purposes for creating the fund; the administration's use of the fund in rela-

tion to overall economic policy; energy conservation considerations which emphasize less use of the automobile; need for more energy-efficient transportation systems, such as mass transit; and incentives to States to build projects which contribute most to local needs for improved mobility and commerce.

Analyses of Alternative Energy Proposals

In early 1975, the Congress had before it several energy proposals, prepared in response to the national concern over rising energy prices, predictions of shortages, and fears of a new Arab oil embargo.

One section of the report to the congressional budget committees contained a summary, analysis, and comparison of five energy policy alternatives—the administration's energy plan, the plan endorsed by congressional Democratic leaders, the House Ways and Means Committee's proposal, a GAO proposal, and gasoline rationing.

These proposals were analyzed according to the following criteria:

- Energy conservation.
- Impact on the U.S. economy.
- Impact on automobile and petroleum industries.
- Environmental implications.
- International implications.

This analysis, especially concerning the impact on the economy, provided a basis for informed discussion of energy policy and reformulation of legislative proposals. We assisted with this analysis.

We also analyzed several fiscal policy alternatives for this special report. It considered the economic impact of tax reductions, increased Federal outlays, and various energy policies upon the growth of the Nation's output, unemployment, and inflation.

Expanding GAO Program Evaluation and Analysis

GAO-Wide Planning for Tax Policy Issues

We have been assigned lead division responsibility in tax policy. In accordance with GAO's responsibilities under the Congressional Budget Act of 1974, we reviewed items in published tax expendi-

ture budgets and developed criteria for defining and analyzing tax expenditures. Other analyses underway examine the economic impact of specific tax expenditures.

We are reviewing overwithholding of personal income taxes, which has increased substantially in the last 3 years. Also in progress is a review of Federal revenue estimates, to examine their accuracy over the last decade and to propose means of improving them.

Reviews of Federal Agencies' Evaluation Systems

We also have lead division responsibility in preparing GAO plans concerning reviews of Federal agencies' evaluation systems. We are developing GAO-wide plans which address the following major areas:

- What are the Federal agencies' evaluation units' missions and areas of responsibility?
- What are the formal relationships between agencies' evaluation systems and the budget preparation process?
- How do Federal agencies decide which programs to evaluate? Are they legislatively prescribed or selected by some other procedure?
- Do Federal agencies' evaluation designs reflect the policy questions being asked by the Congress?
- What processes do Federal agencies use to select, award, and monitor evaluation contracts?
- Can GAO program evaluation make greater use of agencies' program evaluation results?
- Do Federal agencies systematically disseminate program evaluation findings to the Congress?
- To what extent are Federal agencies coordinating evaluation among themselves and with State and local governments?

Reports on Synthesis of Evaluation Studies

We are developing reports which synthesize significant evaluation studies related to major program issues of congressional interest. "Synthesis" interprets the meaning of related individual and detailed evaluation studies in the context of available knowledge, to highlight existing understanding of

the issues as well as pointing to the direction and type of additional evaluation which may be needed.

Developing Methods for Program Evaluation

The General Accounting Office has developed a considerable amount of experience in evaluating existing programs, often referred to by GAO as "program results auditing." We have published standards, which encompass program results auditing, for Government auditors to follow. More recently, development was begun to further identify and describe concepts, program approaches, and guidelines for the evaluation of Government programs. This general guidance will be a foundation for developing improvements in program evaluation activities.

Cooperating in the Development of Improved Agency Information Systems

The Congressional Budget Act of 1974 amended the Legislative Reorganization Act of 1970 to shift primary responsibility to the Comptroller General for developing standard classifications and for helping the Congress obtain and use data. This was previously the responsibility of the Secretary of the Treasury and the Director of the Office of Management and Budget with GAO cooperation.

Improving Classification Structures

We develop, maintain, and publish standard terminology, definitions, classifications, and codes for use in reporting fiscal, budgetary, and program information to the Congress, including developing budget classification structures at the appropriation (fund), account, program, subprogram, and project levels.

We have made significant progress in developing, for several subcommittees of the House and Senate Committees on Appropriations, improved budget classification structures. We have concentrated on program-oriented structures for use by departments and agencies in presenting their budget-justification material to the appropriations subcommittees, with the further objective of improving the presentations in the "Budget Appendix." Our efforts in coopera-

tion with committees, executive departments, and agencies have resulted in adopting improved structures covering many programs. To date, proposals for improved structures have been made for more than 60 appropriation and fund accounts. The departments and agencies included in this work are the Departments of Agriculture and Housing and Urban Development and the General Services Administration.

We have also made progress in developing a purpose-oriented classification structure for Federal research and development for use in providing the Congress a more indepth, analytical presentation of research and development in the Federal Government.

On June 30, 1975, we submitted our initial report to the Congress on developing, establishing, maintaining, and publishing standard terminology, definitions, classifications, and codes for Federal, fiscal, budgetary, and program-related data and information. (ACG-75-79, June 30, 1975.)

The report stated that proposed definitions for approximately 90 terms have been developed and circulated among various interested committees and organizations for review and comment. Final definitions will be established and published after comments are analyzed. Work on other terms is continuing.

We further reported that our draft proposal for standardizing classification structures considered the legislative requirement that the 1979 budget presentation be based on national needs, agency missions, and basic programs. Comments were requested from representatives of the House and Senate Committees on Appropriations and the Budget as well as the Congressional Budget Office, the Office of Management and Budget, and the Department of the Treasury. The discussions revealed a wide range of opinions regarding the standard classification structures necessary to meet the requirements of the act. The staff of the Committees and the Budget Office informally advised us that they need more experience in working with the new budget procedures before initial standards can be established. Therefore, we have postponed submitting a classification structure.

Congressional Information Requirements

During the initial implementation of the new congressional budget process for fiscal year 1976, we

assisted several authorizing committees in defining and developing their information requirements. We are working with the Congressional Budget Office to help develop a uniform budget information system for all authorizing committees and are extending this work to support additional authorizing committees for the fiscal year 1977 budget process.

On September 1 of each year we must report to the Congress on certain aspects of our work required by the Congressional Budget Act. This report includes the congressional information needs identified to date; the relationship of these needs to existing reporting requirements; the extent to which executive branch reporting presently meets the identified needs; the specification of changes to standard budget classification structures needed to meet congressional needs; the activities, progress, and results of the Comptroller General's activity in assisting the committees in developing their information needs and in monitoring and making recommendations for changes and improvements in the recurring reporting requirements of the Congress; and the progress that the executive branch has made during the past year in fulfilling congressional information requirements. (FGMSD-75-8, Sept. 20, 1975.)

Need for Cost Benefit Data

The response to an extensive GAO survey of the information needs of the committees and Members of Congress was that cost-benefit data was needed; therefore, GAO reviewed the extent that such data was available to support budgetary information provided to the Congress and reported the results to the Congress in a report entitled "Civil Agencies' Use of Cost-Benefit Analysis in Support of Budget Requests." (FGMSD-75-10, Jan. 14, 1975.)

We visited 8 departments and agencies and looked into 19 budget requests totaling \$18.6 billion for fiscal year 1973. Of these requests, no formal analyses of any type had been made on five. For these and three other budget requests, agency officials stated that cost-benefit analysis was not or could not be done. GAO did not study these cases in detail, but from the information available tended to agree with agency officials. GAO believes, however, that the other 11 requests were susceptible to cost-benefit analyses.

Agency officials said that about 100 analyses of various types had been done to support budget requests. GAO selected over half the documents for

review and determined that only three could be considered cost-benefit analyses identifiable with specific budget requests.

We recommended that OMB give priority to revising OMB Circular A-11 to provide more specific guidance to agencies for deciding when cost-benefit analyses should be undertaken, particularly when budget requests involve considerable increases in funds for specific programs.

Identifying Source Material at Executive Agency Level

A draft of the "Congressional Sourcebook," a directory of Federal budgetary, fiscal, and program-related information sources, was issued in December 1974. The Sourcebook has been conceived as a regular periodical to improve congressional awareness of and access to executive agency information.

We are developing a directory of program evaluation studies conducted by Federal agencies and GAO. Information in the directory will include:

- Descriptions of the evaluation planning process, a step-by-step listing.
- Lists of programs that are required by law to be evaluated.
- Lists of all evaluation reports completed in fiscal years 1973, 1974, 1975, and those scheduled to be completed in fiscal year 1976.
- Evaluation of budgetary information.

Using the information developed to date, GAO has been able to assist various committees interested in program evaluation information. The information will also be used to develop plans for appraising agency evaluation systems and for developing the program evaluation methods discussed above.

Improving the Timeliness of Responses to Congressional Inquiries

To improve services to the Congress, we are developing procedures for providing more timely replies to congressional inquiries not requiring audit work. As an example of this means of reporting, we prepared staff papers involving the Pennsylvania Avenue Development Corporation and the impact of the Tax Reduction Act of 1975 on the development corporation's activities.

On March 27, 1975, the staff of the House Committee on Interior and Insular Affairs, Subcommittee on Parks and Recreation, met with representatives from the Resources and Economic Development Division and us and requested GAO to make a brief analysis of matters concerning possible escalation of the \$130 million direct Federal appropriation proposed in the Pennsylvania Avenue Development Plan.

We undertook the responsibility for the analysis under severe time constraints, since the plan would automatically take effect before the end of April 1975 if the Congress did not disapprove it. On April 11, 1975, we met to discuss the results of the analysis in time for congressional consideration before the end of April.

On May 1, 1975, a Member of the House Ways and Means Committee asked us to provide a brief economic analysis of the impact of the Tax Reduction Act of 1975 over the next 2 years on the Gross National Product and the rate of inflation, as well as unemployment. The Committee wanted the information within 2 days. On May 2, 1975, we provided a report to the Committee on the requested analysis.

CHAPTER EIGHT

LOGISTICS AND COMMUNICATIONS

Responsibilities

The Logistics and Communications Division is responsible for auditing logistics and communications activities in the Department of Defense and the General Services Administration and related policies and practices throughout the Federal Government. We are also responsible for auditing the Office of Telecommunications Policy, Executive Office of the President, and all Government functions related to printing and publications, including the Government Printing Office.

We have audit cognizance over (1) cataloging and standardization activities, (2) supply management effectiveness through reviews of the requirements for, and the receipt, storage, distribution, and disposal of, materials and equipment, (3) repair, maintenance, and overhaul of equipment and components, (4) acquisition and management of facilities, (5) readiness of Active and Reserve Forces, (6) management of Government industrial facilities, (7) acquisition and operation of communications and data processing systems, (8) transportation and traffic management activities, and (9) supporting activities, such as food service, records management, and printing and publishing operations.

The Director of this Division is Fred J. Shafer, and Robert G. Rothwell is the Deputy Director.

Reports

During fiscal year 1975, we submitted 108 reports to the Congress. Of this total, 87 were addressed to committees or Members of Congress in response to specific requests. In addition, 92 congressional requests for information were satisfied by telephone conversations, by furnishing copies of documents and other information, and by briefings for Members and their staffs. We also sent 86 reports to the heads of departments and agencies. Our reports are listed in appendix 2.

We made several important reviews and studies in the energy, food, and critical material areas, and information on these appear in chapter 6. Information on the more important reviews in our other areas are summarized in this chapter.

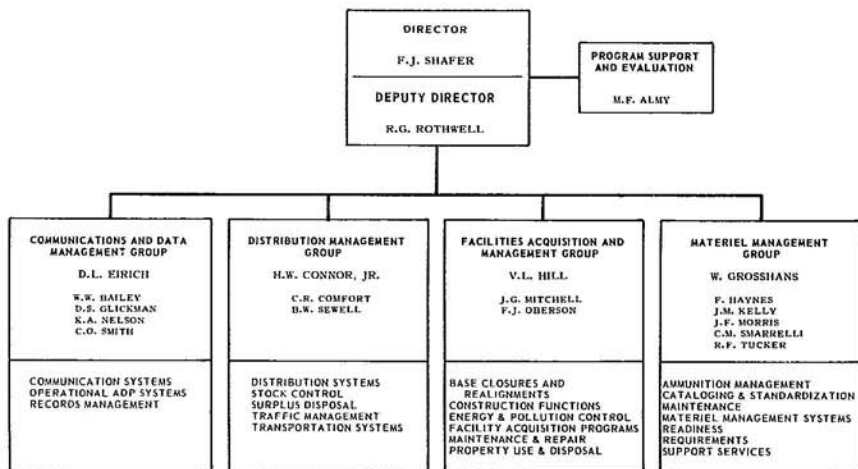
Materiel Management

Marine Corps Logistics System

The Marine Corps justifies its operation of an essentially autonomous wholesale supply and depot maintenance system employing 4,500 people, at an annual cost of \$68 million, on the basis that a centrally controlled system is needed to maintain combat readiness and reduce the administrative burden of its operating forces. However, the Marine Corps already depends on other Department of Defense activities for much of its logistical support. Its operating forces, moreover, have substantial logistical capability to obtain direct support from Department of Defense-designated single-item managers (integrated managers).

In our report to the Congress, we concluded that the Department's systems for providing logistical support to all military services are well developed and can adequately respond to the Marine Corps' wholesale supply and depot maintenance requirements. In response to our recommendation that the Marine Corps reduce logistical functions by relying on such systems, the Department stated that the Marine Corps' \$65 million inventory of integrated manager items would be eliminated and that, in the future, its operating forces would receive such items directly from integrated managers. This action would also reduce recurring personnel and other warehousing costs by \$1.8 million annually. The Department said also that it was studying the feasibility of con-

LOGISTICS AND COMMUNICATIONS DIVISION



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solidating other Marine Corps logistical functions. (LCD-74-434, Jan. 15, 1975.)

Numerically Controlled Equipment

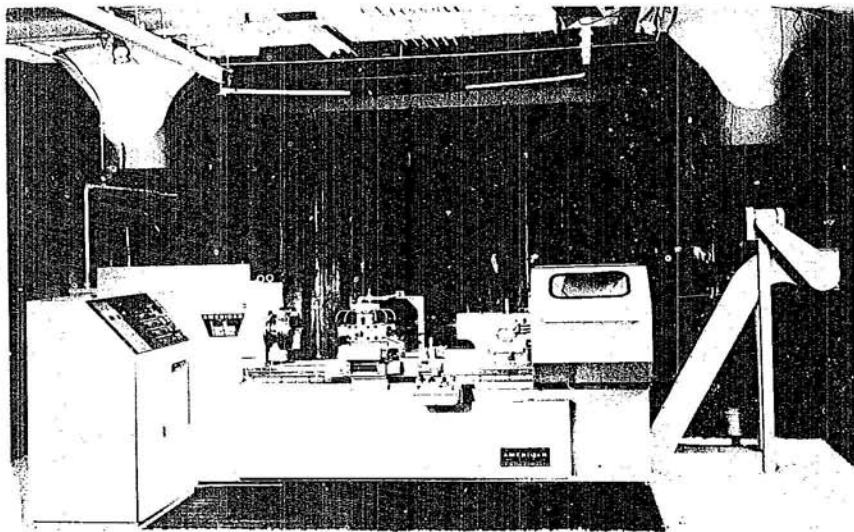
Numerically controlled equipment, which is controlled automatically by punched tape or computers, is expensive and complex but offers tremendous productivity increases. In our first report to the Congress (LCD-74-423, Sept. 24, 1974) on this equipment, we recommended that the Secretary of Defense establish a centralized committee to coordinate the military services' use of the equipment and to work with private industry in encouraging standardization of hardware and software. The Department later did so.

In this review, on which we also reported to the Congress, we sent questionnaires to the 225 activities which had Government-owned numerically controlled equipment, asking for data on the equipment's management and use. The data we obtained would be useful to the centralized committee in its efforts to improve the field of numerical control.

Parts made by military activities on numerically controlled equipment could often be provided by original manufacturers and private machine shops in adequate response time and at lower costs. Also, some military activities had excess machine capacities which others could use through work exchange programs. We therefore recommended to the Secretary of Defense that no new machines be approved unless an activity has adequately considered using the capacities of other activities in the geographical area.

Once the type and amount of work to be done in military plants is decided, work-mix studies should be made to identify the more efficient production method—conventional or numerically controlled machines. Because most activities did not properly make such studies, their machines did not always suit their work. We prepared a step-by-step procedure which activities can use to make work-mix studies.

The costs of numerically controlled systems are considerable but vary widely, depending on the machine system and type of work. The prime factor



Numerically controlled lathe provides fully automatic turning, facing, and boring. It can do roughing work and finishing. Costs about \$80,000.

in keeping these systems cost effective seems to be high use; the equipment should usually be used at least one full shift. Besides offering cost savings, numerically controlled equipment offers benefits in terms of high tolerances and ability to meet mobilization requirements. To date the cost savings achieved and the ability to meet mobilization requirements have been less than planned. We recommended that the Secretary of Defense insure that the necessary computer support and programmers are available to meet mobilization requirements. The Department said its reserve numerical control committee had prepared a draft instruction as a major step toward improving the management of numerically controlled equipment. The instruction addresses, among other things, personnel and computer support for peacetime and mobilization workloads and work-mix studies. LCD 75-415, June 26, 1975.

Ammunition

In April 1973 we pointed out to the Department of Defense that Army and Navy plans to modernize and expand ammunition plants could result in modernizing too many production lines. We pointed out this questionable planning to the House Committee on Appropriations, and suggested that the Army and Navy needed to reassess their planning factors. The Committee agreed with us. As a result, a joint service study was made, and in January 1975 the Army reduced planned ammunition plant investments by approximately \$1 billion. More information on this matter is presented in chapter 3.

For the past 4 years, in response to requests from the Chairman, House Committee on Appropriations, we have reviewed current Army budget requests for long-range ammunition plant modernization and expansion projects that are estimated to cost \$6.4 billion over the period 1976-88. In our review

of the Army's request for \$372 million for fiscal year 1976, we found that projects totaling \$127 million were questionable and should be reduced, deferred, or deleted. (LCD-75-441, Sept. 22, 1975.)

Also, as a result of the Army's being assigned Defense-wide single-manager responsibilities for ammunition in response to a recommendation we made in 1973, we are evaluating various aspects of the Army's management of the procurement, production, storage, and distribution of ammunition and components. A report on our findings, conclusions, and recommendations will be submitted to the Congress in fiscal year 1976.

Direct Supply Support Concept

As part of our overall review of the Army's supply management at installation and division levels, we examined the Army's test and plans for using a special supply support concept known as the Direct Support System in the continental United States (CONUS). Under this concept, combat and support units requisition and receive certain categories of materiel directly from the wholesale supply system instead of from the supply activity of the installation where they are tenanted.

The Army tested the concept with selected units at Fort Bragg. The Army concluded from its cost-benefit analysis of the test that installation inventories at Fort Bragg had been reduced by \$2.2 million and that an estimated \$20 to \$30 million could be saved when the system was fully expanded to 50 installations in CONUS.

We found that the Army's cost-benefit analysis of the test results at Fort Bragg was inaccurate and incomplete. Our analysis of the test results indicated that extending the Direct Support System throughout the continental United States might result in increased costs of millions of dollars rather than the \$20 to \$30 million in savings projected by the Army.

In our report to the Secretary of Defense, we recommended that the Army be directed to postpone the planned extension of the system until it could be conclusively demonstrated that current operations in the continental United States are producing overall cost benefits. We were advised by the Assistant Secretary of Defense (Installation and Logistics) that the Army's decision to fully expand the system would depend on the results of a comprehensive audit by the Army Audit Agency which was ini-

tiated in response to our report. (LCD-75-225, Feb. 28, 1975.)

Requirements

Management of Major Equipment Items

We previously reported that the Army needed to improve its system for managing major items, and the Army told us of actions planned to bring about those improvements. Our followup work showed that, although actions were taken, previously reported problems still existed. For example:

- Item managers were still making arbitrary adjustments to reported data on assets and wear-out losses and were not using the latest data available.
- Item managers were not recognizing all available assets, including substitute items.
- Army units were not accurately reporting all equipment in their possession.

As a result of these continuing problems, fiscal year 1975 buy requirements for three of eight items surveyed were overstated by about \$10.7 million. After we briefed the Army on our findings, 1975 requirements for the surveyed items were reduced by \$7.0 million. We were also advised that a newly developed system for accounting for major items, the continuing balance system, would correct or minimize the problems identified in our previous and current work.

In our report to the Secretary of Defense, we recommended several actions, in addition to implementing the continuing balance system, needed to improve the Army's management of major items. (LCD-75-224, June 27, 1975.)

Maintenance

Managing Maintenance Operations in Europe

Direct and general support maintenance units are operated by military personnel at lower costs than those at depot or contractor-owned facilities which primarily use civilian personnel.

After last year's review of depot maintenance operations in Europe, which showed that much of the work at contractor-owned depots could be done at

lower levels, we decided to review some of those lower level direct and general support units.

We found that general support units were under-used by an estimated 1.2 million staff-hours, costing over an estimated \$3.5 million, although a backlog of unfunded work estimated at \$6.8 million was on hand at depot activities. Much of this could have been done at lower levels. Also, repairs that could have been done at direct support units were being made at general support units.

Both direct and general support units took too long to repair urgently needed equipment and return it to combat forces. Some reasons were:

- Managers did not effectively control their shops.
- Repair parts were not on hand when needed.
- Mechanics did not use half of their available time to repair equipment.
- Mechanics were assigned to jobs other than maintenance.

We cited these and other findings in our report to the Congress.

The Department of the Army agreed with our findings and took corrective action to improve maintenance operations. Some of the actions included reorganizing nondivisional maintenance support functions, providing direct support on an area basis, and testing new procedures for issuing repair parts. (LCD-75-401, Mar. 7, 1975.)

Below-Depot Maintenance

In a report to the Congress, we pointed out that the cost of the military services' below-depot maintenance could be reduced if mechanics were used more productively and if duplicate capabilities were eliminated. Below-depot maintenance is estimated to cost about \$13 billion a year. The Congress should be aware of Department of Defense actions to reduce this cost.

Mechanics were not used as productively as possible because the military services' management information systems did not provide (1) adequate controls over data accuracy, (2) proper use of labor standards, or (3) complete accounting for staff-hours. Because the information systems tracked only the productive staff-hours, management did not know how many hours were spent on activities other than maintenance. And because labor standards, which set the average time to complete a task, were not used, managers did not know that productivity was low.

Equipment, skills, and overhead personnel were needlessly duplicated in the military services. This duplication stemmed from the military services' philosophy that, to insure weapon and equipment readiness, each combat and combat-support unit should become as self-sufficient as possible in providing below-depot maintenance. Although the Army, Navy, and Air Force have each tried to reduce duplicated capability through consolidation, much duplication, both within and between the services, remains. The Department could do several things to improve productivity without compromising defense readiness:

- Validate maintenance requirements to arrive at realistic estimates of the personnel and equipment needed in emergent cases.
- Consolidate, eliminate, or place in reserve those capabilities which exceed peacetime and emergency requirements.
- Rely on peacetime staffing to expand maintenance capabilities by working longer hours in a mobilization.
- Rely on reserve personnel to quickly replace mobilized personnel.
- Reallocate workloads to insure the productive use of resources which exceed peacetime requirements but which are necessary for mobilizations.

We recommended that the Secretary of Defense instruct the military services to (1) establish adequate controls over the accuracy of reported productivity data, (2) require that all available staff-hours be tracked and summarized, and (3) require that labor standards be used, when practicable, to evaluate performance. We also recommended that the Secretary encourage the military services to consolidate their maintenance programs to maximize use of their limited resources and to simultaneously achieve desired readiness.

The Department of Defense is taking actions to improve below-depot management information systems and said it would continue to encourage consolidated maintenance where it would not adversely affect readiness. (LCD-75-422, July 29, 1975.)

Standardization and Cataloging

The Department of Defense and the General Services Administration are jointly responsible for developing and operating the Government's ma-

terial standardization and cataloging programs. Costing \$42 million annually, the principal objectives of these programs are to (1) standardize the types of parts, components, and equipment being considered for acquisition, (2) review and control the number of items entering the supply systems to insure the adoption of the most desired items, (3) catalog the items used by the Government, and (4) eliminate from the logistics systems those items no longer needed.

Federal Supply Catalog Items

Programs to eliminate items from the Federal supply system have existed for years, yet the number of items has remained relatively constant. The system had 4.5 million active items in 1970 and still had more than 4.3 million items as of January 1975.

A part of the \$42 million spent annually on standardizing items the Government uses is for item reduction studies. These studies do not accomplish their purpose because the Department of Defense and the General Services Administration do not have effective programs to follow through and actually eliminate from the supply and cataloging systems those items identified as no longer needed.

Semiannual reports by the Department of Defense to the Congress on cataloging and standardization programs contain numerous examples of item reductions and indicate that thousands of items have been designated as no longer procurable and earmarked for deletion. Many items, however, are still active in the supply systems 5 to 8 years after they have been classified as nonpreferred. Further, no major effort has been made to use the on-hand material or items declared nonpreferred before introducing newer replacement items.

Although the Department and GSA are required to coordinate their item-reduction programs, they have not adequately done so. The programs are also ineffective due to the low priority given to item reduction studies, incomplete program guidelines, and delays of 18 months in completing studies. More attention should be given to informing all users of the item reduction decisions and explaining what the users' responsibilities are because of these decisions. If this were done, potential yearly savings in cataloging, supply management, and warehousing costs alone would exceed \$48 million.

The Secretary of Defense and the Administrator

of General Services have established a committee to improve the item reduction program by implementing our recommendations. (I.C.D-74-425, Oct. 21, 1974.)

Acquiring and Managing Facilities

Much work in this area during the past fiscal year was done in response to congressional interest in base closings and/or the relocation of military activities. We prepared 13 reports on these requests during the year and are working on 20 assignments involving base closings. In addition, we conducted several other facilities acquisition and management reviews. Following is a brief summary of one such review.

Government-owned Properties Exchanged

When the Chairman, House Committee on Government Operations, requested our comments on several issues relating to the acquisition of a building owned by Rockwell International Corporation in Laguna Niguel, California, we found that, although the General Services Administration had acted within the scope of its authority, the need for acquiring the building was questionable.

The Laguna Niguel building, appraised at \$20 million in 1972, was received in exchange for excess defense plants and machinery appraised in 1972 at \$19.5 million. After the exchange in March 1974, Rockwell had the defense plants and machinery independently appraised at \$27.3 million; GSA did not reappraise the Laguna Niguel building after the exchange. We believe that, in the absence of competition, the Government did not have complete assurances that the highest value was obtained for properties exchanged for the Laguna Niguel building. To accommodate tenant agencies at the Laguna Niguel building, GSA will have to spend about \$2.9 million for alterations.

The Government's need for the Laguna Niguel building was not established before GSA acquired it. The building, on a 94-acre site, contains 750,000 square feet of assignable space and is designed to house a maximum of 7,500 employees. The building was constructed in April 1971 by Rockwell but was never occupied while in Rockwell's ownership. At a meeting in November 1971 to discuss the proposed

exchange, Office of Management and Budget officials expressed reservations to GSA about the exchange and said that the building appeared to be in search of a mission since GSA did not have sufficient requirements for space to justify acquiring the building. It appeared to be a "white elephant" since Rockwell had not been able to sell it on the market before approaching GSA.

In September 1972, GSA asked OMB's concurrence in the exchange proposal and said it had a firm occupancy plan for about 40 percent of the net assignable space and had identified other potential users in the Los Angeles area which could effectively use another 40 percent of the space. Six months after the acquisition, only 38 percent of the available space was committed. (LCD-75-314, Mar. 3, 1975.)

Communications

Our work in this area involves reviews of the planning, acquisition, management, and operation of Government telecommunications systems and equipment which represent an investment of \$50 billion and annual expenditures of \$10 billion. Our earlier reviews addressed the broad issues of management at the national level and the organizational arrangements for control of these vast resources. Our recent work has continued in that direction and, in addition, has expanded into reviews looking toward the efficiency and effectiveness of telecommunications operations. Following are selected reviews and studies completed in the past year.

Managing and Using the Radio Frequency Spectrum

Over \$90 billion has been invested in the United States for spectrum-dependent equipment using the radio frequency spectrum. About 55 percent represents Federal investment. The spectrum is useful to the Government, industry, and private individuals. Goods and services valued at more than \$32 billion a year have been attributed to use of the spectrum. Studies have concluded that the United States is not effectively using this valuable natural resource.

Growing competition between the Government and civil sectors for use of the spectrum might lead to conflicts which would call for more authoritative arrangements than now prevail.

Although Government frequency managers do not foresee a spectrum crisis, resembling the energy crisis, the gathering problems of spectrum management suggest the need for increased attention to these matters.

Agency officials agreed that the Chairman, Federal Communications Commission, and the Director, Office of Telecommunications Policy, should take action to (1) conduct a comprehensive review of all spectrum use, (2) evaluate the feasibility of and potential benefits from a spectrum rental plan, and (3) evaluate current spectrum management arrangements to strengthen or replace them. (LCD-74-103, Sept. 13, 1974.)

Reimbursable Satellite Launches

The Department of Defense and the National Aeronautics and Space Administration are providing satellite launches on a reimbursable basis for other governments, international organizations, and commercial corporations. Reimbursable launches comprise a large portion of total launches and will be expanded in the next several years. We found that procedures used to identify and allocate costs of six launches did not result in the recovery of the full costs of these programs. NASA's estimates for two European Space Research Organization launches would have been increased by about \$1.9 million, and DOD's and NASA's billings for two United Kingdom and two NATO launches would have been increased by about \$13.5 million if all costs had been recognized.

We recommended that NASA and DOD:

- In negotiating agreements, adopt and enforce a policy for recovering the full costs of all future launches when fully documented evidence to justify a discount is lacking.
- Require that cost estimates and billings for reimbursable launches be reviewed by internal auditors to insure that they are made according to the agency's policy and procedures and Government laws and regulations.

We also recommended that DOD:

- Recompute costs on a full cost basis under foreign military sales agreements for those launches which have not been made and notify and bill the user for such costs when the terms of the agreement permit full-cost recovery or

attempt to renegotiate the terms of any agreement which restricts full-cost recovery.

- Discontinue using fixed prices in billing for reimbursable launches until records and procedures are established to insure reasonably complete and accurate cost forecasts.

Although the agencies generally agreed with the objectives of full user charges and cost recovery, the Air Force still believes in the fixed-price billing concept, and NASA believes that charges for interest on the Government's investment should not be included in billings for reimbursable launches. (LCD-74-107, May 6, 1975.)

Automatic Digital Network (AUTODIN) Terminals

The Department of Defense spends about \$190 million annually on its AUTODIN records communications network, which serves about 1,500 subscribers, worldwide, including about 300 in the intelligence community. We reported that no single organization in the Department has responsibility and authority for total planning and operation of the system. As a result, communications capabilities exceed requirements (existing or planned) in many areas. With an effective consolidation program, the Department could save \$2.6 million annually in communications center operating costs. Also, a large part of the \$100 million automation program being developed separately by the Army, Navy, and Air Force could be avoided.

We recommended that the Secretary of Defense designate a single manager with the authority, responsibility, and resources necessary for managing the total AUTODIN system, including terminals. The Department agreed that great savings and improved service could result from consolidating telecommunications centers serving all DOD activities in a given area.

It also agreed that the existing management structure did create difficulties but believed that it was the most realistic arrangement under the circumstances. However, the Department stated that the GAO recommendation for providing additional authority to a single agency, such as the Defense Communications Agency, may warrant additional consideration. (LCD-74-112, July 17, 1974.)

Military Telecommunications Centers

A second report concerning the Defense AUTODIN network pointed out that some 900 telecommunications centers are staffed with an estimated 20,000 military and civilian employees whose salaries and related benefits cost the Government about \$200 million annually. The Department has not issued specific guidelines or standards for staffing these centers. However, military departments and subordinate commands have established their own criteria which, in many instances, are not conducive to determining proper staffing requirements. Using a composite standard, we estimated that the Department employed 2,170 too many people. As a result, \$21.7 million is spent each year in increased operating costs. Such costs and personnel could be applied to improve combat effectiveness within the military departments.

We recommended that the Department

- develop uniform telecommunications center staffing standards;
- update the standards, as necessary, to encompass evolving telecommunications automation advances; and
- insure that staffing levels are consistent with the standards.

The Department concurred with our recommendations and has formed an ad hoc committee to determine uniform staffing standards. In the meantime, it has taken budgetary action to eliminate 900 positions by the end of fiscal year 1976. (LCD-74-120, Jan. 7, 1975.)

Automatic Voice Network (AUTOVON)

Although the Defense Communications Agency is responsible for managing and operating AUTOVON, it has not been given adequate authority or control of resources to achieve maximum efficiency consistent with its chartered responsibilities for accountable system management. In these circumstances, the funding provided through the military departments—about \$168 million annually—has been insufficient to achieve quality-of-service objectives established by the Joint Chiefs of Staff.

AUTOVON service has ranged from excellent at some locations to poor at other locations, depending on the resources provided by the military departments. Although the Agency made studies and

recommended corrective action, it has been unable to prevail on the military departments and other users to adopt the configuration necessary for efficient system operation. Also, an unbalanced rate structure for distributing backbone (switches and trunks) costs to the users has resulted in configurations of access lines which are uneconomical and inefficient.

We recommended that the Department of Defense

- take steps to assure that the AUTOVON rate structure is used for economical configuration of access lines and
- give the system manager the authority and control of resources necessary to balance the components of the AUTOVON system to achieve its maximum efficiency within the directed quality and funding parameters.

The Department agreed with our proposal concerning the use of the rate structure but did not agree that alternative methods for managing AUTOVON as a total system should be considered, at least until current budgetary restraints are relaxed. (LCD-75-111, Sept. 11, 1974.)

Data Processing

Public Law 89-306 (Brooks' Bill)

This law, enacted in October 1965, directed the General Services Administration to coordinate and provide for the economic and efficient acquisition of the Government's general purpose automatic data processing equipment, subject to fiscal and policy control of the Office of Management and Budget. Two basic concepts of the law were that (1) GSA would be the "single purchaser" and (2) a revolving ADP fund would be used as a mechanism to finance equipment acquisitions. To allow for an orderly transition, GSA was authorized to delegate procurement authority to agencies.

Although 10 years have passed, these concepts have fallen far short of their goals because of OMB's fiscal and policy controls. GSA is still delegating authority to other agencies to procure most of the Government's ADP equipment, and the ADP fund is not being used as the Congress intended. A total of \$3.2 billion was spent by the Government to lease and purchase equipment during the 5 years ended June 30, 1974. Of the total, 80 percent rep-

resented procurements made by agencies other than GSA, 19 percent was procured by GSA, and 1 percent was procured by GSA through the ADP revolving fund. Of the above procurements by the agencies, 85 percent were purchases and leases, without price competition, using ADP schedule contracts.

To the extent that GSA was able to act as single purchaser, it has achieved large savings in procurements. During fiscal years 1972 through 1974, it awarded competitive contracts totaling about \$433 million for the purchase and lease of equipment. This was \$331 million less than costs would have been if agencies had acquired the equipment under the ADP schedule contracts.

In responding to our recommendations, OMB did not agree with our interpretation of the law that GSA was to become the single purchaser or that the ADP fund was to be used as the financing mechanism. In view of OMB's interpretation, we recommended that the Congress consider certain actions that would permit administration of the law according to the intent of the Congress regarding these basic concepts spelled out in the law and its legislative history. (LCD-74-115, Oct. 1, 1975.)

Agriculture's Computer Network

Because of requests from Members of Congress and our own continuing interest in major computer systems, we reviewed a proposed joint GSA-Agriculture procurement to establish a computer network. The congressional requests were to review all circumstances of this proposal, with emphasis on potential invasion of privacy, particularly since such a proposed data communications network might be expanded to link the major computer systems of all Federal agencies in a Government-wide Federal Information Network.

As a result of congressional concern, the joint GSA-Agriculture request for proposals, issued in February 1974, was revised to eliminate the data communications network and the ADP equipment for the proposed GSA center. By July 1974, there remained a revised request for proposals to equip four Agriculture centers at a total cost, estimated at \$398 million, which included \$106 million for equipment and software and operating costs over an 8-year period.

Our report to the Congress concluded that Agriculture could expect economies and efficiencies to



The manager of the Washington Data Center, Department of Transportation, discusses with GAO representatives the two IBM 360-65 systems originally procured from a third-party leasing company for an annual rental of \$550,000, or \$820,000 less than charged by the manufacturer under the schedule contract.

result from: 1) consolidating and integrating data processing services Department-wide and 2) replacing a collection of heterogeneous second- and third-generation equipment. At that time, however, the request for proposal was not based on the required detailed studies and analyses. As a result, there were unanswered questions concerning the number and location of sites, equipment configuration, interfaces with communications equipment, and the economic justification for the project. Additionally, Agriculture had not adequately considered security requirements that would reasonably protect personal and other sensitive information in the new system from unauthorized access.

We recommended that the Secretary of Agriculture advise GSA to cancel the planned procurement and, after completing the needed plans and studies, select the best alternative and prepare a new request for proposal based on established require-

ments. Agriculture basically agreed with our findings. However, it thought that the pending procurement should be merely postponed, not canceled, to allow time to complete studies begun in October 1974. When our report was issued, the matter was still not resolved; therefore, we are continuing to monitor the procurement action. LCD 74-108, June 3, 1975.

Other Major Computer Systems

Because of the continuing interest of the House Committee on Appropriations and individual Members of Congress, we are continuing and expanding our reviews of several other major logistics and management information systems being developed by Defense agencies. These include the Worldwide Military Command and Control System, the Army Materiel Command service center concept, the U.S.

Air Force Advanced Logistics System, the Defense Supply Agency's Mechanization of Contract Administration Services System, and the Department of Defense Tri-Service Medical Information System.

We are also reviewing certain aspects of the Internal Revenue Service's Tax Administration System to determine whether the designed security and privacy controls will comply with the requirements of the Privacy Act of 1974 and whether the system will be cost beneficial. Reports on our findings, conclusions, and recommendations on these systems will be issued to the Congress in fiscal year 1976.

Records Management

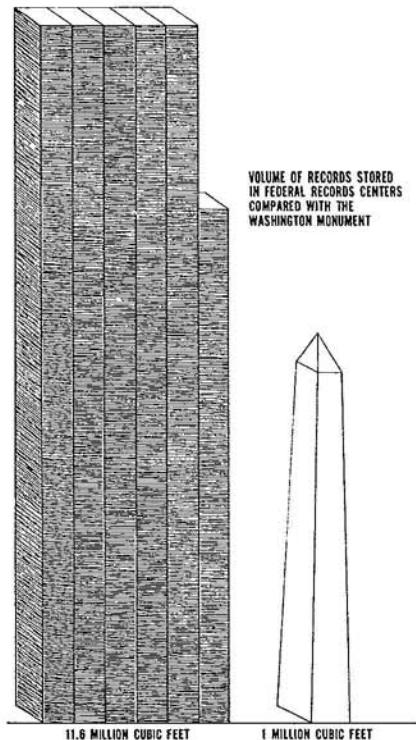
Over 11 million cubic feet of records are stored in Federal Records Centers. Estimated Federal paperwork costs increased from \$8 billion in 1966 to \$15 billion in 1973.

The increasing concern of the Congress and the public for personal privacy, as well as public inspection of Government records, will affect Federal agencies' records and data management practices. Implementing the Privacy Act of 1974 and the Freedom of Information Act requires additional paperwork systems which include files, forms, and procedures; reporting requirements; records review and disposition; and staffing and training personnel.

With the increasing costs and volume of records, and the matter of privacy of records, we have in the past year dealt with many records management inquiries, and we will continue next year to devote attention to the various aspects of records management throughout the Government.

Transportation

Transportation activities cost the Government more than \$5 billion annually. The environment in which transportation decisions are made has grown progressively more complex because of worldwide logistics and economic problems. Management personnel must contend with the energy crisis, currency fluctuation, rising inflation, and the need to make more effective use of Government owned or controlled transportation resources, while at the same time promoting a healthy transportation industry. For these reasons, we directed a great deal of audit work to the transportation area.



Volume of records stored in Federal Records Centers compared with the Washington Monument.

Airlift Operations During the 1973 Middle East War

We evaluated the airlift operations of the Military Airlift Command during the 1973 Middle East War and reported to the Congress that it had done an outstanding job in the airlift even though

- advance planning was inadequate,
- certain European and African countries denied vital landing, staging, and overflight rights, and
- the Command's authority to manage the airlift was limited.

Most of the airlift occurred from October 13 to November 14, 1973, when 22,497 short tons of material were delivered to Israel. The airlift had only a minor effect on the Command's normal peacetime operations and by no means taxed its overall capability. The Command did not commit more than 24 percent of its aircraft to the airlift on any 1 day. Although C-5s made only 147 of the 569 flights to Israel, they carried nearly half of the total tonnage airlifted (10,757 tons).

While overall performance was excellent, the Command's operational readiness needed improvement. Sixty percent of its C-5 aircraft and 35 percent of the C-141s did not work because they needed maintenance or parts. All missions were accomplished despite these problems, because many more aircraft than needed were available.

Finally, we found that Israel was billed about \$45.1 million less than the total cost of the airlift services.

The Department of Defense generally agreed with our findings and cited several corrective actions

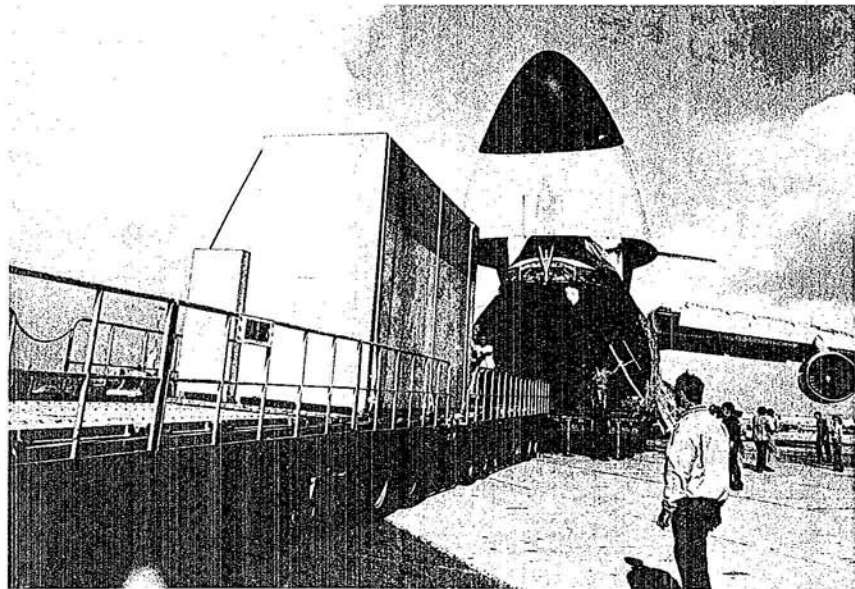
being taken. It billed Israel an additional \$14.1 million for airlift services and felt this was sufficient. Our disagreement on the costs to be recovered concerned the methodology for computing depreciation to be charged and the principle of charging for interest on investments. (LCD-75-204, Apr. 16, 1975.)

Managing Transportation Data Systems

The Department of Defense operates 14 automated transportation data systems, each of which somewhat duplicates the functions performed by one or more of the other systems. The cost of operating the 14 systems is \$15.6 million a year.

We estimate that a unified transportation data system could do the same job for about \$6.3 million. We recommended that the Secretary of Defense take appropriate action to eliminate this duplication and fragmentation.

The Department of Defense agreed that undesirable duplication and fragmentation existed but ex-



Air Force personnel use a 463L system to off-load coated cargo from a C-5A at Lod Airport, Israel, during 1973 Middle East War.

procured reservations about the degree of duplication and the savings to be realized by consolidating the systems. It has begun a study to determine if one of the existing systems could provide a unified data bank to serve the needs of all logistic and transportation managers. (LCD-75-205, Feb. 11, 1975.)

Safeguarding Nuclear Weapons in Transit

Strict security precautions are required when nuclear weapons are transported over public highways and streets. We found that such weapons transported by the Army and Navy were more vulnerable to terrorist activity and more susceptible to damage than were shipments by the Energy Research and Development Administration and the Air Force. For example, the Army

- used commercial van-type trucks without armor and entry denial fixtures to carry nuclear warheads between storage locations and missile launch sites,
- did not use helicopters to provide aerial reconnaissance and surveillance for its convoys,
- did not have an adequate en route communication system to monitor progress, and
- did not provide for a security alert team vehicle to follow its convoys and respond to emergencies.

The Navy shipments also were vulnerable to terrorist activity.

In reply to our report, the Department of Defense indicated it had developed and promulgated new policies governing the safeguarding and security of nuclear weapons. These policies will, we believe, materially strengthen the security of the weapons in transit. (LCD-75-221, Apr. 23, 1975.)

Printing

Agency Printing and Duplicating Plants

The Joint Committee on Printing requires that printing be commercially procured to the greatest extent possible. However, there are over 340 agency printing plants authorized by the Joint Committee. We reviewed 23 of these plants, plus 18 duplicating centers.

In our report to the Chairman, Joint Committee on Printing, we pointed out that (1) productivity had declined by 16 percent since 1969, (2) 57 percent of the press capacity was not used, (3) 45 percent of the printing plants' workload was commercially procurable, and (4) duplicating centers, which are not controlled by the Joint Committee, were obtaining unauthorized equipment, giving them a greater output capability than printing plants controlled by the Joint Committee.

Our analysis of printing workload and plant capabilities in five geographical areas where several plants were closely located showed that these plants should be consolidated. We presented three alternative operating strategies.

1. Establish a single large printing plant in each area, and substitute a quick-copy capability for the eliminated plants.
2. Establish a single large printing plant and quick-copy centers, and increase the printing sent to commercial sources.
3. Increase commercial printing only.

Potential savings from these alternatives range up to \$4.5 million a year for the five areas we reviewed. (LCD-74-438, Nov. 1, 1974.)

CHAPTER NINE

PROCUREMENT AND SYSTEMS ACQUISITION

Responsibilities

The Procurement and Systems Acquisition Division audits all Federal Government procurement operations, including the procurement and related research and development functions for major acquisitions, such as weapons systems in the Department of Defense and systems of comparable complexity in the civil departments and agencies. This division has been designated the lead division for (1) Federal procurement of goods and services and (2) science and technology policies and programs.

The Division is supervised by Richard W. Gutmann, Director, and John F. Flynn, Morton A. Myers, and Jerome H. Stolarow, Deputy Directors.

The Deputy Director of the science and technology subdivision has been designated the focal point for activities relating to the Office of Technology Assessment, including direct assistance to the Comptroller General in carrying out his duties as a member of the Technology Assessment Advisory Council.

Volume of Federal Procurement

Accurate data on total Federal procurement activity is not readily available, but a system is currently being developed to provide this informa-

tion. The Department of Defense develops statistics on contract awards for the military agencies, and the General Services Administration compiles certain statistics for the bulk of civil agencies' procurements. On the basis of this data, Federal procurement for fiscal year 1974 totaled at least \$54.3 billion. The major portion of this amount was spent by the Department of Defense and the military services.

Magnitude of Systems Acquisition

The estimated cost of 115 major systems being acquired by the Department of Defense at the beginning of fiscal year 1975 was more than \$193 billion. Another 300 acquisitions by civil departments and agencies were estimated to cost more than \$130 billion.

Significance of Science and Technology

Science and technology are important components in virtually all Federal Government programs. Estimated obligations for science and technology programs underway in fiscal year 1975 in about 75 departments, agencies, and organizations totaled about \$19 billion. Approximately 50 percent of this amount was for Department of Defense programs, about 35 percent was for civil programs, and about 15 percent was for space activities. In addition, \$1 billion was obligated for related facilities in 1975.

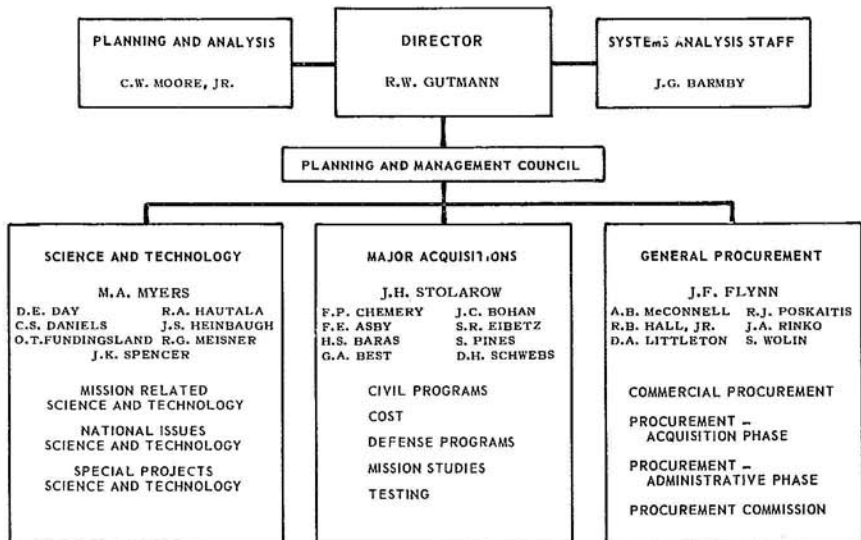
Audit Reports

We provided the Congress with 22 reports relating to Federal procurement practices, the acquisition of major systems, and science and technology programs. In addition, we submitted 62 reports to committees and Members of Congress on special audits, investigations, and reviews made at their request, and 51 individual reports on the status of major systems being acquired.

We also submitted 49 reports to department or agency officials on procurement, contract administration, and related matters.

A list of reports to the Congress, its committees and Members, and department or agency officials is

PROCUREMENT AND SYSTEMS ACQUISITION DIVISION



JUNE 30, 1975

included in appendix 2. A list of the reports on individual major systems follows.

Department of the Army:

Aircraft:

- Advanced attack helicopter
- Heavy lift helicopter
- Utility tactical transport aircraft system

Missiles:

- Dragon
- Lance
- SAM-D
- Stinger

Vehicles—ordnance:

- Bushmaster
- Mechanized infantry combat vehicle
- Scout
- XM-1 tank
- XM-198 and XM-204 howitzers

Other:

- Joint tactical communications equipment
- Site defense
- Tactical fire direction system

Department of the Navy:

Aircraft:

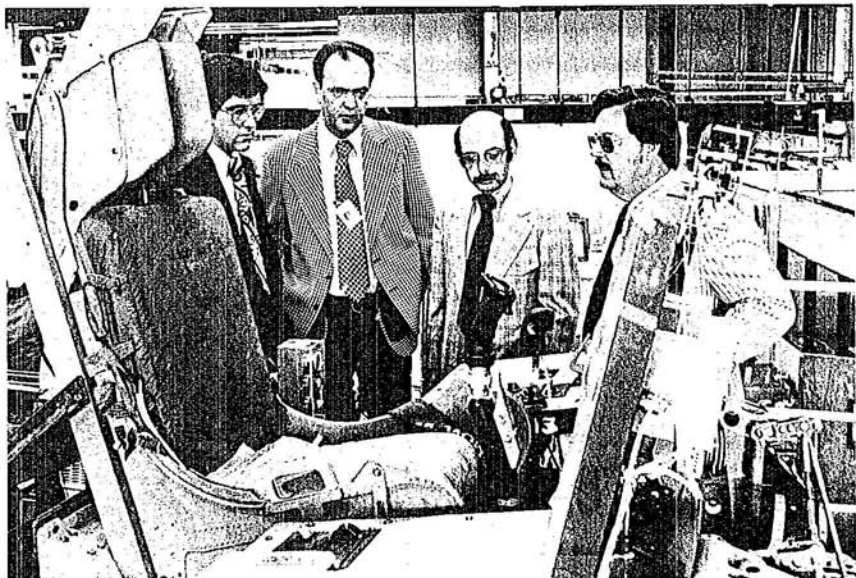
- CH-53E
- Light airborne multi-purpose system
- Navy air combat fighter program

Missiles:

- Aegis
- Condor
- Harpoon
- High-speed anti-radiation missile
- Sidewinder, Agile, and Claw
- Sparrow-F

Ordnance:

- Phalanx



A. Accella, D. Lyons, and G. Roemer with Air Force representative (right) look at the cockpit assembly of the A-10.

Ships:

- DD-963/LHA
- Patrol frigate
- Patrol hydrofoil guided missile ship
- Surface effects ship
- Trident

Other:

- Trident warhead

Department of the Air Force:

Aircraft:

- A-10
- Advanced medium STOL transport
- B-1
- F-15
- Lightweight fighter prototype, air combat fighter

Missiles:

- Air-launched cruise missile and sea-launched cruise missile
- Maverick

Other:

- Advanced airborne command post
- Airborne warning and control system
- Continental operations range
- Over-the-horizon backscatter radar
- Remotely piloted vehicles

Corps of Engineers:

- Harry S Truman Dam and Reservoir

Department of Transportation:

- Locomotives and cars for the National Railroad Passenger Corporation
- Personal Rapid Transit Systems, Morgantown, W. Va.
- Polar icebreaker ships

Energy Research and Development Administration:

- Fast Flux Test Facility

National Aeronautics and Space Administration:

- Space shuttle

Viking

Tennessee Valley Authority:

- Sequoyah Nuclear Powerplant

General Procurement

During fiscal year 1975 we submitted six reports to the Congress pointing out how savings could have been made if sound procurement practices had been followed. These reports covered the (1) General Services Administration's supply system, (2) evaluation of contractor's price proposals (two reports), (3) advantages of more effective use of warranties, (4) aerospace ground equipment, and (5) Government's program to maintain a shipbuilding industrial base.

At the request of the Chairman, Subcommittee on Public Works, House Committee on Appropriations, we prepared a report on the development and production of selected nuclear weapons. We also prepared a report at the request of the Chairman, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, on the propriety of the Air Force's awarding noncompetitive contracts for repair manuals. We submitted the fifth in our series of progress reports on the implementation of the recommendations of the Commission on Government Procurement to the Chairman, House Committee on Government Operations. Reports on procurement matters were prepared for 7 other congressional committees and for 17 members. In addition, 15 reports were submitted to departmental or agency headquarters officials, and 27 reports were submitted to local agency officials.

We provided testimony on general procurement audit efforts to the Senate Committee on Government Operations; the Subcommittee on General Oversight and Renegotiation of the House Committee on Banking, Currency, and Housing; and the Joint Committee on Defense Production.

Work in process at the end of the fiscal year included reviews of (1) the Government's policy of self-insurance, (2) the reasonableness of prices paid by the Government for commercial goods, (3) the Navy's progress in settling shipbuilding claims, (4) the adequacy of Government surveillance of pension plan practices, (5) the Defense Fuel Supply Center's procurement practices, and (6) subcontracting by prime contractors.

Our sixth report on the progress of the executive branch in implementing the 72 remaining recommendations of the Commission on Government Procurement was scheduled for release in the latter part of 1975. In addition, work is underway to (1) iden-

tify actions whereby the Government and contractors could improve the efficiency or minimize the consumption of energy and (2) develop knowledge of executive agencies' efforts to implement cost accounting standards, rules, and regulations.

Management of Federal Supply Service Procurement Programs Can Be Improved

The General Services Administration's Federal Supply Service is responsible for procuring goods and services for Federal agencies. Its sales to these agencies in fiscal year 1973 totaled \$1.7 billion. Federal agency purchases from commercial sources during this same period cost \$4.5 billion.

We examined the purchases from commercial sources and noted that \$1.4 billion in supplies and services was available from the Federal Supply Service. Major reasons offered for not using the Federal Supply Service to a greater extent were (1) untimely delivery dates, (2) personal preferences, (3) insufficient item description in catalogs, and (4) lack of knowledge of the items' availability.

While the Federal Supply Service is a mandatory source for the most commonly purchased commercial goods and services, it has not reviewed agencies' commercial procurements to assess their cost effectiveness and propriety. Officials said the Service lacks sufficient resources to monitor agency compliance with procurement directives; thus, there is little visibility over who it supplies, what its customers need, and where its customers are buying. The agencies, therefore, have not made the most effective use of their limited procurement funds.

A 1973 study by the Federal Supply Service indicated that its prices averaged 23 percent lower than those for comparable goods available from commercial sources.

On the basis of its \$1.7 billion sales in fiscal year 1973, Federal civil agencies presumably saved \$391 million. An additional \$300 million could have been saved had the civil agencies purchased the \$1.4 billion in goods and services from the Federal Supply Service rather than from commercial sources.

In our report to the Congress, we concluded that GSA could do a better job of fulfilling its procurement leadership responsibilities and recommended that the Administrator:

- Obtain more and better information on the needs and problems of purchasing offices.
- Analyze the data systematically to identify underlying problems and establish appropriate measures to cope with them.
- Take interim steps to increase sales to Federal agencies when it is economical to do so.

We also recommended that the Congress consider having the General Services Administration periodically advise it on progress being made and on any major obstacles encountered by civil agencies in carrying out Federal procurement regulations.

The Administrator agreed with the thrust of our recommendations and initiated certain positive actions which should assist in improving the effectiveness of the Federal Supply Service. (PSAD-75-32, Dec. 31, 1974.)

Subsequently, on March 24, 1975, we advised the heads of civil departments and agencies of this matter and urged them to review their procurement practices to insure use of the most economical source of supply consistent with Federal regulations.

Noncompetitive Contracting Needs Improvement

In our report to the Congress concerning Department of Defense noncompetitive procurements, we concluded that, although their procurement offices generally are effective in negotiating noncompetitive contracts, some improvements are needed in their practices and management controls to insure the negotiation of fair and reasonable prices.

We examined 183 contracts, each in excess of \$100,000 and valued at about \$2.1 billion, awarded by 39 of the Department's 220 procurement offices. We found that:

- For about 15 percent of the costs examined, no record showed that cost or pricing data had been obtained to the extent necessary to assure reasonableness of prices.
- About 24 percent of the technical evaluation reports examined did not adequately support conclusions and recommendations by disclosing such things as the scope of the evaluation or the analytical methods used.
- About 40 percent of the Department of Defense audit advisory reports contained quali-

fied conclusions, thus limiting their usefulness for negotiation purposes.

- A number of deficiencies related to the price negotiation memorandum which is required to be prepared as a record for each pricing action. These deficiencies limit the usefulness of the memorandum.
- Procurement office reviews need to be improved so that, when warranted, timely corrective action can be taken.
- Deficiencies identified by review groups established by the Department of Defense have gone unresolved because aggressive followup action was lacking.

We made seven recommendations to the Secretary of Defense directed toward improving procurement procedures or management controls and insuring negotiation of fair and reasonable prices. The Department stated it subscribes to the basic thrust of our recommendations and identified the actions it would take on most of them.

The Department did not agree with two of our recommendations—one on the need for pertinent information in the memorandum of negotiations and the other on better documentation of supplemental data furnished to the pricing team in response to specific requests. In our report we discussed these recommendations further and suggested that the Secretary reconsider the position taken on them. (PSAD-75-82, Aug. 5, 1974.)

A related report on noncompetitive contracting was prepared in 1975. Under noncompetitive conditions, effective technical evaluations should be made of the contractors' pricing proposals to assure fair and reasonable prices. These evaluations should be properly reported to contracting officers.

We reviewed evaluations of 40 fixed-price noncompetitive proposals for contracts totaling about \$132 million. We concluded that evaluators had not adequately reviewed \$23.9 million of contractors' proposed direct costs, and that many evaluations did not contain sufficient information to support recommendations.

In our report to the Congress, we recommended that the Secretary of Defense require:

- Development of performance and reporting standards for use by all Defense activities making technical evaluations of contractors' noncompetitive price proposals. These standards

should provide for adequate planning, documentation, supervision, and support for recommendations.

- Intensified formal training for personnel participating in technical evaluations.

While agreeing to the training recommendation, the Department did not agree with our recommendation for developing performance and reporting standards. We suggested the Department reconsider its position on standards, because the absence of uniformity results in deficient evaluations and reports. (PSAD-75-80, May 8, 1975.)

Subsequently, the Department said the diversity of supplies and services obtained is such that Department-wide standards would appear to be of very limited benefit. It expressed the view that the crux of the matter lay in improving the technical evaluation documentation through better management practices and procedures. Accordingly, the Department, among other things, is referring our report findings to Department components so that action can be taken on improving technical evaluations. We will reexamine the Department's action at a later date to see if this action improves the evaluations.

Savings Expected From Better Use of Truck Warranties

Government agencies operate more than 334,000 warranted commercial and military-designed trucks. The warranty guarantees that certain defects in material found during the named period will be repaired or replaced by the manufacturer without cost. When the Government elects to have the work done by a dealer, the manufacturer pays the labor costs.

We examined records at 3 military departments and 3 governmental agencies for 2,217 warranted commercial and military-designed trucks. We identified the following principal ways to obtain greater benefits under warranties:

- Obtain warranties at least as beneficial as those manufacturers provide to the public.
- Take greater advantage of opportunities to recover costs through billback agreements, which allow the Government to make warranted repairs and obtain reimbursement from the manufacturer when it is impracticable to return trucks to an authorized dealer. One user, the U.S. Postal Service, estimated that \$1.5 to \$2

million has been recovered annually through billbacks. Their projections indicate that substantial reimbursements from billbacks will continue, although perhaps not as high as in past years.

- Provide users of military-designed trucks with better information about component warranties. Without this information, the Government might absorb repair costs that should be paid by the manufacturer.
- Provide using activities with clearer instructions for warranty starting dates.
- Improve management surveillance over use of warranties by truck-using activities.

In our report to the Congress, we recommended that the Secretary of Defense and the Administrator of General Services require implementation of these five ways to obtain greater benefits under warranties. The Assistant Secretary of Defense (Installations and Logistics) indicated that changes in vehicle procurement practices had been made to accomplish the recommendations. The Deputy Administrator, General Services Administration, generally agreed and said that the Administration's revised warranty clause should enable the Government to receive warranties comparable to those provided the public and that emphasis will be increased on informing agencies about billback agreements, starting dates for warranties, and proper reporting of warrantable repairs.

If the actions promised and in process are fully implemented, the Government should benefit from decreased maintenance expenditures through increased warranty enforcement. (PSAD-75-64, Mar. 20, 1975.)

Cost of Aerospace Ground Equipment Could Be Reduced

Air Force expenditures for aerospace ground equipment have been averaging about \$600 million annually. This equipment is used to repair, maintain, overhaul, and operate aircraft and related subsystems while on the ground.

We examined 88 selected special items purchased for use on 4 aircraft—the C-5, F-111, A-7, and C-141—to determine if such equipment was needed or if less costly alternatives could have satisfied the requirement.

We found the cost of nine special items could

have been substantially reduced—\$341,500 out of \$343,600—if maintenance procedures not requiring special equipment had been used. An additional \$339,900 could have been saved on 23 items if the Air Force had manufactured them in-house instead of procuring them from contractors. Thus, the cost of 32 of 88 items could have been reduced by \$681,400.

Further savings could have been realized if nine more items had been standardized to perform common functions on several aircraft.

In our report to the Congress, we recommended that the Secretary of the Air Force:

- Evaluate and strengthen procedures to insure that new aerospace ground equipment items are not acquired until it has been determined that maintenance cannot be performed without such equipment or cannot be performed with common equipment already in inventory.
- Consider manufacturing such equipment in-house.

The Air Force agreed with our findings and recommendations and issued a regulation providing criteria for in-house manufacture of such equipment in lieu of procurement from contractors. The Air Force is also evaluating the effectiveness of its policies and procedures for acquiring the equipment and will take action to improve or strengthen the process. The Air Force will also examine the adequacy of data presently used to screen new items recommended for procurement.

If the actions promised are fully implemented, the Government should benefit from reduced expenditures by more effectively using existing resources and eliminating scheduled procurement. (PSAD-75-85, Sept. 11, 1974.)

Government Support of the Shipbuilding Industrial Base

The Government has sought to insure an adequate shipbuilding industry through several types of direct and indirect assistance. The three major direct sources have been (1) Navy construction, (2) merchant ships built through the Maritime Administration construction subsidy program, and (3) unsubsidized merchant ships, for use in domestic trade, built under the Jones Act. We studied the effectiveness of the principal Government program to maintain a shipbuilding industrial base and

assessed the merchant ship construction subsidy program.

The Merchant Marine Act of 1936, as amended, directs the Secretaries of Commerce and the Navy to assess the adequacy of the industry as a mobilization base at least once each year. At the time of our study, no recent assessment had been made of the industry's ability to support a short duration war, which is the emergency planning assumption used by the Department of Defense for shipbuilding requirements. The Maritime Administration of the Department of Commerce maintained that the requirement for maintaining a domestic shipbuilding capability depends more on the need to rebuild the merchant fleet after a war than on the need to support a war effort.

In our report to the Congress, we recommended that the Secretaries of Commerce and Defense review, with appropriate congressional committees, their views on the emergency planning assumptions for use in assessing the adequacy of the shipbuilding industrial base. We also recommended that the Secretary of Commerce periodically assess the industry's capability to support the planned war effort. Since Maritime's concept of the need to reconstitute the merchant marine fleet appeared to be a new justification for Government peacetime support of the industry, we identified this as an issue for review by appropriate congressional committees.

The Department of Defense basically agreed with our recommendation on emergency planning assumptions and stated that, after a joint review of mutual problems, the Secretaries of Defense and Commerce should meet with the appropriate congressional committees. The Maritime Administration stated, among other things, that it was not aware of differences between the views of the Departments of Commerce and Defense on the emergency planning assumptions.

Our report pointed out also that the Maritime Administration does not now have authority to approve subsidized construction of ships in U.S. yards for non-U.S.-flag operation and the subsidized U.S.-flag operation of foreign-built ships. Such authority would permit modifications to be promptly made to meet the Nation's changing merchant fleet and shipbuilding capability needs most effectively and economically. Without such authority, the Maritime Administration is limited in its ability to, among other things, provide desirable market stability for

U.S. yards by leveling temporary peaks and valleys in U.S. shipbuilding activity.

We recommended that the Congress consider giving the Maritime Administration authority of this nature, to provide it with greater flexibility in administering merchant marine support programs. In commenting on this recommendation, the Maritime Administration indicated that further analysis was needed and that the recommendation appeared to be based on a "very narrow and questionable argument." However, its observations did not in themselves constitute a basis for rejecting the recommendations. (PSAD-75-44, Feb. 12, 1975.)

Developing and Producing Selected Nuclear Weapons

In response to a request from the Chairman, Subcommittee on Public Works, House Committee on Appropriations, we reviewed the development, production, deployment, and operational readiness of artillery fired atomic projectiles, B-61 nuclear bombs, short-range attack missiles, and Poseidon nuclear missile systems. This classified report was distributed only to congressional committees having authorization and appropriation responsibilities over nuclear weapons. (PSAD-75-57, Jan. 7, 1975.)

We presented a briefing on this report to staff members of the Subcommittee on Public Works of the House Committee on Appropriations, the Subcommittee on Public Works of the Senate Committee on Appropriations, and the Joint Committee on Atomic Energy.

Lack of Competition in Procuring Technical Manuals

Technical repair manuals are developed for specific pieces of equipment and are used by the military services' repair and maintenance personnel. In December 1971 the Air Force approved a technical order manual improvement program for seven aircraft and three aircraft electronic systems. The objective of the program was to revise the existing manuals by simplifying and reorganizing them to ease repair and maintenance operations.

At the request of the Chairman, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, we obtained information on the propriety of the Air Force's awarding noncompeti-

tive contracts for repair manuals for military aircraft. These awards were made after the Air Force had procured similar aircraft repair manuals using competitive procedures.

As of March 4, 1975, seven contracts totaling about \$13 million had been awarded for manuals for five of the aircraft. All of the contracts, except one for \$1.1 million, were negotiated noncompetitively with the aircraft manufacturer.

Although the Air Force justified the noncompetitive awards on the basis of urgency and lack of competition, we found no clear demonstration of an urgent need for the revised manuals or indications that any real attempt was made to determine whether other firms could furnish the manuals. In addition, the records for two of these contracts indicated concern that any delay in award would have resulted in a loss of available funds at the end of the year. (PSAD-75-71, Apr. 1, 1975.)

Recommendations of the Commission on Government Procurement

The report to the Congress in December 1972 by the Commission on Government Procurement had 149 recommendations for improving Government procurement. In early 1973, the Chairman, House Committee on Government Operations, asked us to monitor an executive branch program to act on these recommendations.

Our fifth report to the Committee reviewed the status of legislation the Commission believed was needed to implement 64 of its recommendations. It included a table showing (1) the purpose of the legislation, (2) the Commission recommendations involved, (3) the number of the bill, or public law, and the date, if legislation was introduced or enacted, (4) who sponsored the legislation, (5) the committee having jurisdiction, and (6) the current status of the legislation.

We noted that, in an October 1974 reform resolution, the House specifically assigned to its Committee on Government Operations legislative jurisdiction over Federal procurement matters that have Government-wide impact or involve more than one agency. However, in view of the considerable procurement legislation that will probably come before the 94th Congress and the continuing need for legislative and oversight hearings, designating a Government Operations Subcommittee for procurement matters in the House, like that in the Senate,

to discharge this jurisdictional responsibility would help to coordinate shaping of procurement policy in the Congress and expedite action on needed Government-wide legislation.

Our report included schedules showing, with respect to each of the 149 recommendations,

- a brief history and the current status of executive branch action,
- whether the recommendation was adopted, modified, or rejected.
- if adopted or modified, the type of implementation action taken or contemplated, and
- whether the executive branch's overall action, in our judgment, was responsive to the Commission recommendation or needed special management attention.

We identified 44 recommendations that were in need of special management attention because, in our judgment,

- rationale for the action taken was questionable in 3 cases,
- interpretation of the recommendation was questionable in 3 cases,
- further review and analysis of the action contemplated was needed in 25 cases,
- implementation of the recommendation was unusually complex in 9 cases, and
- more expeditious implementing action was needed in 4 cases.

Establishing policy positions is an important first step and much progress has been made in this direction. However, putting these positions into effect is the more crucial step that still lies ahead in the executive branch program. Little can be accomplished until this is done. Several more years may be needed to complete the implementation phase due to (1) the small number of actions completed to date, (2) the delays in completing other actions in process, and (3) the present pace of the program in general.

We recommended to the Director, Office of Management and Budget, that the Administrator for Federal Procurement Policy

- establish priorities and milestones for those implementing actions lacking completion: dates,
- establish clear responsibility in the executive branch for periodically following up on implementing actions already started and for approving the proposed implementing document to in-

sure conformity with earlier agreed-upon policy positions and implementing guidelines,

- make sure that appropriate action is taken on the 44 recommendations in need of special management attention, and
- develop a legislative program for coordination with appropriate congressional committees. (PSAD-75-61, Mar. 17, 1975.)

Major Acquisitions

Twelve reports to the Congress, 10 reports to congressional committees, 14 reports to Members of Congress, and 3 reports to departmental officials were submitted during fiscal year 1975 on various phases of the acquisition of major systems. In addition, 51 reports were submitted to various congressional committees on the status of individual systems being acquired by the Department of Defense and other civil departments or agencies. (See list on p. 108.)

We testified on the airborne warning and control system before the Subcommittee on Research and Development, House Committee on Armed Services, and the Subcommittee on Tactical Air Power, Senate Committee on Armed Services.

Work in process at the end of the year included reviews of the: (1) U.S. strategic nuclear policies and capabilities, (2) need for developing uniform criteria for reporting inflation to the Congress, (3) risk assessment, (4) effectiveness of DOD test organizations, duplication that presently exists among certain test facilities, and impact of analysis and testing on decisionmaking, (5) Army's development and planned procurement of a new main battle tank and also the effectiveness of U.S. antitank warfare systems, (6) Navy's antisubmarine warfare programs, including resource allocation, coordinated and integrated operations, and effectiveness measurement for air, surface, and attack submarine systems, as well as a program for modifying SH-3H helicopters for antisubmarine warfare, (7) Navy's sea control mission, (8) Navy's patrol hydrofoil guided missile ship and the guided missile frigate program, (9) effectiveness of the Army's M561 cargo truck, (10) need for improved reporting and cost estimating on major unmanned satellite projects, (11) impact of shortages in processed materials on Government acquisitions of major civil and defense systems, (12) cost, schedule, and performance

status of the Washington Metropolitan Area Transit Authority's subway equipment program, the Tennessee Valley Authority's Bellefonte Nuclear Plant, and the Appalachian Regional Commission's Highway Program, and (13) financial status of major civil and defense acquisitions.

Life Cycle Cost Estimating

The life cycle cost of a weapon system includes the cost to acquire, operate, and maintain the system over its useful life. Decisions on proceeding with a weapon system's development have generally been based on the acquisition cost of the weapon. Less attention has been focused on the system's estimated operation and maintenance (ownership) costs, although these could ultimately amount to several times the cost of acquisition.

Because ownership costs are a large portion of a major weapon system's total cost, it would be useful to have estimates of such costs available when Defense and the Congress consider acquiring a new weapon system. While life cycle cost estimates have been prepared by the military services for many weapon systems, they have had limited applications in acquisition decisions.

The limited use of ownership cost estimates stems from uncertainty about their soundness. Increasing the reliability and usefulness of ownership cost estimates will require increased attention to certain matters.

In a report to the Congress, we recommended that the Secretary of Defense (1) explore approaches to accumulating ownership costs of systems under development and (2) define and standardize the ownership cost elements that should be included in life cycle cost estimates, to make them consistent and comparable.

The Department agreed with our recommendations and cited recent actions that, we believe, represent a satisfactory start in attaining the Department's objectives for life cycle cost estimating. (PSAD-75-23, Dec. 30, 1974.)

Improvements Needed in Cost-effectiveness Studies

New weapon systems are sought by the Department of Defense to provide new or added capabilities for meeting mission requirements. Before devel-

oping a new system, a cost-effectiveness study is usually prepared, comparing capabilities and costs of other potential and/or existing systems with those of the proposed system. Although cost-effectiveness studies are not intended to be the final answer, they often are one of the key inputs to decisions having a major impact on budgets and combat capabilities.

We examined studies prepared by the Army for five major weapon systems to determine if they provided objective analyses and information needed for appropriate decisions on cost effectiveness. We noted that some studies did not adequately consider existing equipment as alternatives to the proposed system. Rigid performance requirements eliminated some candidates. Assumptions made in calculating system costs also eliminated some and put other systems at a disadvantage. In addition, changes occurring since a cost-effectiveness study was made, which could alter the cost-effectiveness standing of the system under development, were not considered even though opportunities still existed for alternative courses of action.

Underlying the problems noted was the need for greater objectivity. Studies are usually prepared by, or under the sponsorship of, system advocates. In our report to the Congress we recommended that the Secretary of Defense provide for reviews of cost-effectiveness studies by an independent organization within the Office of the Secretary of Defense or by a panel of reviewers whose responsibilities extend beyond those of a single military service. (PSAD-75-54, Feb. 12, 1975.)

Financial Status of Major Civil Acquisitions

In 1969, because of congressional interest, we began to periodically report on major weapon acquisitions so that congressional committees and Members would have reliable data for making judgments concerning these acquisitions. In response to numerous inquiries for similar data on civil acquisitions, our first annual report was issued on the financial status of selected major nondefense acquisitions funded by the Federal Government.

We reported to the Congress that, as of December 31, 1973, the estimated cost for 269 major civil acquisitions being made by 14 departments and agencies was \$133 billion—an increase of \$57 billion over initial or baseline estimates. Each acquisition involved Federal funding of \$25 million or more. This

amount was at least 50 percent of the total estimated program cost. Fifty-nine acquisitions had a cost growth of 100 percent or more. Engineering, estimating, quantity, and inflation changes were identified as the major causes of cost growth. (PSAD-75-58, Feb. 24, 1975.)

How To Improve the Selected Acquisition Reporting System

The selected acquisition report has become the key recurring summary status report to the Congress on the progress of Department of Defense weapon systems acquisitions. It is important that the report provide full disclosure of the status of each weapon system. We have been working with the Department and congressional committees on improving the report since its inception in 1969.

We identified 10 areas where the report could be improved and, thus, made more useful to the Department and the Congress. In our report to the Congress, we recommended that the report (1) relate a system's performance requirements to its mission characteristics, (2) show the status of related systems and key subsystems, (3) provide progress measurement data, (4) have precise criteria for adding and deleting weapon systems, (5) retain the system's planning estimate to provide total visibility and trackability from program inception, (6) include all amounts being spent to develop and procure the weapon system, (7) report and track logistic support/additional procurement costs related to weapon system acquisitions, (8) highlight significant pending decisions which may have a major impact on the program, (9) show the program thresholds which require a decision from the Secretary of Defense if breached, and (10) be prepared by the project officer, who should be responsible for its complete and accurate preparation. We also recommended that the Secretary of Defense incorporate the improvements into Department of Defense Instruction 7000.3 as soon as practicable.

The Department has been pursuing a program to improve the selected acquisition report and, in 1974, completed an evaluation of the recommended improvements included in our report, as well as other recommended improvements. The Assistant Secretary of Defense (Comptroller) advised us that the proposed revision to Instruction 7000.3 incorporates many of the recommendations included in our report as well as other changes in format and guide-

lines designed to improve the Selected Acquisition Reporting System.

Several committees, subcommittees, and individual Members of Congress have had a continuing interest in the way the Department reports on its acquisition of major systems. They have made several suggestions to the Department to improve the quality of reporting.

We suggested in our report that, if the committees want to insure prompt and meaningful action on our recommendations, they pursue these matters further with the Department during hearings. (PSAD-75-63, Mar. 27, 1975.)

Effectiveness of the P-3 Aircraft in Antisubmarine Warfare

A major aircraft system employed in antisubmarine warfare is the P-3. The Navy has spent \$1.25 billion in acquiring the latest version of this aircraft and plans to spend an additional \$1.25 billion to continue to replace an earlier version of the P-3.

In a classified report to the Congress, we pointed out that the superiority of the latest version over the earlier model had not been demonstrated by tests or actual experience; consequently, the desirability of this procurement is questionable. Because of the importance of the mission and the cost of the latest model, we recommended that, before acquiring additional quantities, the Secretary of Defense require tests to determine if the latest P-3 provides more antisubmarine warfare capability than its predecessor and, if so, whether this increase is worth the added cost. (PSAD-75-60, Apr. 18, 1975.)

Status of Selected Major Weapon Systems

In 1969 various congressional committees asked us to report periodically on the progress and status of various major weapon system acquisitions. In fiscal year 1975 we continued our semiannual reporting with status reports as of June 30, 1974, and December 31, 1974.

These reports included financial data, a list of systems 12 months or more behind in planned delivery of the first increment, and a list of systems which, in our opinion, had experienced significant changes in planned performance. We reported a net increase of \$30 billion in estimated costs of 50 major weapon systems for the year ended December 31, 1974. In

addition, we reported schedule slippage on 10 systems and changes in the performance of 9 systems.

Our future plans call for combining, in one report, the status of major weapons systems with the status of major civil acquisitions. It is planned that this combined report will be issued at the beginning of each session of the Congress. (PSAD-75-53, Feb. 5, 1975, and PSAD-75-83, May 30, 1975.)

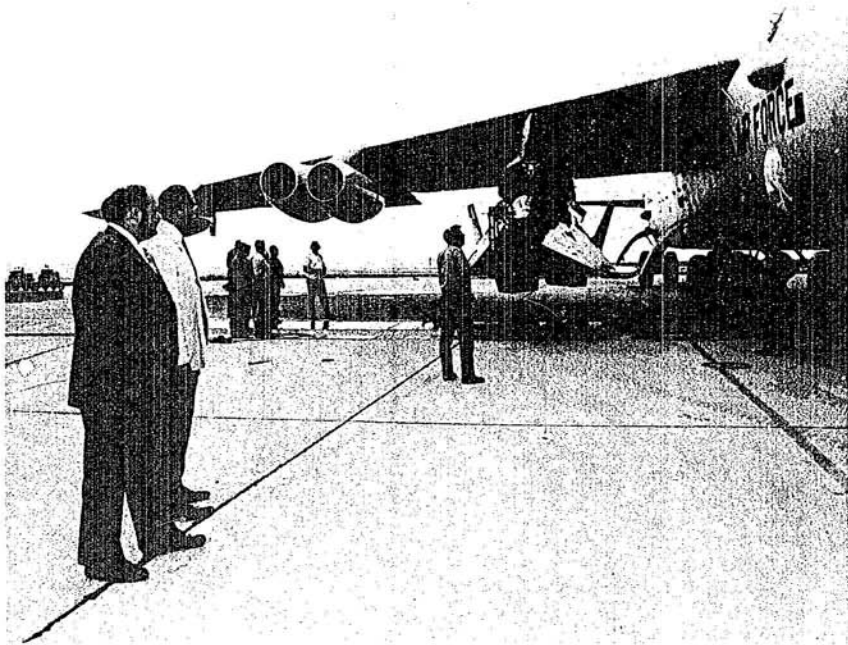
Use of Testing in Acquiring Major Systems

Testing is one of management's key controls in the complex process of acquiring major systems for both civil and defense purposes. Information gained through testing can provide some of the first clues to potential equipment problems and serious cost growth. With inadequate or invalid testing, or by

disregarding failures or problems indicated by the tests, management is depriving itself of a prime tool for promptly and efficiently developing effective systems.

During the past year we performed two reviews of testing, one dealing with the adequacy of testing practices and the other with the adequacy of test resources.

In a classified report to the Congress, we pointed out inadequacies in the Department's testing of 5 of the 10 major weapons systems reviewed. We concluded that a major cause of testing problems was inadequate monitoring of the testing function by an independent organization within the Office of the Secretary of Defense. We recommended that the scope and intensity of monitoring by this organization be increased.



Lester Farrington and Karl E. Deibel observe the X-24B mounted on the B-52.

In a classified report responding to a request from the Senate Committee on Appropriations, we noted much duplication of test capabilities within Defense facilities, but we did not attempt to assess how much of this duplication was necessary. We also found instances where suitable targets were not available for testing the ability of systems to counter the threats for which they were being acquired. We recommended that the Department determine whether the duplication is warranted and whether major economies can be realized by consolidating test functions. We also recommended that steps be taken by the Department to insure that needed test resources are available. (PSAD-75-74, June 4, 1975, and PSAD-75-84, May 2, 1975.)

Applying the Design-to-cost Concept

Weapon system acquisition costs have been increasing rapidly over the past several years. For this increased cost the Department of Defense has been acquiring weapons with major improvements in performance capability. However, the Department has not been, and will not be, able to buy weapons in the quantities needed if this trend continues.

In 1971, the Department introduced the design-to-cost concept as an attempt to change this trend. This approach requires that system cost be given equal consideration with system performance. The Department hopes to control cost growth and hold weapon system costs to affordable levels by designing capable systems according to a predetermined cost goal. This cost goal is to be set high enough to provide at least the minimum essential performance requirements and yet permit procuring the quantities needed.

Our report to the Congress summarized the progress to date in applying the design-to-cost concept to the acquisition of major weapon systems. We noted that:

- The concept is being applied to virtually all major systems now in development.
- As a result, the incidence of costly but marginally useful performance increases should diminish.
- Cost goals provide the challenge and discipline which drive the design-to-cost concept.
- Savings accrued during acquisition could be applied to purchasing additionally needed quantities of weapon systems.

—Conclusions as to the success of the design-to-cost concept cannot be made until some of the systems designed under the concept provide major production experience.

Our report highlighted the following questions about systems designed to cost. Further experience must be gained before these questions can be answered.

- Have system acquisition costs been reduced at the expense of higher operating and maintenance costs?
- Would design austerity, which could reduce a system's multimission and growth potential, foster a proliferation of weapons to satisfy essentially similar needs?
- Will the pace of technological advancement be slowed?
- Would the military services attempt to reinstate, through subsequent costly modification programs, performance features discarded in development because of high cost?

The Department said it plans to improve its collection of data on the cost of operating and maintaining weapons systems, to permit extending the design-to-cost concept to cover such costs. It will be examining our other questions as proposals for new or continued development of systems come before it for review. (PSAD-75-91, June 23, 1975.)

Audit of Payments for the C-5A Aircraft

Public Laws 91-441, 92-156, 92-436, and 93-155—the Department of Defense Appropriation Authorization Act for fiscal years 1971, 1972, 1973, and 1974, respectively—(1) authorize funding for the C-5A contractor—the Lockheed Aircraft Corporation—through a special bank account, (2) contain certain restrictions on the payments, and (3) require us to audit payments from the special bank account and submit quarterly reports to the Congress.

Between June 16, 1971, and July 17, 1974, the dates of the first and last payments from the special bank account, the Air Force paid \$657.5 million from the special bank account. In our quarterly report for the period ended September 30, 1974, we reported that all funds appropriated for this purpose had been spent and that no payments from

the special bank account to Lockheed were contrary to the laws. (PSAD-75-8, Aug. 9, 1974, and PSAD-75-31, Nov. 19, 1974.)

Inefficient Management of F-14 Spare Parts

We noted serious weaknesses in managing and controlling the Government-owned spare parts purchased for the use of the Grumman Aerospace Corporation in developing and testing the F-14 aircraft.

Grumman's inventory control records were unclear as to the quantities of parts for which it should be held accountable. The value of the parts that Grumman reported to the Navy it was accountable for was \$28 million less than the amount shown in a Grumman internal management report as having been ordered.

A review of four spare parts orders priced at \$3,148,000 revealed that the Navy could have saved about \$346,000 if negotiations had been based on the most current cost data. Acting on this information, the Navy has recovered \$83,538.

In our report to the Congress, we recommended that the extent to which price adjustments should be sought under the F-14 contract's defective-pricing clause be determined and that the Secretary of Defense direct the Navy to assemble a team of supply management specialists to review spare parts management in programs where this function is divided between contractors and the Navy's supply activities. (PSAD-75-70, May 2, 1975.)

Identifying Needs and Establishing Requirements

One of the key objectives of the weapons acquisition process is to make the right decision, at the beginning, on what to develop and for what purpose. We conducted a survey to identify the formal process within the Department of Defense that leads to specific systems with stated operational capabilities.

Our report on this work was originally prepared as a reference document for internal use to enable us to make a more knowledgeable examination of weapon system requirements. As such, it was distributed in-house and to the Department of Defense. Subsequently, it was decided it would be useful to congressional committees and others involved in de-

fense acquisitions. Accordingly, the document was upgraded to a report and has been made available for general release to contractors, educators, and others interested in the process of identifying needs and establishing requirements for major weapon systems. (PSAD-75-24, Oct. 23, 1974.)

Science and Technology

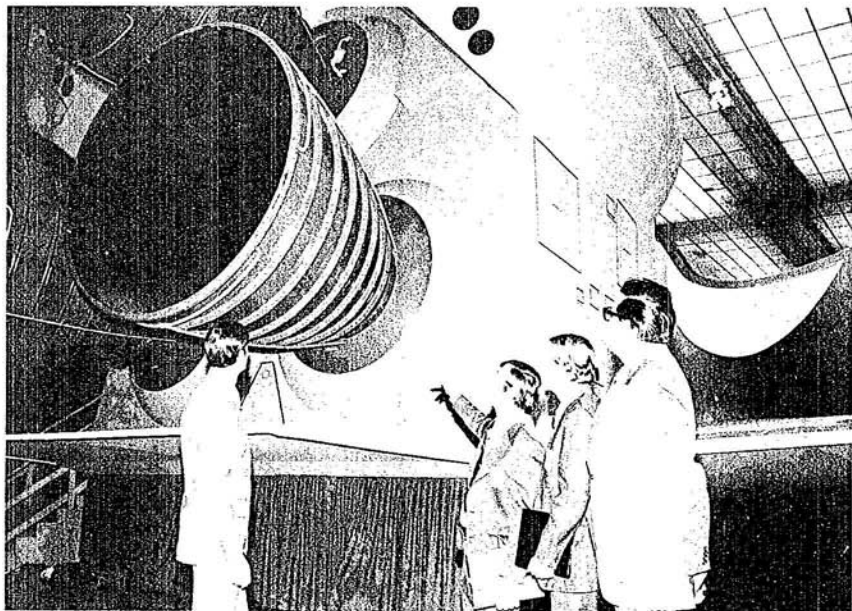
During the fiscal year, we prepared 17 reports to the Congress, to various congressional committees and Members, and to departmental or agency officials. In addition, we testified in July 1974 before the House Committee on Science and Astronautics on Federal policy, plans, and organization for science and technology and again in June 1975 before the House Committee on Science and Technology on H.R. 4461, the National Science Policy and Organization Act of 1975.

Work in process at the close of the year included 21 audits involving defense and civil programs. This work included reviews of (1) major space programs, such as the space transportation system, the large space telescope, the land satellite, and the sea satellite, (2) the National Aeronautics and Space Administration's dissemination of data from its space programs, (3) nuclear weapons development, (4) Department of Defense policies and procedures for insuring that commercial product support costs are not charged against independent research and development, (5) technology transfer—industrial technology to domestic housing and aerospace technology to city management, (6) microwave landing system technology, (7) Federal Aviation Administration's management of research and development programs, and (8) geographic distribution of Federal research and development funds to universities and colleges. In addition, our coordination and cooperation efforts with the Office of Technology Assessment were continuing.

Aircraft Midair Collisions

The Federal Aviation Administration has been studying the civil aviation midair collision problem for almost two decades. The problem persists, however, despite improvements in the Nation's air traffic control system.

While midair collision fatalities in recent years have constituted only about 5 percent of the overall



Tom David, Ken Berg, Larry Bridges, and Bill Sanchez observe a mockup of the engine portion of the Space Shuttle.

civil air transportation deaths, a collision between two jumbo jets could be catastrophic. Collisions involving the more numerous other commercial and general aviation aircraft are also costly.

Some progress has been made in developing technologies for solving the problem but has been hindered by differences in technical opinion, changes in the level of interest and funding by the agency, need for analysis, and the agency's commitment to ground-controlled solutions.

The Congress has been attempting to accelerate collision avoidance efforts, primarily with an airborne equipment solution. Pending legislation calls for airliners to be equipped with standardized airborne equipment before July 1977. The agency's current program cannot meet the target dates stipulated in the pending legislation.

We recommended in our report to the Congress that the Secretary of Transportation require and oversee an analysis of all alternative solutions to

the midair collision problem, to show whether a solution is economically feasible and, if so, which alternative—upgraded ground control with collision avoidance equipment, airborne equipment, or a combination of these—is the best approach.

The Federal Aviation Administration agreed with our recommendations and began an analysis of the alternative solutions to the problem. It plans to report its results to the Congress in the fall of 1975.

PSAD-75-15, Oct. 23, 1974.]

Commercial Development Costs Should Not Be Absorbed

From 1968 through 1973, Pratt & Whitney Aircraft Division, United Aircraft Corporation, devoted over half of its independent research and development efforts to developing various models of its JT9D engine for commercial aircraft. We questioned acceptance by the Department of Defense of

up to \$87 million of JT9D development costs as independent research and development, because work sponsored by, or required in the performance of, contracts with commercial customers did not meet the Armed Services Procurement Regulation definition of independent research and development.

Pratt & Whitney would not grant us access to its commercial agreements to verify how much of the JT9D development costs should not have been allowed. Nevertheless, on the basis of evidence in public documents, we believe much of these costs should not have been allowed because the engines had not been developed when Pratt & Whitney contracted to deliver them to its commercial customers.

The Department and Pratt & Whitney disagreed with our conclusions. The Department said all development before 1972 was allowable; for 1972 and later, because of a change in the Armed Services Procurement Regulation definition, costs of work required to fulfill the terms of a contract were unallowable. We believe that the lack of clarity in the pre-1972 Regulation and the Department's actions in approving the costs prevent the Government from recovering costs incurred during that period; after 1972, such costs clearly are unallowable.

In our report to the Congress, we recommended that the Secretary of Defense determine how much of Pratt & Whitney's technical effort in 1972 and later was required in performance of commercial contracts and obtain price adjustments where appropriate. Also, the Secretary should expedite consideration of a requirement that independent research and development advance agreements specifically authorize access to contractors' commercial records when necessary to determine whether costs are allowable.

The Department has determined that no price adjustments should be made for 1972 and thereafter. Also, the Department is considering the feasibility of requiring contractors with whom advance independent research and development agreements are negotiated to certify that costs incurred for projects sponsored by or required in the performance of a contract or other arrangement will not be allocated to Defense contracts. (PSAD-75-5, Dec. 10, 1974.)

Department of Defense Use of Flight Simulators

Air Force and Navy commands operating large multi-engine aircraft have not used existing simula-

tor equipment to its full potential because of various constraints and problems. These were primarily managerial and attitudinal rather than technological.

Individual services have initiated programs to evaluate their training programs and simulator requirements. To support these efforts, funding requests have increased from \$88.5 million in fiscal year 1974 to \$283 million in fiscal year 1975. The fiscal year 1976 request is for \$247.5 million.

Acquiring modern simulators offers no assurance that the desired cost savings and training benefits will be realized. Strong mandates and incentives are needed to insure that maximum effective use is made of simulators and that unnecessary flying is eliminated.

We recommended in our report to the Congress that the Secretary of Defense:

- Revise basic policies, regulations, and management procedures governing flight training and use of simulators to encourage their maximum effective use in lieu of flying.
- Improve procedures and controls for maintaining simulators in an up-to-date and fully operable condition and insure they are used to their full potential.
- Reevaluate the need for proficiency flying to maintain basic flying skills and consider potential substitution of simulator training for this purpose.
- Increase coordination between services and commands in the development and acquisition of simulators.
- Streamline procedures for funding simulator programs to improve their priority and insure coverage of all program elements.
- Justify simulator acquisitions in terms of reduced flying, cost savings, and training benefits.

The Department of Defense agreed that the problems we identified had adversely affected the use of simulators. The Department said it had recently started to correct many of the problems and would continue to seek further improvement. (PSAD-75-95, June 24, 1975.)

We later assisted the Defense Subcommittee, Senate Committee on Appropriations, in its efforts to require the Department to take actions to improve the flight simulator and training programs. These actions are expected to lead to reductions in flight hours to be used by the Department.

Capability to Promptly Resume Nuclear Testing

The Chairman, Subcommittee on Research and Development, Senate Committee on Armed Services, asked us to obtain information concerning nuclear testing in the atmosphere for use by the Subcommittee in reviewing the fiscal year 1976 request for funds by the Defense Nuclear Agency.

During deliberations by the Senate Committee on Armed Services on the Limited Test Ban Treaty in 1963, the Chairman, Joint Chiefs of Staff, testified on the Treaty's military implications and risks. He stated four safeguards which the Joint Chiefs considered must be taken to reduce risks to the United States. One called for

"the maintenance of the facilities and resources necessary to institute promptly nuclear tests in the atmosphere should they be deemed essential to our national security or should the Treaty or any of its terms be abrogated by the Soviet Union."

The Department of Defense and the Atomic Energy Commission (now the Energy Research and Development Administration) share the responsibility for maintaining the capability to promptly institute nuclear testing in the atmosphere.

Although agency readiness officials asserted that, by compromising on the quality of data to be obtained, the United States could promptly resume testing, the capability contemplated by the Joint Chiefs in 1963 was not being maintained. This occurred primarily due to reduced financial support of the program since the beginning of fiscal year 1971, which adversely affected planning, equipment, personnel, and facilities.

In a classified report, we suggested to the Subcommittee that it ask the Congress to critically examine the continuing need for this program. (PSAD-75-48, Dec. 23, 1974.)

Need for Congressional Policy on Contractors' Independent Research and Development

The Chairman, Subcommittee on Research and Development, Senate Committee on Armed Services, and the Chairman, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, requested an indepth investigation into

the underlying assumptions and overall justification of the contractors' independent research and development and bid and proposal programs.

We were also asked for alternative recommendations, to give the Senate Committee on Armed Services a choice of actions which might be adopted. We obtained expert opinions on alternatives to the present overhead method of reimbursement. Most respondents favored retaining the present method. Many noted the absence of criteria for measuring the worthiness of the program. We suggested that the issue might be resolved only by a statement of congressional policy.

In our report to the subcommittees, we recommended that, if financial support for contractors' independent research and development is to be continued, the Congress clarify the policy for such support by establishing guidelines setting forth (1) the purposes for which the Government supports independent research and development costs, (2) the appropriate amount of this financial support, and (3) the degree of control to be exercised by the Government over contractors' supported programs.

After studying the comments received on the various alternatives, we expressed our support of a policy which provides that independent research and development expenditures (1) be recognized as being in the Nation's best interest, (2) be recognized as necessary costs of doing business, and (3) receive uniform treatment, Government-wide.

We believe the policy should further provide for (1) retaining the Department of Defense procedures for using advance agreements and a formula for reasonableness, (2) the Government's having access to contractors' commercial records when needed to determine that costs are allowable, (3) not precluding the use of direct contracting arrangements, and (4) allowable projects having a potential relationship to an agency function or operation.

An interagency committee has suggested adopting the Armed Services Procurement Regulation policies and procedures as a standard for the executive branch, with the relevancy requirement broadened to the Government's interest. We stated in our report that, if the Congress establishes a uniform, Government-wide policy similar to that of the Armed Services Procurement Regulation, it will have to

consider the desirability of a test of relevancy to the Government's interest.

Also, if the Congress establishes a uniform, Government-wide policy of reimbursing such costs, we recommended that legislation provide for (1) having the Government present one face to industry, that is, one advance agreement, a joint technical review, a single overhead rate, etc., and (2) including in advance agreements patents and technical data provisions granting the Government royalty-free licenses and data rights, based on a scale of the agencies' cost participation. (PSAD-75-82, June 5, 1975.)

Crash Survivability Technologies

Aircraft accident prevention is properly the highest priority in air safety. Regardless of the success of accident prevention measures, there will always be some aircraft accidents with resulting injuries and fatalities. The Federal Aviation Administration initiates projects and research and development programs to improve crash survivability with limited information on causes of fatalities and injuries. To provide the highest degree of passenger protection, the Administration and the National Transportation Safety Board must be able to evaluate and compare new or improved technologies and safety regulations in cost-effective terms; that is, how many fatalities and injuries will be avoided through adopting a specific technique and what it will cost.

Comprehensive data is not available on causes of injuries and fatalities; consequently, agency officials establish regulatory projects and long-term research and development programs on the basis of

individual regulatory project requests and their analysis of the problem.

No systematic approach exists for obtaining information on causes of injuries and fatalities which could be used to determine what is needed to improve the crashworthiness of aircraft.

More attention to the primary causes of death and injury in crashes, as well as determining the cause of the accident, would provide knowledge on areas needing technology improvements.

In a report to the Chairman, National Transportation Safety Board, and the Secretary of Transportation, we recommended that they jointly improve crash investigation requirements and establish an evaluation system for identifying the effects of crashes, so steps can be taken to increase survivability.

We also recommended that the Chairman, National Transportation Board, issue a periodic report on aggregate aircraft accident, fatality, and injury data. This report should provide a basis for evaluating survival problem priorities and should indicate to the Administration the relative significance of particular safety recommendations by the Board.

The Department of Transportation agreed that there is a need for more and better information on the causes of deaths and injuries resulting from aircraft accidents. It agreed to cooperate with the Board in setting aircraft accident characteristics for classifying accidents in terms of adequacy of crash protection and in devising an improved system for gathering data on injuries and fatalities.

The Board is considering classifying its recommendations to indicate the priority of Board follow-up action and is proposing to systematize the crash-injury aspects in its investigation of accidents. (PSAD-75-17, Oct. 15, 1974.)

CHAPTER TEN

FEDERAL PERSONNEL AND COMPENSATION

Responsibilities

The Federal Personnel and Compensation Division makes audits and special studies of Government programs, activities, and practices for managing and compensating Federal employees. Some areas which we review are:

- Personnel requirements and filling those requirements.
- Employee development through training, education, and career management programs.
- Use and retention of employees.
- Federal pay, fringe benefits, and retirement.
- Employee relations, including equal employment opportunity programs; labor-management relationships; social responsibility programs; and morale, welfare, and recreation activities.

In fiscal year 1975, Forrest R. Browne was the Director, and David P. Sorando was the Deputy Director of this division.

Size and Cost of the Federal Work Force

In June 1975 the Federal Government employed an estimated 5 million persons—nearly 2.2 million active duty military personnel and over 2.8 million

civilian employees. During the fiscal year the Government paid about \$69.9 billion in direct costs for compensation and personnel benefits for this work force. Additionally, nearly \$1.6 billion was paid to the approximately 960,000 members of the Reserve Forces and National Guard.

Payments totaling more than \$13.4 billion were made to Federal retirees and their survivors. Annuities of nearly \$7 billion were paid from the Civil Service Retirement Fund, and payments of about \$6.3 billion were made from appropriated funds to retired military personnel and their survivors. Another \$180 million was paid from other retirement systems, such as those for Foreign Service retirees, retired Public Health Service officers, and Coast Guard retirees.

Assistance to the Congress

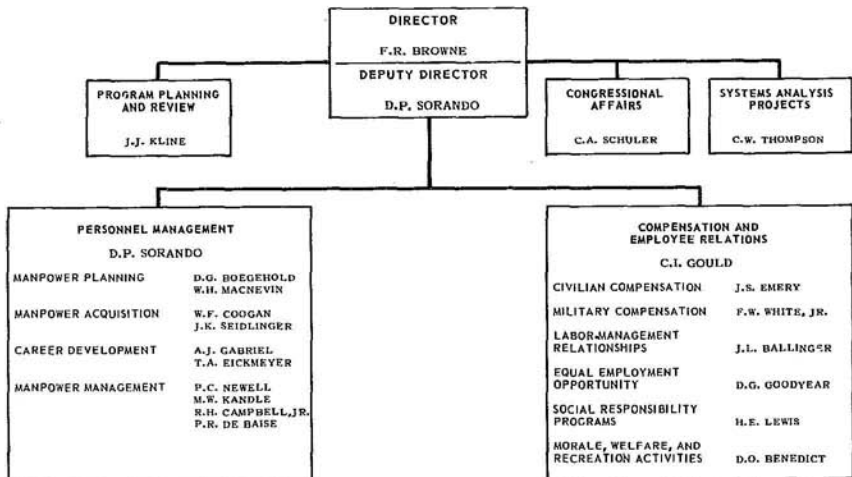
For the second consecutive year, our direct assistance work for the Congress showed a marked increase. Over 55 percent of our time—about 137 staff years—was spent responding to requests from committees and Members of Congress and to statutory requirements. This compares with 73 staff years, 39 percent, during fiscal year 1974 and 9 staff years, about 5 percent, during fiscal year 1973.

We received 113 congressional requests during fiscal year 1975, and at the close of the year we were still working on 52 requests.

In several instances, information we provided to committees and Members of Congress was used in making substantial reductions in Federal expenditures. For example, information reported to the Chairmen, Senate and House Armed Services Committees, was extensively relied upon in congressional deliberations leading to the September 1974 enactment of Public Law 93-419. This law revised the method of determining military pay increases. The revisions made were in accordance with our recommendations to the Committee chairmen and, according to Department of Defense estimates, will reduce military pay costs by nearly \$194 million during the year after enactment and by about \$4.6 billion between 1975 and 1980.

Similarly, a report to the Chairman, House Appropriations Committee, discussed the appropriateness of fiscal year 1976 Air Force and Navy pilot and navigator training rates and the propriety of reimbursement rates for training foreign pilots. The Committee used the information in our report in

FEDERAL PERSONNEL AND COMPENSATION DIVISION



JUNE 30, 1975

considering the Air Force portion of the Department of Defense appropriation for fiscal year 1976.

Audit Reports

During fiscal year 1975, 71 reports were completed on Federal personnel and compensation matters—15 to the Congress, 32 to committees or Members of Congress, and 24 to heads of departments and agencies.

Most of the reports contained recommendations for improving personnel management and controls. Agency officials generally agreed with our findings and indicated an intention to take corrective action. After sufficient time has elapsed, we will evaluate the effectiveness of the actions taken.

The remainder of this chapter summarizes audit work completed during the year and in process.

Employee Selection and Assignments

Selection of Applicants for Federal Employment

When a Federal agency does not fill a position vacancy through promotion or reassignment from

within, it asks the Civil Service Commission to provide a list of names of those eligible for appointment. According to law (5 U.S.C. 3318), the agency must select from those three eligibles on the register who have the highest scores.

We reported to the Congress that practical limitations in the art of personnel testing and measurement restrict the degree of accuracy attainable and prevent applicant examinations from being perfectly reliable or valid. As a result, the examining process cannot accurately rate and comparably rank qualified applicants in exact order of competence.

Commission registers often include many applicants with the same or nearly the same scores. In cases of identical scores, names are usually placed on the register in alphabetical order or by other means unrelated to the applicants' qualifications.

In our opinion, the requirement of selection from the top three eligibles is unrealistically rigid. We recommended that the Congress amend the requirement to allow the Commission to prescribe alternative selection procedures similar to those discussed in our report. (FPCD-74-57, July 22, 1974.)

Improvements Needed in the Executive Assignment System

The Executive Assignment System was established in 1966 to provide a means to identify and to effectively use and manage Federal employees filling executive positions. We made a limited study of the system and reported to the Chairman, Civil Service Commission, that, although advances have been made in managing Federal executives, several program aspects could be improved. Specifically, we reported that the Commission needed to

- expand its efforts to assist agencies in executive manpower planning.
- strengthen its program of encouraging and reviewing internal agency evaluations of executive space use, and
- improve the executive inventory file to increase its usefulness to management.

Commission officials generally agreed with our findings and indicated that our recommendations for system improvements would be implemented. (FPCD-75-155, May 9, 1975.)

Implementation of the Intergovernmental Personnel Act of 1970

We reported to the Chairman, Civil Service Commission, on selected aspects of the implementation of the Intergovernmental Personnel Act of 1970. One of the act's provisions is that temporary assignment of employees may be made between the Federal Government and State and local governments. The report discussed certain matters relating to these assignments.

Although many assignments of Federal employees to State and local governments were made properly, others were made to

- resolve personality conflicts within a Federal agency,
- remove employees from specific positions,
- satisfy personal considerations,
- ease out employees nearing retirement, or
- meet manpower planning (ceiling) objectives.

We made recommendations directed toward preventing such future assignments, and the Commission agreed to implement them.

Also, Federal agencies were finding it difficult to attract State and local government employees for detail to Federal positions in which their Federal counterparts received higher salaries or in locations where the cost of living was greater. We concluded

that, if the Congress enacted Commission-proposed amendments to the Intergovernmental Personnel Act of 1970 supplementing the salaries of State and local government employees, this problem should be alleviated. (FPCD-75-85, Mar. 7, 1975.)

Military Officers Occupying Key Department of Defense Positions

Responding to a request from Congressman John E. Moss and later requests from other Members of Congress, we reviewed the assignment of active duty military officers to the positions of Principal Deputy Assistant Secretary of Defense and Deputy Assistant Secretary of Defense. A major aspect of our findings, which were reported to the Congressmen in March 1975, dealt with possible legal issues involved in active duty military officers occupying the principal deputy and deputy positions.

Active duty military officers are prohibited by law (10 U.S.C. 973(b)) from holding a civil office. The law further provides that acceptance of such a civil office or the exercise of its functions by an officer terminates his military appointment. We reported that the principal deputy and deputy positions were not civil offices and that the incumbents of those positions did not appear to be violating 10 U.S.C. 973(b) merely by occupying the positions.

However, position descriptions for some of these positions indicated that incumbents had authority, in the absence of the applicable Assistant Secretary of Defense (a civil office), to act as the Assistant Secretary or to exercise the functions of that office. We advised the Secretary of Defense that this situation indicated that active duty military officers may be or may have been in violation of the law.

As a result of our report, the Department of Defense took action to satisfactorily resolve the legal issues raised. That action should serve as a safeguard against possible violations of 10 U.S.C. 973(b) by military officers. (FPCD-75-143, Mar. 13, 1975.)

Personnel Security Investigations

Personnel security investigations were the subject of a report to the Chairman, Civil Service Commission. Civilian personnel investigations are conducted by the Commission and agencies it designates, such as the Defense Intelligence Agency, the Federal Bureau of Investigation, and the Departments of State and the Treasury.

We reported that the investigative agencies were

not applying standards and procedures consistently to all applicants for Federal employment and to current Federal employees, as required by investigative laws and Executive orders. The employing agencies differed extensively in determining who would be investigated, how they would be investigated, and what use would be made of investigative results.

We recommended that the Commission assume a more active role in providing guidance for selecting who will be investigated and how investigative results should be used. We also recommended that the Commission assume complete responsibility for the investigative function of all civil agencies, thereby insuring uniformity of scope of investigations and a more economical and efficient investigative program.

For the most part, the investigative agencies agreed with our findings and conclusions but expressed some disagreement with our recommendation to centralize the civilian personnel investigative function. (FPCD-75-113, Dec. 2, 1974.)

Personnel Management Systems and Techniques

Need To Improve Personnel Management Evaluation Process

Personnel management evaluation is a principal means of establishing and controlling personnel policy. We reviewed the practices followed by Federal agencies in personnel management evaluations and reported our findings to the Chairman, Civil Service Commission.

The Commission is responsible for overseeing the personnel management evaluation process which is primarily the responsibility of the executive agencies. The Commission is required to set standards for agency evaluation systems; assess the adequacy of agency systems and, when necessary, require improvement; conduct research in and develop methods for evaluating personnel management; and maintain the capability to independently review agency effectiveness.

We reported that the Commission had done a good job of establishing standards and goals for the evaluation process. However, in other areas improvements were needed to make the process a more effective management tool, and the Commission took a number of actions to achieve these improvements. Because of the importance of the evaluation process to effective personnel management, we will continue

to monitor the Commission's efforts in this area. (FPCD-75-95, Sept. 17, 1974.)

Using Personnel Ceilings to Reduce Civilian Employment

During fiscal year 1972 the President directed Federal departments and agencies to reduce civilian employment by 5 percent to check the rise in the cost of Government. We reported to the Congress that accelerated actions taken primarily to reduce civilian employment to meet yearend personnel ceilings tended to disrupt the management of Government activities.

Headquarters often arbitrarily imposed personnel ceilings without making corresponding reductions in workload. As a result, activities substituted other, often more costly, sources of manpower to meet workload needs; backlogs increased; work was deferred or not done; and services were reduced or terminated. In addition, employees having needed skills and experience retired sooner than they normally would have. Those who remained were not always the best qualified for the positions they occupied, and many had to be trained. We recommended that the Director, Office of Management and Budget, permit agencies to reduce employment levels by attrition and selective reductions in force rather than by reaching a specified level for a particular day.

We also recommended that the Chairman, Civil Service Commission, (1) provide agencies more specific guidelines for implementing reduction-in-force actions and (2) require agencies to submit for the Commission's prior approval the criteria and instructions (and subsequent changes and deviations) which could be used consistently by all component organizations when making reductions in force.

The Office of Management and Budget agreed with our recommendation that agencies use attrition and selected reductions in force to reduce employment levels. However, the Office said it believed that, without a target date, specific reduction goals have no operational meaning. The Commission said that it would take action on our recommendations. (FPCD-74-46, July 2, 1974.)

Need for a Marginal Performer Discharge Program in the Department of Defense

In reporting on the Department of Defense appropriation bill for fiscal year 1974, the House Committee on Appropriations stated that all services

needed simplified programs to separate enlisted personnel considered to be marginal performers. The Committee described criteria for such programs to be used in addition to established administrative discharge procedures. Moreover, the Committee believed that, using these programs, the 4 services could identify and discharge 6,500 marginal performers before the end of fiscal year 1974. We reviewed the program established by the services to accomplish this and reported our findings to the Secretary of Defense.

The Army, Navy, and Air Force introduced programs in fiscal year 1974 to simplify and expedite the discharge of marginal performers. The Navy and Air Force programs were servicewide; the Army limited its program to its command in Europe. The Marine Corps had no program; it used a quota system which delayed some discharges under established discharge procedures. None of the marginal performer discharge programs incorporated all the criteria suggested by the Committee.

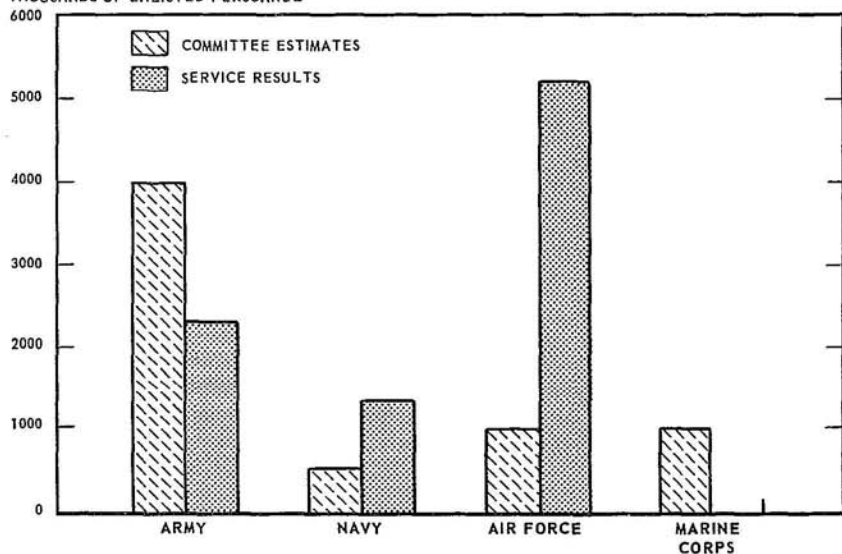
During fiscal year 1974 the Army, Navy, and Air Force discharged over 8,800 enlisted personnel. This exceeded the Committee's estimate by about 3,300. The Committee estimates and individual service experience are shown in table 1.

It appeared that the Army and Marine Corps restrained marginal performer discharges in an attempt to meet year-end strengths authorized by the Congress. Also, inconsistencies and inequities existed in and among the Army, Navy, and Air Force marginal performer programs.

We recommended that the Secretary of Defense, as an immediate measure, direct (1) the Army to extend its program worldwide and (2) the Marine Corps to discontinue using quotas that delay marginal performer discharges. We also recommended that, to avoid further inconsistencies and inequities, the Secretary place high priority on designing and implementing a Defense-wide program. (FPCD-75-152, Apr. 23, 1975.)

TABLE 1

THOUSANDS OF ENLISTED PERSONNEL



Developing the Federal Personnel Management Information System

In 1967 the Civil Service Commission began developing the Federal Personnel Management Information System. This is to be a computerized management system containing centralized personnel data on all Federal employees. Implementation of the system is scheduled to begin in 1979 and to be completed during 1982.

We evaluated the system's development. In a report to the Chairman, Civil Service Commission, we pointed out that system development should be based on studies designed to provide a comprehensive and factual basis to support development proposals. Our examination showed that studies supporting the system development plans did not include adequate information on (1) identifying problems with existing information systems, (2) determining system benefits and costs, and (3) defining and validating system information requirements.

In commenting on our report, the Commission said that positive action had been taken to incorporate many of our suggestions into current system planning and development work. These actions should contribute to more effective planning and implementation of the system. (FPCD-75-124, Feb. 10, 1975.)

Improved Accuracy Needed in Army Personnel Data

The Army's computerized Standard Installation/Division Personnel System was designed to give managers timely and accurate information to manage personnel resources effectively. Managers use this information in deciding how many and which personnel to promote, train, recruit, and assign.

We tested the accuracy of the system at Fort Bliss and Fort Hood, Texas, and reported to the Secretary of the Army that:

- System information on personnel qualifications, achievements, and assignments contained inaccuracies that could adversely affect the recruitment, training, assignment, and promotion of Army personnel.
- A high rate of unprocessed transactions existed which reduced the timeliness of system data in reports to personnel managers. This condition was a matter of concern to personnel at both Fort Bliss and Fort Hood.

Our report contained specific recommendations for overcoming these problems. The Department of the Army indicated that our recommendations were being implemented. (FPCD-75-110, Nov. 18, 1974.)

Training

Military Reserve Training

We reported to the Congress on the need to improve the training of the military Reserves. The services require 99 percent of their reservists to attend 48, 4-hour drill sessions and to spend 2 weeks on active duty each year, although needed readiness and skill difficulty vary widely among units and members. The Congress authorized over \$2.7 billion for this training during fiscal year 1974.

On the average, reservists spend about 50 percent of their drill time and 61 percent of their active duty time training in their official military jobs. Remaining time is devoted to other jobs or general military activities or spent idle. Idleness is a major cause of job dissatisfaction among reservists.

We estimated that, in fiscal year 1974, reservists' time devoted to other than official jobs or spent idle totaled 15 million staff-days and cost about \$1.2 billion. About 6.5 million staff-days and nearly \$475 million were applicable to idle time.

We informed the Congress that some reservists could maintain proficiency under a reduced training schedule, and we recommended that the Congress amend existing laws to permit varying the training of the Army and Air National Guard by categories of kinds and degrees of training.

We also made recommendations directed at improving reserve training to the Secretaries of Defense and Transportation (the latter regarding the Coast Guard Reserve) and to the military services. The Departments of Defense and Transportation generally agreed with our recommendations and stated that several actions had been or would be taken to implement them. (FPCD-75-134, June 26, 1975.)

Financial Operations of Service Academies

Because of widespread congressional interest, we initiated a multiphased study of the five service academies (Army, Navy, Air Force, Coast Guard,



GAO staff discussing GAO reviews of training matters with Civil Service Commission official. Left to right, Assistant Director Anthony J. Gabriel; Commission's Director of Bureau of Training, James R. Beck, Jr.; Mary E. Jones, Richard A. McGary, and Roslyn S. Klccman.

and Merchant Marine). The report on the first phase of the study was sent to the Congress in February 1975 and dealt with the cost and efficiency of the academies' operations and opportunities for economy in those operations.

The report identified several areas where cost reductions appeared feasible. A comparison of staffing levels at the Army, Navy, and Air Force academies showed major differences which indicated possible overstaffing. Moreover, civilians might be used to fill several hundred support positions at an estimated savings of \$1.6 million annually. More might be saved by contracting for certain support activities, such as custodial and food services.

Agency officials were in general accord with our findings and conclusions and indicated that appropriate action was being taken to take advantage of the cost reduction opportunities we identified. (FPCD-75-117, Feb. 6, 1975.)

Compensation and Retirement

System for Setting Top Officials' Salaries

We reported to the Congress on the need for a better system for adjusting the salaries of top Federal officials. The existing 4-year process for assessing and adjusting salaries has failed to achieve its objectives.

Such salaries have not been adjusted since March 1969, and the salaries' purchasing power has decreased considerably since that time. In contrast, the salaries of non-Federal executives have increased substantially.

Because the lowest rate of the Executive Schedule—\$36,000—is the statutory pay ceiling for other Federal pay systems and because these systems have had pay increases amounting to about 50 percent since March 1969, five management levels are drawing the same salary.

We reported that this situation has created great inequities and has had serious adverse effects on recruitment, retention, and incentives for advancement to senior positions throughout the Federal service. We therefore recommended that the Congress enact legislation to reform the salary adjustment process for top officials. (FPCD-75-140, Feb. 25, 1975.)

On August 11, 1975, the President signed Public Law 94-82, which provides for adjusting the statutory pay ceiling at the same annual percentage increase as that applied to the salaries of general schedule employees.

Federal White-collar Pay Comparability Process

We sent a report to the Director, Office of Management and Budget, and the Chairman, Civil Service Commission, on the second phase of our review of the Federal white-collar pay comparability process. This phase covered the methods involved in translating private enterprise salary data into Federal pay rates. We reported that there was a need to strengthen the methods to (1) better implement legal pay principles, (2) better accomplish the basic purposes for which the comparability principle was established, and (3) assure a high degree of confidence in the pay-determination process.

The methods were not based on sound, logical premises that reflect legislative pay principles. Nevertheless, we believe the comparability methods were probably a practical approach during the early years of the comparability process when Federal salaries generally lagged considerably behind private enterprise salaries.

Our report contained recommendations to the Director and the Chairman for strengthening the pay adjustment process. The Office and the Commission have informed us that our recommendations are being studied. (FPCD-74-77, July 12, 1974.)

Federal Retirement Systems

A report to the Congress highlighted certain key issues and problems associated with 10 retirement systems covering approximately 5.9 million Federal civilian employees and active duty and Reserve military personnel.

We reported that there were no uniform practices or principles for financing Federal retirement systems. For example, some systems provide for fully funding benefits as they accrue, some provide for partial funding, and others are completely unfunded.

At the end of fiscal year 1973, the unfunded liability was estimated to be \$201 billion. Of that amount, about two-thirds was attributable to the unfunded military retirement system and one-third to the funded civil service retirement system.

The report also pointed out that:

- The Congress does not receive complete or consistently developed current and projected financial information on Federal retirement systems.
- There is no overall Federal retirement policy to provide objectives and principles to guide the development and improvement of Government retirement systems.

We concluded that, if Government retirement systems are to develop, collectively, on some consistent and financially sound basis, the Congress should assume a major role in establishing and controlling retirement policy. We therefore suggested that appropriate congressional committees hold hearings to consider the issues raised in our report. The principal purpose of the hearings would be to develop legislation to establish (1) an overall retirement policy and (2) a centralized mechanism to monitor the retirement systems and to improve the system for reporting financial data. (FPCD-74-93, July 30, 1974.)

Military Leave

Military personnel, like other Government employees, get vacation or leave days. The laws intended that military personnel take 30 days' leave each year. The leave could be redeemed for cash only if it were not used because of military requirements and other exigencies.

We reported to the Congress that, while cash redemptions were to be limited only to instances of military requirements and other exigencies, many military personnel save much of their leave and redeem it. Leave redemptions have cost the Government about \$400 million in each of the past 3 fiscal years.

Officers may redeem in cash their unused leave only at separation or retirement. Enlisted personnel may redeem unused leave at the end of each enlistment—up to five times during a normal career. The Department of Defense estimated that enlisted members' repetitive redemptions amounted to about \$150 million during fiscal year 1974.

Although the Department of Defense and the military services have encouraged the use of leave, the problem of saving leave has continued. Accordingly, we recommended to the Secretary of Defense the early submission to the Congress of a legislative proposal which would limit payment for unused leave to 60 days during a service member's career. The Department informed us that it believed revision to the law would be appropriate and drafted a legislative proposal designed to effect the revision. (FPCD-75-139, Mar. 20, 1975.)

Military Per Diem

A report to the Secretary of Defense discussed per diem payments to military personnel for official travel.

It is Government policy that travelers should not be financially penalized or rewarded for traveling on Government business. It is also Government policy that civilian and military employees be reimbursed as nearly as possible for actual and necessary expenses when performing such travel. In compliance with this policy, the Office of Management and Budget adopted the average-lodging cost concept to cover civilians' actual travel expenses as much as possible.

A similar payment concept was not extended to cover military personnel. These personnel received the maximum authorized per diem, which was \$25 a day at the time of our review, regardless of their incurred costs.

At the close of the fiscal year, the Congress was considering legislation to increase the maximum military per diem rate to make it equal to the \$35 limit recently enacted for Federal civilian employees. We estimated that annual savings ranging from \$28 million to \$56 million could be realized if this legislation were enacted and the Department of Defense began using the average-lodging cost method to pay military per diem.

Accordingly, we recommended that the Secretary of Defense adopt a per diem policy that reimbursed departmental civilian and military personnel equally under the same travel conditions. The Department of Defense concurred in our recommendation and said that steps had been taken to make regulations covering civilian and military per diem rates parallel. (FPCD-75-115, Dec. 13, 1974.)

Equal Employment Opportunity

National Aeronautics and Space Administration's Equal Employment Opportunity Program

In April 1975, we reported to the Senate Committee on Labor and Public Welfare on the findings of our review of the National Aeronautics and Space Administration's equal employment opportunity program.

Among the problems we found was the lack of minorities and women in the scientific and engineering fields. The Administration's scientific and engineering job categories accounted for about 47 percent of its work force, but minorities and women represented only 3.9 percent and 2.6 percent of these categories respectively.

At our request, the Civil Service Commission compared the employment of minorities and women at seven of the Administration's locations with that at other agencies in the same geographic area. As of February 28, 1974, the Administration had the lowest percentage of minorities in 14 professional and nonprofessional occupations, excluding science and engineering positions, and the lowest percentage of women in 7 occupations.

About 24 percent of the Administration employees we interviewed said they would not file a complaint even if they were victims of discrimination. About 58 percent of the equal employment opportunity counselors believed employees did not have confidence in the complaint system. Moreover, about 36 percent of the Administration's supervisors interviewed had received no orientation or training regarding the equal employment opportunity program.

Our report contained recommendations to the Administration and Civil Service Commission for actions that we believed were needed to improve the Administration's equal employment opportunity program. (FPCD-75-107, Apr. 16, 1975.)

Upward Mobility Programs Should Be More Effective

We sent to the Congress a report that discussed weaknesses in the management of upward mobility programs in the Federal Government. The report called for the Civil Service Commission and all Federal departments and agencies to provide needed upward mobility opportunities to all employees as required by Executive Order 11478 and the Equal Employment Opportunity Act of 1972.

In reviewing the upward mobility programs of 19 Federal agencies, we found that:

- Only limited upward mobility had been attained.
- Significant efforts had not been initiated by 10 agencies.
- In 9 agencies that had initiated significant efforts, programs were poorly structured and ineffective.
- Some agencies may have violated chapter 41, title 5, of the United States Code, which governs the training and education of Federal employees.

The report contained five recommendations to the Civil Service Commission for improving (1) upward mobility guidance to agencies and (2) Commission and agency program evaluation procedures. The Commission said that action had been or was being taken to implement these recommendations. (FPCD-75-84, Apr. 29, 1975.)

Social Responsibility

Federal Employment Opportunities for the Physically Handicapped

We reported to the Congress on how the Government was providing employment opportunities to and serving as an exemplary employer of the handicapped. We reported that opportunities to strengthen the overall Federal program could be improved if changes were made in planning, managing, and implementing the Civil Service Commission's Selective Placement Program.

We also reported that (1) an information system identifying the Government's physically handicapped employees could greatly assist the Commission in monitoring the performance and career advancement of the handicapped and (2) there was a need for more intensive and visible top-level management support for the handicapped in some agencies. The basis for selection, training, supervision, and support given to agency coordinators needed particular attention.

The Commission generally agreed with our report and implemented all but one of our recommendations. (FPCD-75-74, Sept. 16, 1974.)

Treatment of Military Prisoners

The Military Correction Facilities Act provides a uniform statutory basis for administering military

correctional facilities and for treating military prisoners. During fiscal year 1974 an estimated 128,000 military personnel were confined in correctional facilities.

Our report to the Congress stated that the services independently developed correctional systems without considering uniformity. Differences existed in types of facilities, criteria for confinement, correctional programs, and rehabilitation incentives. Also, the services had not established the capability for comparing and evaluating the effectiveness of their correctional programs. Consequently, the uniform treatment and rehabilitation opportunities intended by the act were not being achieved.

The Department of Defense agreed that differences existed among the services' correctional programs. The Department said our review was most helpful in highlighting the problems in achieving uniformity and accepted, in principle, most of the recommendations. (FPCD-75-125, May 30, 1975.)

Department of Defense Form 214

We reported to the Chairman, Senate Armed Services Committee, on the need for and uses of data recorded on DD Form 214, Report of Separation from Active Duty, which summarizes an individual's military service. Our review was initiated at the request of the Chairman of the Committee's Subcommittee on Drug Abuse in the Military Services.

The Department of Defense developed the DD Form 214 to serve administrative needs. The form evolved from the practice of describing an individual's military service on his discharge certificate.

The form can contain derogatory information. Therefore, the practice of routinely providing it to all individuals released from military service does not adequately safeguard their privacy. The majority of individuals who serve in the military do well, and the DD Form 214 they receive does not adversely affect them in civilian life. However, for those who do not perform well and whose DD Form 214 reflects this, the report can adversely affect them, particularly in seeking civilian employment.

The Department of Defense agreed with our recommendation to eliminate the routine distribution of the report to all individuals released from service. The report will be made available only upon written request of the individuals involved. (FPCD-75-126, Jan. 23, 1975.)



Staff meeting to discuss ongoing review work. Left to right, Robert H. Butcher, Raymond M. Ridgeway, Barbara D. Pauley, John J. Govaeski, Associate Director Clifford I. Gould, Assistant Director Harold E. Lewis, Shirley B. Johnson, and Thomas E. Mills.

Assistance Programs for Displaced Federal Civilian Employees

In April 1973 the Secretary of Defense announced details of 274 actions to consolidate, reduce, realine, or close military installations in the United States and Puerto Rico. We reviewed placement actions of selected Navy activities in Massachusetts and Rhode Island, where about one-half of the 26,200 civilian positions were to be eliminated. In an October 1974 report to the Chairman, Civil Service Commission, we discussed the effectiveness of four separate programs that had been established to help displaced workers find new employment and retrain for new jobs.

Our review revealed that some of the programs provided little assistance to employees. Also, some displaced employees responding to our questionnaire felt that the assistance programs were inadequate and not fully explained.

We concluded that a single program, incorporating the best features of the various programs and coordinated by the Civil Service Commission, would provide more effective assistance with the resources available than several separate programs. We there-

fore recommended that the Chairman, Civil Service Commission, with the cooperation of the Secretaries of Defense and Labor, study the feasibility of establishing such a program.

The Commission said that, as a direct result of our findings, a number of actions had been and were being taken to improve and streamline its outplacement assistance program. While the Commission did not consider it feasible to establish a single program, it agreed to continue to communicate and work closely with the Secretaries of Defense and Labor in fostering meaningful assistance to displaced employees. The Commission believed its actions were responsive to our recommendations and would improve assistance programs for displaced Federal employees, and we agree. (FPCD-74-90, Oct. 18, 1974.)

Welfare and Recreation

Military Commissary Stores

Existing criteria authorize establishing and operating military commissary stores in isolated areas

where military personnel do not have the benefit of metropolitan sales. During fiscal year 1974 the services operated 279 commissaries in the United States with sales totaling \$2.2 billion. During the year appropriated funds totaling \$226 million—principally for employee salaries—were used to subsidize the commissaries.

We reported to the Congress that commissaries were not justified at military installations in metropolitan areas of the United States because enough commercial food stores were selling food at reasonable prices. In 6 metropolitan areas we found at least 8 large commercial food stores within a 5-mile radius of 25 of 27 commissaries and at least 4 stores within the same radius of the other 2 commissaries.

We suggested that the Congress might wish to examine the need for maintaining commissary stores in competition with commercial grocery stores and at added expense to the taxpayer. We pointed out several available alternatives and suggested that, whatever the basis chosen, it should be clearly set out in public law. (FPCD-75-88, May 21, 1975.)

Hunting and Fishing at Matagorda Island, Texas

At the request of Senator William Proxmire and Congressmen Les Aspin and John Young, we reviewed the Air Force's operation of a hunting and fishing recreation program at Matagorda Island, Texas.

We reported that, from October 1972 to May 1974, the Air Force spent over \$218,000 in appropriated funds and \$28,000 from nonappropriated funds for recreational activities on the island. These costs were principally for support personnel, such as hunting guides and cooks.

Air Force personnel from active duty units throughout the country visited the island during the hunting and fishing seasons. From 1971 to 1973, 989 military personnel and civilians used Matagorda Island for hunting and fishing. This number included 48 generals, 508 other officers, and 349 enlisted men. Official records indicated that 14 generals made 20 visits to the island from January 1971 to December 1972 but charged leave only 7 times.

After we completed our review, the Department of Defense announced that activities at Matagorda Island were being terminated. (FPCD-74-109, Jan. 6, 1975.)

Other

Financial Disclosure System of the U.S. Geological Survey

At the request of several Members of Congress, we reviewed the effectiveness of the financial disclosure system for employees of the U.S. Geological Survey, a bureau of the Department of the Interior. Our review disclosed that the Geological Survey's system for avoiding financial conflicts of interest was not working.

The Department's regulations prohibit Geological Survey employees from having financial interests that could lead to a conflict of interest, and the Organic Act of 1879 prohibits them from having an interest in lands or mineral wealth of the region under survey. Of the 223 financial disclosure statements required to be filed for fiscal year 1974, the statements of 42 employees and 7 consultants showed financial interests that violated the Organic Act or raised conflict of interest possibilities. This occurred because departmental regulations were not specific enough; prohibitions of the Organic Act were not enforced; the Geological Survey official responsible for reviewing financial disclosure statements had neither the experience nor training needed to perform this duty; and the Department had no procedures to effectively monitor the system.

After receiving our report the Department implemented our recommendations for improving the Geological Survey's financial disclosure system. At the close of the fiscal year, we were making a review, at the request of Congressman John E. Moss, to determine whether Geological Survey employees and outside consultants had divested themselves of the financial holdings discussed in our report. (FPCD-75-131, Mar. 3, 1975.)

Legal Limits on Flexible Work Schedules

Many companies, local governments, and other organizations have adopted an altered workweek using either flexible or compressed work schedules which have benefited both employers and employees. For most Federal employees, however, the workweek is a predetermined 5-day, 8-hour day, 40-hour week schedule.

We reported to the Congress that various forms of altered schedules could be applied to selected Federal organizations with resulting benefits to the Government, the employees, and the public. However,

there is a need for basic data identifying those work schedules which will contribute most to efficient agency operations.

As a means of determining altered schedules' applicability to Federal employees, we recommended that the Civil Service Commission seek legislation to amend paragraphs 6101 and 6102 of title 5, United States Code, and section 7(a)(1) of the Fair Labor Standards Act, as amended, to permit controlled experimentation of flexible and compressed work schedules. The Commission concurred with our recommendation and announced plans to seek the necessary legislation. (FPC:D-75-92, Oct. 21, 1974.)

Audits in Process

At the close of the year, 95 audits were in process, involving a wide range of activities involved in managing and compensating the Federal work force. Examples:

- Personnel hiring—a review of the practices used to recruit civilian employees for the Federal Government.
- Personnel assignments—a study of the Navy's practice of assigning personnel to ships undergoing lengthy overhauls and conversions at Navy and civilian shipyards.
- Service academy attrition—an examination of why students voluntarily withdraw from the Army, Navy, Air Force, Coast Guard, and Merchant Marine service academies.

- Military salary system—a review to determine the desirability of converting the military to a salary system of compensation. The review analyzes costs and benefits of converting and identifies the issues and problems that need to be resolved before implementing such a system.
- Position classification—an examination of (1) the practices employed to evaluate Federal jobs and classify them into proper work levels or grades and (2) controls exercised over this classification process.
- Environmental pay—a study of the impact that collective bargaining has on environmental differential pay to Federal employees working under hazardous or hardship conditions and on the elimination of such conditions.
- Equal employment opportunity in hiring—a review, undertaken at the request of a congressional committee, of the implementation of the Equal Employment Act of 1972 by the Civil Service Commission and Federal agencies in providing equal employment opportunity in the hiring process (recruiting and/or selection) and in certain planning and evaluative functions.
- Employing public offenders—an examination of Government efforts to provide job opportunities to rehabilitated public offenders.
- Nonappropriated funds—a study of controls exercised by military installations over nonappropriated fund activities.

CHAPTER ELEVEN

MANPOWER AND WELFARE

Responsibilities

The Manpower and Welfare Division audits manpower, health, education, and income security operations and programs administered by the Department of Health, Education, and Welfare; the Department of Labor; the National Science Foundation; the Community Services Administration; the Consumer Product Safety Commission; the Equal Employment Opportunity Commission; the Legal

Services Corporation; ACTION; the Corporation for Public Broadcasting; the Railroad Retirement Board; and the Veterans Administration and health programs of the Department of Defense and the Civil Service Commission. Gregory J. Ahart is the Division Director, and Morton E. Henig and James D. Martin are the Deputy Directors.

Audit Reports

During fiscal year 1975, we submitted 24 reports to the Congress and 72 reports to committees or Members of Congress at their request. In addition, we sent 28 reports to department or agency officials. Appendix 1 lists these completed reports; table 1 shows the number and types of completed reports.

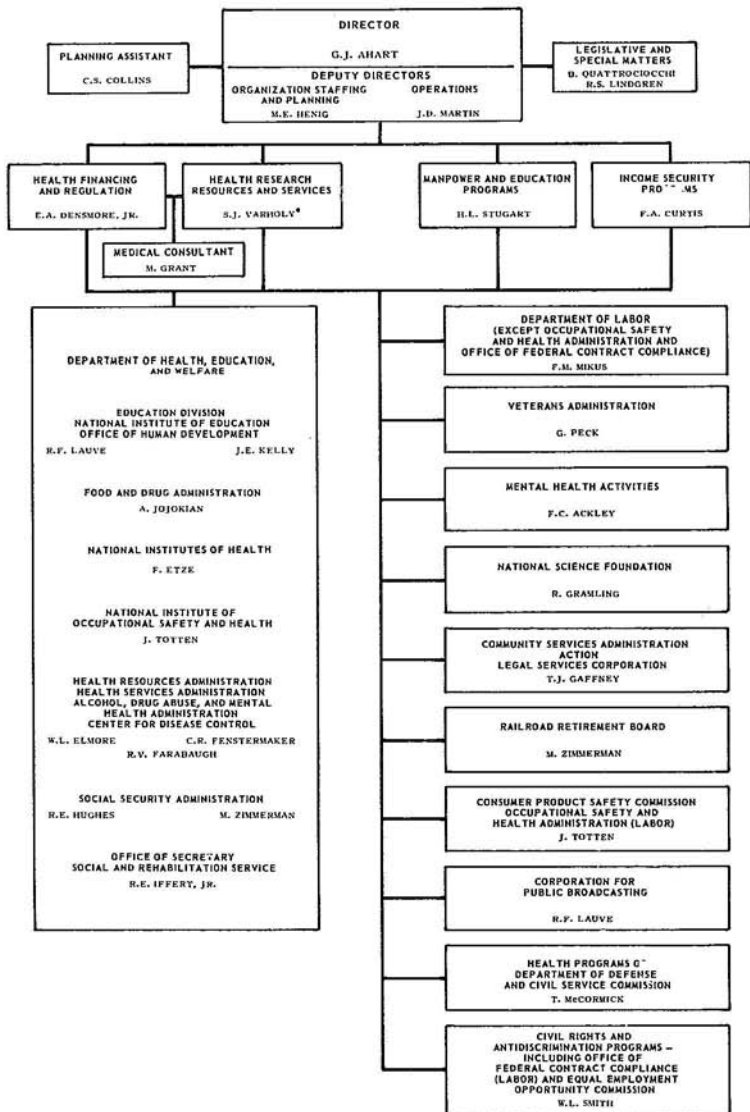
Assistance to the Congress

In fiscal year 1975, about 42 percent of the professional Washington and field staff resources spent on Division assignments was used directly to assist the Congress. This assistance included (1) undertaking investigations and reviews at the specific request of congressional committees and members, (2) staff assistance to committees (see app. 4), (3) commenting on pending legislation (see ch. 4), (4) testifying at committee hearings, and (5) discussing work plans and audit findings with the staffs of congressional committees.

Table 1

	Reports submitted to				Total
	Congress	Congressional committees	Members of Congress	Agency officials	
Departments:					
Health, Education, and Welfare	21	13	21	16	71
Labor	1	11	7	5	24
Defense (medical programs)	--	1	1	6	8
Others	--	1	--	--	1
Independent agencies:					
Civil Service Commission	--	1	--	--	1
Equal Employment Opportunity Commission	--	--	2	--	2
Community Services Administration	--	--	1	--	1
National Science Foundation	1	--	--	--	1
Consumer Product Safety Commission	--	--	1	--	1
Veterans Administration	1	6	6	1	14
Total	24	33	39	28	124

MANPOWER AND WELFARE DIVISION



* Effective July 20, 1975

The Division worked on 283 congressional requests from both committees and Members for fiscal year 1975. At the close of the fiscal year, 139 such requests were open.

Many requests for assistance were satisfied with informal reports either orally or by correspondence not classified as reports. In addition, 11 statements were prepared for testimony before congressional committees or subcommittees.

Department of Health, Education, and Welfare

Overview of Programs Being Audited

The Department of Health, Education, and Welfare had a budget authority of \$114 billion and an estimated outlay of \$109.9 billion for fiscal year 1975 to be used for health, education, and income security programs for the general population.

Health Programs

Federal outlays for health for fiscal year 1975 were estimated at \$35 billion, or about 11.2 percent of the total Federal budget. These funds were for (1) increasing health resources, such as health research and health manpower, training, and education, and constructing health care facilities, (2) providing programs for health services, such as Medicare and Medicaid, and (3) providing programs to prevent and control health problems, such as consumer and occupational safety and disease control. Special impact programs, such as drug abuse prevention, family planning, and nursing home improvement, were also provided.

Education Programs

Total public and nonpublic expenditures for education were estimated at \$94.5 billion for school year 1974-75. Federal outlays for education-related programs in fiscal year 1975 were estimated at \$16.5 billion.

HEW's Education Division--comprised of the Office of Education and the National Institute of Education--accounted for about \$6.5 billion, or 39 percent of the estimated Federal outlays for education.

The Education Division administers about 130 Federal programs designed to promote equal educa-

tional opportunity for all children, to encourage changes to improve the educational system, and to support educational research and development.

Income Security Programs

Total Federal income security benefits were estimated to exceed \$138 billion in fiscal year 1975. These were for (1) cash benefits, such as social security, Federal employee benefits, and veterans benefits; (2) in-kind benefits, such as food stamps, health care, and housing; and (3) tax transfers for benefits to the aged, veterans, welfare recipients, disabled, and working mothers.

At HEW we audited the above programs. Following are summaries of some reports completed.

Health Resources, Services, and Mental Health

Assistance to the Congress

In a report to the Congress (MWD-74-151, Aug. 27, 1974) on the community mental health centers program, we commented on the extent to which pending legislative provisions would solve the identified problems.

In conjunction with our audit efforts on Hill-Burton program compliance with certain legislative requirements, we testified on November 25, 1974, on the need for specific legislative provisions. Our reports (MWD-75-25A, Sept. 25, 1974, and B-164031(2), May 3, 1974) were used to develop legislation.

In a report (MWD-75-79, Apr. 22, 1975) to the Subcommittee on Labor, Health, Education, and Welfare, Senate Committee on Appropriations, we gave the Subcommittee data of Public Health Service hospitals' operations. The Subcommittee used this data extensively during hearings on the hospitals' fiscal year 1975 budget requests.

Need to More Effectively Manage Community Mental Health Centers Program

We reported to the Congress that, although the centers had increased the accessibility, quality, and type of community services available and had enhanced the responsiveness of mental health services to individual needs, substantial improvements in some program areas were needed to be made for continued progress toward program objectives. The

five general areas are: improving planning, operating without continued financial assistance, monitoring and evaluation, coordinating mental health services, and constructing centers. (MWD-74-151, Aug. 27, 1974.)

Progress and Problems in Training and Use of Assistants to Primary Care Physicians

From 1969 to 1974, HEW funded about 100 training programs for doctors' assistants, or "physician extenders." HEW support during this period totaled about \$34 million. In our review of 19 physician extender programs in 13 States, we cited several factors which hindered the program's progress.

In our report to the Congress, we recommended that HEW insure that physician extenders be trained in the most efficient and economical manner, be granted professional and legal recognition, and be deployed in health manpower shortage areas and that their employers be reimbursed equitably for services provided by the extenders. HEW generally agreed with our recommendations and advised us of actions taken or planned. (MWD-75-35, Apr. 8, 1975.)

Improving Federally Assisted Family Planning Programs

Family planning programs have provided medical, social, and educational services which, in some cases, resulted in the early detection and treatment of diseases. We reported to the Congress that delivering family planning services to welfare recipients could be improved if (1) caseworkers offered their services to appropriate recipients, (2) projects established procedures aimed at enrolling low-income persons, and (3) coordination between welfare offices and family planning projects were adequate. Program management could also be improved. Four separate organizational units within HEW, which administer family planning programs, are discussed in our report. HEW agreed with most of our recommendations and reported actions taken or planned. (MWD-75-25, Apr. 15, 1975.)

Audit Work in Process

Work in process at June 30, 1975, included audits of the effectiveness of (1) HEW efforts to treat alcoholism and alcohol abuse; (2) implementing grant and loan programs under the Health Maintenance Organization Act of 1973; (3) preventive

health activities in the Federal Employee Occupational Health Program; (4) federally supported rat control programs; (5) formula grant programs, in which money must be spent according to a formula, for comprehensive public health and maternal and child health services; and (6) health manpower programs. We were also reviewing (1) the financial administration of grants and contracts for a state-wide family planning program, (2) grant and contract activities for health services research in health information systems, (3) deinstitutionalizing the mentally handicapped, and (4) efforts to prevent mental retardation.

Food and Drug Administration

Investigation of Defective Cardiac Pacemakers Recalled by the General Electric Company

At the request of the Chairman, Subcommittee on Reorganization, Research, and International Organizations, Senate Committee on Government Operations, we reported on the Food and Drug Administration's efforts to (1) investigate the General Electric Company's 1972 recall of malfunctioning cardiac pacemakers and (2) establish safety and performance standards for pacemakers.

We reported that the agency did not (1) make a complete visual inspection of the factory to determine the cause of the pacemaker defect, (2) collect and examine samples of the recalled pacemaker to determine the need for regulation, or (3) publicly disclose the recall and verify that all physicians and others using pacemakers received notification of the recall. FDA lacked inspection guidelines, safety and performance standards, and good manufacturing criteria for complex medical devices such as pacemakers.

HEW generally agreed with our recommendations to strengthen FDA's regulation of pacemakers and said that most of the recommendations had been or would be implemented. (MWD-75-71, Mar. 10, 1975.)

Public Hazards From Unsatisfactory Medical Diagnostic Products

In vitro diagnostic products, those used to analyze specimens taken from the body, help to determine the presence or absence of a disease or medical condition.

We reported to the Congress that (1) many marketed in vitro diagnostic products are unsatisfactory

for diagnostic use, (2) FDA did not effectively implement a regulatory program for in vitro diagnostics, (3) the export provision of the Federal Food, Drug, and Cosmetic Act does not assure that misbranded and/or adulterated chemical in vitro diagnostic products are not exported, (4) foreign countries were not always notified of recalls, (5) legislative authority over biological in vitro diagnostics needs to be clarified, and (6) FDA did not adequately investigate reports of unsatisfactory in vitro diagnostics.

We recommended that the agency strengthen its program to control in vitro diagnostics. It generally agreed with our recommendations and said actions were planned or taken to carry them out. (MWD-75-52, Apr. 30, 1975.)

Salmonella in Raw Meat and Poultry: An Assessment of the Problem

FDA and the Animal and Plant Health Inspection Service, Department of Agriculture, are responsible for protecting consumers from food-borne illnesses caused by harmful bacteria, for example, illnesses caused by salmonella-contaminated raw meat and poultry products. An estimated 2 million cases of salmonellosis—the infection caused by the salmonella bacteria—occur annually, resulting in medical payments and lost working days costing at least \$300 million.

We reported to the Congress that salmonella-contaminated raw meat and poultry products were reaching the market and consumers had not been adequately alerted to the problem nor to the safeguards they must take to minimize the spread of this bacteria during food handling. Federal efforts have not had a major impact in controlling human salmonellosis and have resulted in certain industries being regulated for salmonella contamination while others are not.

We made several recommendations to more quickly and effectively control the salmonella problem. HEW and Agriculture agreed with most of our recommendations and said several actions had been or would be taken to improve their program. (MWD-74-149, July 22, 1974.)

Need for Regulating the Food Salvage Industry To Prevent Sales of Unwholesome and Misbranded Foods to the Public

During distribution, some food produced in America becomes damaged or subjected to con-

tamination due to mishandling, accidents, or disasters. If not destroyed, this food is salvaged and sold, often to the elderly, the poor, and the disadvantaged. FDA and the Animal and Plant Health Inspection Service, Department of Agriculture, are responsible for assuring that food, including salvaged food involved in interstate commerce, is properly labeled and safe to eat. We reported to the Congress that salvaged food, which may not have been properly reconditioned and/or is packaged in unlabeled, leaking, swollen, rusted, or badly dented containers, is being offered to the public.

HEW generally agreed with our recommendations to improve the program and said it will develop a regulatory program for the food salvage industry. (MWD-75-64, May 20, 1975.)

Audit Work in Process

Work in process at June 30, 1975, included audits of FDA's programs for (1) regulating sanitation conditions in restaurants, (2) radiological health, and (3) monitoring clinical investigations of new drugs. Additional work was being performed at the request of committees and Members of Congress.

National Institutes of Health

Need To Improve Treatment of Chronic Kidney Failure

Kidney disease claims about 50,000 lives in the United States each year. Dialysis and transplants can prolong the lives of afflicted persons. Since July 1, 1973, the Government, through Medicare, has paid for most chronic kidney disease treatment. We reported to the Congress on problems with patient access to dialysis and transplants, noting that transplants and home dialysis were cheaper than center dialysis.

We recommended short- and long-term solutions, to which HEW generally agreed, to these problems. We suggested legislative changes to (1) make Medicare payments more equitable for certain transplant recipients and (2) encourage greater use of home dialysis. (MWD-75-53, June 24, 1975.)

Audit Work in Process

At June 30, 1975, work in process included audits of methods to reduce the incidence of posttransfusion hepatitis, the Institutes' policies and procedures regarding research, and Federal efforts to protect the public from cancer-causing chemicals.

Educational Opportunities

Role of Federal Assistance for Vocational Education

We reported to the Congress that administering vocational education programs at the Federal, State, and local levels should be strengthened to help insure that such programs achieve maximum impact.

We recommended that HEW take specific actions to improve present practices in planning programs, distributing funds, using resources, and relating training to employment. The Department generally concurred and described actions taken or planned to implement our recommendations. We also made several recommendations to the Congress to strengthen specific areas of administration of the Vocational Education Act.

In February 1975 we testified before the General Subcommittee on Education, House Education and Labor Committee, and in March before the Subcommittee on Education, Senate Committee on Labor and Public Welfare, on the role of Federal assistance for vocational education. We gave the Subcommittees our recommendations on areas where vocational education programs could be improved by changing existing vocational education legislation. (MWD-75-31, Dec. 31, 1974.)

Educating the Handicapped: Issues and Problems

We reported to the Congress that few locations in the Nation provide a full range of educational services that are comprehensive and flexible enough to meet the needs of all handicapped children. In many instances appropriate educational services were not provided, because the delivery system for special education was fragmented and uncoordinated.

HEW concurred and described actions taken or planned to implement our recommendations. We also suggested that the Congress consider (1) amending pertinent legislation, which earmarks funds for educating the handicapped, to require that detailed plans be established to comprehensively assess the needs of various groups so they can receive funds and (2) eliminating those formula allocation factors in the authorizing legislation, which could result in inequities in the opportunities available to the handicapped. (MWD-74-162, Dec. 5, 1974.)

Accomplishments and Problems of Federal Library Support Programs

We reported to the Congress that Federal library support programs have helped to improve both the quantity and quality of library materials and services nationwide. However, the techniques devised by many States for allocating Federal library support funds tended to limit the funds made available to local governments for providing materials and services to those most in need.

To provide for greater program achievements, we made several recommendations to HEW designed to help States improve their allocation techniques. The Department generally agreed and described how these recommendations would be implemented. (MWD-75-4, Dec. 30, 1974.)

Progress of the Adult Basic Education Program in Reducing Illiteracy and Improvements Needed

We reported to the Congress that, while some progress is being made, the adult education program reaches only a small fraction of those needing it. Only about 1 percent of the 57 million adults in the target population and 4 percent of the 15 million adults with less than 8 years of school have participated in any given year. We made several recommendations to improve the program. HEW concurred and outlined steps for implementing our recommendations. (MWD-75-61, June 4, 1975.)

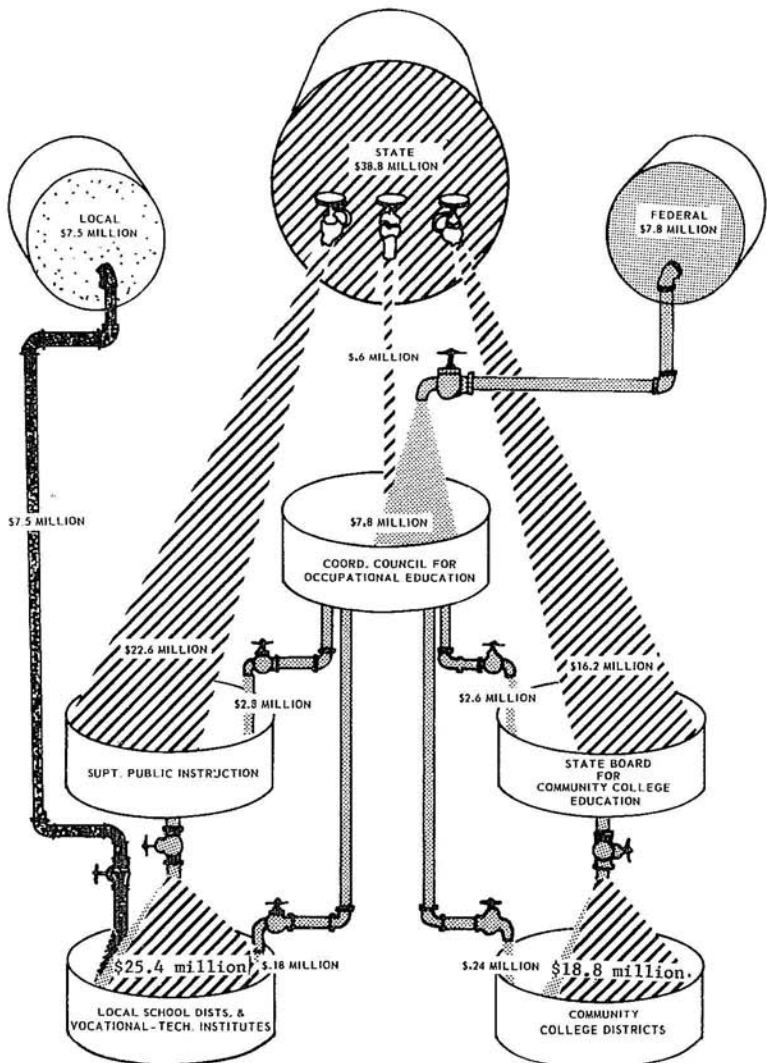
Management of Data-Reporting Requirements for Education Programs

We reported to the Congress that officials from many State and local educational agencies noticed serious paperwork problems in Federal education programs. We reported on the limited effectiveness of a task force in HEW's Education Division charged with reviewing paperwork problems. We made several recommendations to improve data management and help reduce the burden on State and local educational agencies. The Department agreed with the recommendations and took action to implement them. (MWD-75-28, Mar. 24, 1975.)

Audit Work in Process

Work in process, at June 30, 1975, included examining (1) reading projects funded under the Elementary and Secondary Education Act of 1965, (2) the Follow Through program, (3) the Bilingual Education program, (4) the Impact Aid program,

FLOW OF VOCATIONAL FUNDING IN ONE STATE



(5) the Federal program for strengthening developing institutions, (6) career education activities, (7) the experimental schools program, (8) student assistance funds for Indians, (9) the Migrant Student Record Transfer System, (10) the awarding of grants and contracts by the National Institute of Education, (11) the utilization and limitations of Federal education assessments, (12) Federal involvement in promoting textbooks used by local schools, and (13) basic educational opportunity grants for students to pursue postsecondary education.

Office of Human Development

Project Head Start: Achievements and Problems

We reported to the Congress that Head Start participants are better prepared to enter local schools than their disadvantaged, nonparticipating peers. We also reported that (1) limited success was achieved in obtaining parental involvement, (2) the program was serving ineligible children, (3) children were incorrectly classified as handicapped, (4) recruitment efforts were inadequate and resulted in underenrollment by grantees, and (5) local programs should not be expected to enroll severely handicapped children until HEW provides a means for obtaining needed resources.

The Department agreed with our recommendations and stated that actions were either being planned or taken to carry them out. (MWD-75-51, May 20, 1975.)

Audit Work in Process

At June 30, 1975, we were examining (1) implementation of title III of the Older Americans Act, (2) administration of the Children's Bureau, and (3) the effectiveness of the Beneficiary Rehabilitation Program.

Medicaid Program

The estimated number of persons receiving medical assistance under Medicaid was 24.7 million in 1975 and is expected to be 25.6 million in 1976. HEW made medical assistance grants to States totaling \$6.8 billion in 1975 and has requested \$7.8 billion for such grants in fiscal year 1976.

Home Health Care Benefits Under Medicare and Medicaid

The Congress, HEW, and the health field have long realized the need to develop alternatives to institutional care. Home health care—generally a less expensive alternative—is provided under both Medicare and Medicaid.

We reported to the Congress that home health coverage under Medicare, established in 1967, experienced major difficulties in its early stage. Although some problems were alleviated, obstacles continued to diminish its overall effectiveness.

The potential of home health coverage under Medicaid, established in 1970, was not fully developed, partly because HEW did not provide more guidance on the program's objectives and scope.

HEW concurred in and began to implement our recommendations. (MWD-74-179, July 9, 1974.)

Outpatient Health Care in Inner Cities

We reported to the Congress on the impact of Medicare and Medicaid on outpatient health care systems—hospital outpatient departments and publicly financed health centers—in two cities. The report provides information on the people who used the outpatient health care systems, the services they received, and the problems of the systems. (MWD-75-81, June 6, 1975.)

Many Medicare and Medicaid Nursing Homes Do Not Meet Federal Fire Safety Requirements

We reported to the Congress that the Department of Health, Education, and Welfare needed to better (1) administer and enforce Federal fire safety requirements to insure the safety of nursing home patients and (2) monitor State inspection and certification activities.

Our review, made at the request of the Special Studies Subcommittee, House Committee on Government Operations, disclosed that many skilled nursing facilities did not meet fire safety standards, were improperly granted sprinkler requirement waivers, and did not comply with plans to correct fire safety deficiencies. HEW said it would substantially comply with our recommendations. (MWD-75-46, Mar. 18, 1975.)

Medicaid's Early and Periodic Screening, Diagnosis, and Treatment Program

States must provide early and periodic screening, diagnosis, and treatment under Medicaid. However,

HEW was slow in developing regulations and did not aggressively make States comply with the law and regulations. As a result, only a small percentage of 10 million eligible children under age 21 were screened.

We reported to the Congress that more children could be screened if emphasis were placed on informing families about the program and if health professionals were used more in areas with a shortage of physicians. In addition, the program would be more effective if States insured that screenings were updated and that conditions found during the examinations were treated.

The Department, in response to our recommendations, described actions that were or would be taken. (MWD-75-13, Jan. 9, 1975.)

Testimony

On July 9, 1974, we testified before the Subcommittee on Health of the Elderly, Senate Special Committee on Aging, on our review of Home Health Care Benefits Under Medicare and Medicaid. (MWD-74-179, July 9, 1974.)

On August 27, 1974, we testified in Seattle, Washington, before the Special Studies Subcommittee, House Committee on Government Operations, on our review of fire safety in skilled-nursing facilities in Washington State. (MWD-75-46, Mar. 18, 1975.)

Other Assistance to the Congress

In January and February 1975, the Subcommittee on Long-Term Care, Senate Special Committee on Aging, held hearings regarding Medicaid nursing homes. We assisted the Subcommittee by analyzing subpoenaed nursing home records and developing questions for use during the hearings.

Other Reports

We reported to (1) Senator Robert Taft, Jr., on the Medicaid management information system, (2) the Chairman, Senate Committee on Finance, on the need for better controls for health maintenance organizations under Medicaid, and (3) the Chairman, Subcommittee on Health, Senate Committee on Finance, on the need for improving Federal management of Medicaid. Reports were issued to the Secretary, HEW, on (1) computer techniques to assure the eligibility of medically needy persons for

Medicaid and (2) improvements needed in hospital reimbursements under Medicaid.

Audit Work in Process

At the close of the fiscal year, we were completing reviews of (1) using computers to simplify eligibility determinations of medically needy persons, (2) payment rates to Health Maintenance Organizations in California, (3) health and safety requirements in nursing homes, (4) delays in transferring hospital patients to less costly facilities, (5) collecting Medicaid payments from liable third parties, (6) reasonableness of nursing home costs, (7) controls to protect personal funds of nursing home patients, (8) establishing noninstitutional utilization review systems, (9) the Intermediate Care Facility program, and (10) Medicaid insuring arrangements.

Medicare Program

Medicare provides two basic forms of protection against the costs of health care for eligible persons aged 65 and over and certain others. The Hospital Insurance program covers inpatient hospital services and postpatient care in skilled-nursing facilities or in the patient's home. The Supplementary Medical Insurance program covers physicians' services. For fiscal year 1975, Medicare was allocated about \$14.2 billion and covered about 23 million aged persons.

Need to More Consistently Reimburse Health Facilities Under Medicare and Medicaid

We reviewed Medicare and Medicaid reimbursements to hospitals and skilled-nursing facilities operated for profit. We reported to the Congress that intermediaries (private organizations that contract with HEW to make medical payments), using the same published Social Security Administration guidelines, differently interpreted whether and how much of certain costs were allowable or reimbursable by Medicare and that, in some cases, the inconsistent treatment resulted in overpayments for several years.

We recommended that HEW (1) catalog and make available Social Security Administration decisions affecting determinations of Medicare's share of hospital or skilled-nursing facility costs, (2) establish more definitive criteria for intermediaries to follow, and (3) require a full exchange of Medicare

and Medicaid audit information. (MWD-74-177, Aug. 16, 1974.)

Disclosing Overlapping Financial Interests

We reviewed contractual and financial arrangements between hospitals and members of their governing boards and between hospitals and hospital-based specialists and reported to the Congress on what type of information could be made public if a disclosure requirement were included in legislation. We recommended that Congress consider amending the Social Security Act to require hospitals, as a condition for participating in Medicare, Medicaid, and Maternal and Child Health and Crippled Children's Services, to make publicly available certain information concerning such arrangements. (MWD-75-73, Apr. 30, 1975.)

Audit Work in Process

Work in process at June 30, 1975, included a review of the Medicare benefit structure to simplify it and provide incentives for using it more effectively and a review of specific actions taken by HEW to implement recommendations made by us in our reports on the Medicare program.

Income Security Operations

Programs Benefiting the Poor

At the request of the Chairman, Senate Committee on Finance, we reported on the extent to which Federal programs benefited the poor. In reporting to the Committee, we provided extensive cost data and other information obtained from public documents, discussions with officials in various agencies, and numerous GAO reports issued during the last few years. (MWD-75-87, June 2, 1975.)

Other Reports

We reported to (1) the Chairman, Subcommittee on Intergovernmental Relations, House Committee on Government Operations, on New York State's award of a consulting contract for administering welfare and Medicaid programs in New York, (2) the Chairman, Special Studies Subcommittee, House Committee on Government Operations, on the Social Security Administration's procedures for processing black lung benefit claims by widows of miners who had received benefits before their deaths,

(3) Senator William A. Roth, Jr., on conferences of the American Public Welfare Association, and (4) Congressman Gilbert Gude on relocations of HEW's organizations around the Washington metropolitan area.

Audit Work in Process

As of June 30, 1975, we were completing a review of State and local training of public assistance staff and a review of consultant services purchased by HEW. Other major reviews in process were (1) eligibility determinations for aid to families with dependent children, (2) evaluation of the HEW Audit Agency, and (3) the management and use of social research and development in selected Federal agencies.

Other Government Health Programs

During fiscal year 1975 we reviewed Department of Defense health programs and the Federal Employees Health Benefits Program administered by the Civil Service Commission. During the fiscal year, Defense spent about \$3.3 billion to provide direct and indirect medical care to members of the military services, retirees, and military dependents. The Federal Employees Health Benefits Program provides health care insurance coverage for about 5 million enrollees and 6 million dependents. Government employees' contributions to various insurance plans amounted to about \$763 million in fiscal year 1975 while the Government's share was \$833 million.

VIP Accommodations and Separation of Officer and Enlisted Patients in Military Hospitals

We reported to the Chairman, Subcommittee on Priorities and Economy in Government, Joint Economic Committee, on the use of Presidential and other very important person (VIP) accommodations in military hospitals and the separation of officers and enlisted patients within them. The Department of Defense and the military departments had no criteria for establishing and furnishing Presidential suites and other VIP accommodations. We recommended that the Department determine whether there is a need for such accommodations and, if so, develop criteria for establishing and furnishing them.

Although the departments' space planning cri-

teria did not provide for separate officer and enlisted personnel accommodations, this was the practice at some Navy hospitals. We recommended that the Department of Defense instruct the military departments to prohibit separation of officer and enlisted personnel in their existing and future hospitals. (MWD-75-38, Dec. 24, 1974.)

Unresolved Audit Exceptions With Federal Employees Health Benefits Carriers

At the request of the Chairman, Subcommittee on Retirement and Employee Benefits, House Committee on Post Office and Civil Service, we reported on the dollar amount and duration of unresolved audit exceptions resulting from audits by the Civil Service Commission of health insurance carriers for the Federal Employees Health Benefits Program.

These exceptions made since 1971 amounted to \$10.8 million, of which about \$10 million remained unresolved as of August 31, 1974. This report served as the basis for subcommittee hearings. (MWD-75-37, Nov. 7, 1974.)

Other Reports

Other reports covered such matters as (1) the questionable use of the domestic aeromedical evacuation system, (2) the need to eliminate reuse of disposable catheters and guidewires in vascular studies, (3) potential savings available by using ARAMID sleepwear in military hospitals, (4) the use of facilities that research weight problems, (5) the administration of defense medical research laboratories, (6) the need to improve controls over payments for drug claims made under the Civilian Health and Medical Program of the Uniformed Services, and (7) the recruitment and retention of physicians in an all-volunteer environment.

Testimony

On April 24, 1975, we testified before the Subcommittee on Monopoly, Senate Select Committee on Small Business, on actions taken by Federal agencies in response to recommendations in our December 6, 1973, report (B-164031(2)) on the procurement and supply of drugs in the Federal Government.

Audit Work in Process

Work in process as of June 30, 1975, included audits of the military's drug and alcohol programs, the use of veterinarians, the plans for constructing the San Diego Naval Hospital, the Civilian Health and Medical Program of the Uniformed Services, State health insurance requirements which conflict with Federal Employees Health Benefits, and inequities in the coordination of benefits between the Federal Employees Health Benefits Program and Medicare. In addition, a Government-wide effort was ongoing to review the costs of prescription drugs sold to the Federal Government.

Department of Labor

The Department of Labor had an estimated outlay of \$19 billion for fiscal year 1975. The Department administers and enforces statutes designed to advance the public interest by promoting the welfare of the wage earners of the United States, improving their working conditions, and advancing their opportunities for profitable employment.

During the year, audit work in this area was directed primarily at activities of the Manpower Administration and the Employment Standards Administration.

Implementing the Revised Work Incentive Program

In fiscal year 1975 we completed a series of five reports at the request of the Chairman, Senate Committee on Finance, on implementing the Work Incentive Program in Atlanta, Detroit, Los Angeles, New York, San Diego, Seattle, and Tacoma. This program is designed to help welfare recipients in the Aid to Families With Dependent Children program prepare for and get jobs, thus removing them from welfare dependency. We were requested to see how well the Department of Labor was implementing legislative provisions—effective July 1, 1972—which changed the program's operations and emphasis.

Problems existed in moving registrants through screening and selection to job readiness, goals were not met in developing on-the-job training and public-service-employment positions; few participants obtained unsubsidized jobs; and the management information system needed improvement.

The Department said action has been taken on a number of our recommendations to improve the program. (MWD-74-161, Atlanta, July 10, 1974; MWD-74-152, Washington State, Aug. 6, 1974; MWD-74-160, Wayne County, Michigan, Aug. 20, 1974; MWD-75-24, Los Angeles and San Diego, Jan. 29, 1975; MWD-75-41, New York City, Mar. 17, 1975.)

Alien Labor Certification Program Should Be Strengthened

We reported to the House Committee on the Judiciary that the alien labor certification program, authorized by the Immigration and Nationality Act, should be strengthened. We made several recommendations to improve the program and also suggested that the Congress consider legislative changes to remove labor certification exemptions now accorded to certain categories of aliens. The agencies involved generally agreed with our findings and said that action was being taken or planned to implement our recommendations. (MWD-75-2, May 16, 1975.)

Employment Services for Vietnam-era Veterans

At the request of the Chairman, Senate Committee on Veterans' Affairs, we reviewed expanded Federal efforts to give veterans employment assistance and preference.

We reported that (1) the Department of Labor had not filled legislatively authorized positions for veterans' employment assistants soon enough, (2) many State employment service offices did not have a full-time representative needed to provide full preferential services to veterans, and (3) the full potential of mandatory job listing by Federal contractors was not realized.

We made several recommendations on which the Department said actions were being taken or planned. (MWD-74-181, Nov. 29, 1974.)

Federal Employees' Compensation Program

After examining the Department of Labor's procedures and practices for obtaining reimbursements from agencies for payments made on behalf of their

employees, we recommended in a report to the Congress that the Department (1) improve collection procedures, (2) obtain a fair share of administrative costs from certain agencies, and (3) propose legislation to reduce administrative costs by eliminating the provisions that charge certain agencies for payments to employees. We suggested that the Congress consider additional legislation to achieve these reforms. (MWD-75-23, Mar. 13, 1975.)

Assistance to the Congress

At the request of the Subcommittee on Labor and Health, Education, and Welfare, Senate Committee on Appropriations, we provided information on aspects of the impact of reduced appropriations for fiscal year 1975 on the Work Incentive program.

Audit Work in Process

Work in process at June 30, 1975, included reviews of implementation of the Comprehensive Employment and Training Act, employment service activities, programs for migrants and seasonal farmworkers, offender rehabilitation efforts, trade adjustment assistance activities, the Black Lung Program, programs under the Longshoremen's and Harbor Workers' Compensation Act, and the Employee Retirement Income Security Act of 1974.

Occupational Safety and Health Programs for Employees

The purpose of the Occupational Safety and Health Act of 1970 is to insure, as far as possible, a safe and healthful workplace for every employee in the Nation. The provisions of the act are carried out by the Occupational Safety and Health Administration within the Department of Labor and the National Institute for Occupational Safety and Health in HEW. The Occupational Safety and Health Review Commission, an independent body, is a forum for adjudicating contested enforcement actions instituted by employers and employees through the Secretary of Labor.

Audit work in this area was directed primarily toward providing assistance to the Congress. We also started reviews of Federal agencies' enforcement of occupational safety and health standards, the Administration's approval of State plans, and proce-

dures for granting employers variances from occupational safety and health standards.

Assistance to the Congress

We furnished the Chairman, Senate Committee on Labor and Public Welfare, papers on 17 issues relevant to effectively administering the activities of the Administration and the Institute. The committee published information on the 17 issues as an appendix to the hearing record. As a result of the issues raised, the committee chairman concluded that the Occupational Safety and Health Act had not yet been properly implemented. The committee requested from the Departments of Labor and HEW answers to questions raised by the issues and what corrective actions the Departments planned. The Departments responded to the committee on all 17 issues.

Our work on Federal agencies' enforcement of occupational safety and health standards included testimony on June 23, 1975, before the Subcommittee on Manpower and Housing, House Committee on Government Operations, regarding the results of workplace inspections at selected Federal agencies. Information also was provided to the Senate Committee on Labor and Public Welfare regarding administration of the Occupational Safety and Health Review Commission and State operations under plans approved by the Administration. We also responded to specific requests for information from individual Members of Congress.

Equal Opportunity/ Nondiscrimination

The Manpower and Welfare Division provides leadership and coordination for all of GAO's audits involving equal opportunity and nondiscrimination programs. Under the Civil Rights Act of 1964, Government agencies are generally responsible for insuring nondiscrimination in programs or activities receiving Federal financial assistance. The Office of Federal Contract Compliance coordinates nondiscrimination efforts at Federal contractors.

The Equal Employment Opportunity Commission promotes nondiscrimination programs in employment in the private sector.

Equal Employment Opportunity and Executive Order 11246

At the request of the Chairman, Subcommittee on Fiscal Policy, Joint Economic Committee, and Senator Jacob K. Javits, we reported on the Department of Labor's administration of the Federal contract compliance program. The program, which is carried out pursuant to Executive Order 11246, requires Federal contractors to provide equal employment opportunity.

Our report discussed several management problems, including the approval of affirmative action programs that did not meet the Department of Labor's guidelines; a reluctance to initiate enforcement actions, such as canceling a contract, against non-compliant contractors; and compliance reviews being performed at only a small percentage of contractors. Also, the Department needed additional monitoring, guidance, and training.

The Department stated that the report contained many useful recommendations, the majority of which had already been or were being implemented. (MWD-75-63, Apr. 29, 1975.)

Other Reports

We reported to (1) Congressman George E. Danielson on the backlog of discrimination cases in the Equal Employment Opportunity Commission's San Francisco regional office and (2) Congressman Robert W. Daniel, Jr., on the use and function of the Commission's State and local government information report form.

Testimony

In September 1974 we testified before the Subcommittee on Fiscal Policy, Joint Economic Committee, on several problems in the Department of Labor's administration of the Federal contract compliance program for nonconstruction contractors.

Audit Work in Process

We are concentrating our audits on the activities of the Equal Employment Opportunity Commission and the Department of Labor's enforcement of Executive Order 11246. We were performing a program results review of the Equal Employment Opportunity Commission and a survey of the equal

employment opportunity requirements for State and local governments receiving Federal financial assistance. We were also reviewing Federal contract compliance programs for construction and nonconstruction contractors.

Community Services Administration

The Community Services Administration, an independent agency, was established in January 1975 by the Community Services Act to operate Community Action and Economic Development programs previously under the Office of Economic Opportunity. During fiscal year 1975 we completed one audit report in this area. The report (MWD-75-30, Nov. 5, 1974) was sent to Congresswoman Patricia Schroeder in answer to a specific request concerning community action programs.

Audit Work in Process

The Congress appropriated \$492 million for the Community Services Administration to continue Community Action, Economic Development, and other programs in fiscal year 1975. We plan to increase audit work on these programs as the new Community Services Administration's organizational structure for managing these programs becomes operational. Work in process at June 30, 1975, included audits of individual Community Services Administration grantees requested by Members of Congress.

ACTION

ACTION administers the Federal foreign and domestic volunteer programs (e.g., Peace Corps, VISTA). Funds for fiscal year 1975 to carry out the programs were about \$181 million.

Audit Work in Process

During fiscal year 1975, our first audit was in progress at ACTION. Review work covered ACTION's accomplishments in testing and developing new volunteer programs; providing opportunities for more part-time volunteers; bringing together programs appealing to younger Americans with

those appealing to older Americans; facilitating a fuller exchange of ideas and experiences between volunteers from overseas and domestic programs; opening new channels to use the abilities of business and professional volunteers; and providing a more effective system for recruiting, training, and placing VISTA volunteers.

National Science Foundation

The National Science Foundation's overall mission is to advance scientific progress in the United States. Principal programs include funding of basic and applied research projects, support of educational activities, interchange of scientific information, and development of scientific methods and technologies.

Need for a National Weather Modification Research Program

We reported to the Congress that longstanding administrative and management problems have hindered progress in weather modification research.

We recommended that the Office of Management and Budget in cooperation with the Federal departments and agencies involved in the research (1) develop a national weather modification research program and designate one of the agencies having a major program responsibility to administer and maintain the national program, (2) develop a plan to define and reassign, if appropriate, responsibilities of Federal agencies that support or conduct weather modification research, and (3) develop a plan to allocate resources to the national program elements. (MWD-74-176, Aug. 23, 1974.)

Assistance to the Congress

At the request of the Subcommittee on Housing and Urban Development, Space, Science, and Veterans, Senate Committee on Appropriations, we provided information on certain areas of the National Science Foundation's budget for the Subcommittee's use during fiscal year 1976 appropriation hearings.

Audit Work in Process

At June 30, 1975, we were completing reviews of the administration and management of the Research Applied to National Needs Program, the

effectiveness of products for improving science education developed under the National Science Foundation support, and various activities involved in developing and marketing educational curriculum materials.

Consumer Product Safety Commission

The Consumer Product Safety Commission was created by the Consumer Product Safety Act to protect the public against unreasonable risks of injury associated with consumer products; to assist consumers in evaluating the comparative safety of consumer products; to develop uniform consumer product safety standards; and to promote research and investigation into causes and prevention of product-related deaths, illnesses, and injuries.

Banning of Toys and Certain Aerosol Spray Adhesives

At the request of Senator John Tower, we reported on the Consumer Product Safety Commission's actions in banning two plastic toy balls, which were erroneously described in a Commission publication, and certain aerosol spray adhesives for which the ban was later withdrawn.

We recommended that the Commission develop and establish formal policy, regulations, and procedures for (1) retracting inaccurate or misleading information that may be publicly disclosed under any of the acts it administers and (2) evaluating potential imminent hazards and documenting the basis for its decisions on the results of such evaluations. (MWD-75-65, Apr. 7, 1975.)

Veterans Administration

The current veteran population is about 29.4 million with an additional 69 million family members of living veterans and survivors of deceased veterans who are potential recipients of veterans benefits. To provide services to these veterans and dependents, the Veterans Administration spent about \$15.8 billion in fiscal year 1975.

Our work at VA during fiscal year 1975 was directed primarily at (1) assessing the controls over

drugs used to treat psychiatric patients and the need for improved psychiatric staffing, (2) determining VA efforts in counseling veterans in prison and on parole about their rights to veterans benefits, (3) responding to requests from the Congress, (4) assisting a number of congressional committees and subcommittees, and (5) conducting several reviews of VA's health, education, and income security functions.

Better Controls Over Use of Drugs Used To Treat Psychiatric Patients and Improved Psychiatrist Staffing Needed

Our report to the Congress on use of drugs used to treat veteran psychiatric patients—psychotherapeutic drugs—showed that:

- Many patients were receiving medication exceeding the maximum recommended dosage.
- Medications used to treat psychotherapeutic drug-induced side effects were overused.
- The frequency with which the drugs were administered daily could be reduced.
- Many patients could be placed on intermittent drug-free periods.

We also reported that many VA physicians assigned to provide psychiatric care had no formal psychiatric training and that physicians had to care for too many patients.

We recommended that VA establish guidelines and a review system to insure that psychotherapeutic drugs be properly used. The agency concurred in our recommendations and took actions to implement them. (MWD-75-47, Apr. 18, 1975.)

Need for Improved Outreach Efforts for Veterans in Prison or on Parole

In a report to Congressman Charles B. Rangel, we reported that

- a formalized outreach program had not been established for counseling eligible jailed and paroled veterans on their entitlement to veterans benefits;
- routine visits to jails to interview inmates, except in unusual cases, had been discouraged; and

—many jailed and paroled veterans were unaware of their entitlement to benefits and had received no counsel concerning their benefits while imprisoned or on parole.

We recommended that the Administrator of Veterans Affairs require VA regional representatives to semiannually visit Federal and State jails to advise prison officials and inmates about available VA benefits and that VA distribute literature to imprisoned and paroled veterans to encourage them to use such benefits.

In response the agency issued directives to field stations requiring semiannual visits by its regional representatives and distribution of benefit literature to veterans in prison. (MWD-75-48, Dec. 30, 1974.)

Other Reports

We reported to (1) Congressman Wright Patman on the cost of proposed legislation to give veterans of certain wars and their survivors an unrestricted pension, (2) Congressman William M. Ketcham on reasons for delays experienced by certain veterans in receiving educational assistance payments from VA, and (3) Congresswoman Patricia

Schroeder on management practices used by VA's Denver Regional office in assisting veterans.

Assistance to the Congress

At the request of the Subcommittee on Housing and Urban Development and Independent Agencies, Senate Committee on Appropriations, we provided information on certain areas of VA's budget for the Subcommittee's use during hearings on VA's fiscal year 1976 budget.

Audit Work in Process

At the close of the fiscal year we were reviewing the cardiac catheterization program; domiciliary program; administration of the Denver VA hospital; inpatient pharmacy operations; VA operations in the Republic of the Philippines; nursing home care program; artificial limbs program; laboratory services; VA's educational assistance programs; implementation of selected provisions of Public Law 93-508; implementation of the computer-based compensation, pension, and education system; cost and time that exceeded the cost and time specified on certain VA construction contracts; and the national cemetery system.

CHAPTER TWELVE

RESOURCES AND ECONOMIC DEVELOPMENT

Responsibilities

The Resources and Economic Development Division carries out our audit work at the Departments of Agriculture, Housing and Urban Development, the Interior, and Transportation; the Department of the Army, Corps of Engineers (Civil Functions); the Energy Research and Development Administration; the Environmental Protection Agency; the Federal Power Commission; the Nuclear Regulatory Commission; the Tennessee Valley Authority; and various boards, commissions, and councils. It is also responsible for our audit activities involving interrelationships among all Federal departments, agencies, and programs concerned with water resources, environment, housing and community development, land use, and transportation.

Henry Eschwege is Director of this Division and Baltas E. Birkle and Max Hirschhorn are Deputy Directors.

Audit Reports

During fiscal year 1975, we submitted 41 reports to the Congress and 63 reports to committees or Members of Congress in response to their requests. We also submitted 27 reports to department or

agency officials. These reports are listed in appendix 2. Table 1 shows the numbers and types of reports relating to each department and agency.

Assistance to the Congress

About 41 percent of the professional Washington and field staff resources spent on Division assignments were applied to direct assistance to the Congress in fiscal year 1975. Direct assistance to the Congress included (1) making reviews or obtaining information specifically requested by congressional committees and Members of Congress, (2) furnishing staff assistance to committees (see app. 4), (3) assisting in drafting comments on pending legislation (see ch. 4), (4) preparing for and presenting testimony at committee hearings, and (5) discussing work plans and audit findings with staffs of congressional committees.

During the year we completed work on 265 requests received from congressional committees and Members of Congress; at the end of the year we were still working on 133 such requests. Many of the requests were satisfied informally by means of oral reports or correspondence. In some cases, when the requested work related to areas already being reviewed, the requests either were or will be satisfied by furnishing copies of reports issued to the Congress or to other congressional requesters. Seven requests were satisfied by preparing statements for and presenting testimony before congressional committees or subcommittees.

Government-wide and Multiagency Activities

Although many of our fiscal year 1975 audit reports involved activities common to a number of Federal agencies, most of them are classified according to the agencies having the principal responsibilities for the activities involved. The findings in five of the seven reports on Government-wide or multiagency activities are summarized below.

National Rural Development Efforts and the Impact of Federal Programs on a 12-County Rural Area in South Dakota

The Rural Development Act of 1972 committed the Nation to revitalizing and developing rural areas

Table 1

	Reports submitted to				Total
	Congress	Congressional committees	Members of Congress	Agency officials	
Departments:					
Government-wide and multiagency	4	2	1	—	7
Agriculture	7	2	6	1	16
Army (Corps of Engineers)	1	—	7	1	9
Housing and Urban Development	9	3	8	6	26
Interior	8	4	5	5	22
Transportation	2	5	5	5	17
Independent agencies:					
American Revolution Bicentennial Administration	1	—	—	—	1
Atomic Energy Commission	1	—	1	3	5
Energy Research Development Administration	4	3	1	—	8
Environmental Protection Agency	3	3	3	3	12
Federal Energy Administration	—	—	—	1	1
Nuclear Regulatory Commission	—	—	1	1	2
Tennessee Valley Authority	—	—	2	—	2
United States Railway Association	1	—	—	1	2
Organization outside the Federal Government:					
National Railroad Passenger Corporation	—	—	1	—	1
Total	41	22	41	27	131

as a means of achieving a balanced national growth. We reported to the Congress that the statutory commitment to rural development had not been fully supported by Government actions. The Department of Agriculture needed to quantify—on both a national and a regional basis—the employment, income, population, housing, and community services and facilities goals called for by the act so that progress toward their attainment could be measured and reported on.

We evaluated several problems identified by residents of a specific rural area in South Dakota which was selected in cooperation with the Department of Agriculture because it was typical of many areas in the northern Great Plains. We recommended actions to the Departments of Agriculture; Health, Education, and Welfare; and Housing and Urban Development to improve the effectiveness of programs related to agricultural and economic development, health services, and housing in rural areas.

The Departments generally agreed with our findings. However, Agriculture disagreed with the timing and method we had used for establishing quantified goals, and it expressed reservations about our use of a specific area in South Dakota to reach na-

tional findings and conclusions. (RED-75-288, Jan. 8, 1975.)

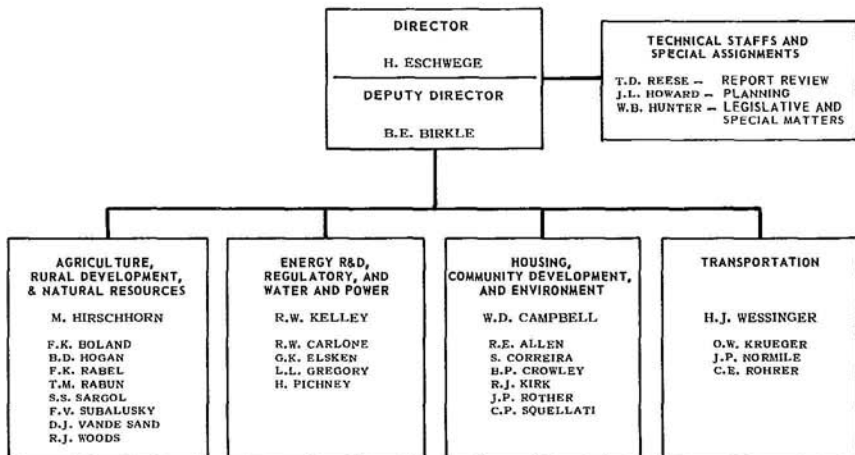
Federal Environmental Data Systems

At the request of the Chairman, Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries, we reviewed the environmental data collection and storage activities of the Federal agencies.

We identified 320 separate data systems in 8 departments and 10 independent agencies that were collecting and storing environmental data—many on a nationwide basis. Although no central focal point existed for exchanging or collecting environmental data, many systems were sharing data with other Federal agencies. Most of the data was useful for the specific purpose for which it was collected; however, it might have only marginal utility beyond its original use. Introducing data into an information system without regard to its utility can be costly.

We recommended defining the environmental problems to be solved and determining the analysis tools needed to assist in solving the problems be-

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fore a nationwide network of interconnected environmental data systems is established. (RED-75-281, Nov. 22, 1974.)

Improved Benefit-Cost Analyses for Federal Water Resources Projects

The Bureau of Reclamation, Department of the Interior; the Corps of Engineers, Department of the Army; the Soil Conservation Service, Department of Agriculture; and the Tennessee Valley Authority made benefit-cost analyses for water resources projects. Water resources projects are seldom authorized unless their estimated benefits exceed their estimated costs.

We reported to the Congress that the governing criteria had not been uniformly and consistently applied in making benefit-cost determinations because of (1) inadequate agency guidance, (2) varying interpretations and inconsistent application of governing criteria, and (3) a lack of or incomplete studies and analyses by the agencies of data pertinent to making determinations and computations.

The Water Resources Council issued "Principles and Standards for Planning Water and Related Land Resources" as the governing criteria, effective

October 25, 1973. Although this helped to correct some problems, other problems remained unresolved. We recommended that (1) the agencies revise or develop, as necessary, their detailed procedures for making benefit-cost determinations and strengthen their internal management procedures relating to such determinations and (2) the Council review the agencies' detailed procedures for uniformity and consistency with the governing criteria and update the governing criteria, as required, to recognize changed objectives, needs, and conditions and improved methods and procedures.

The Council and the agencies generally agreed with our conclusions and recommendations and initiated action to implement our recommendations. (RED-75-264, Sept. 20, 1974.)

National Attempts To Reduce Losses From Floods by Planning for and Controlling the Uses of Flood-Prone Lands

The Federal Government has invested about \$9 billion in flood protection works. However, since the adoption of a national flood control policy in 1936, annual losses from floods have increased steadily and now exceed an estimated \$1 billion annually.

In response to recommendations made in 1966 by the Task Force on Federal Flood Control Policy, the President directed Federal agencies to (1) evaluate flood losses in their programs and take actions to minimize future losses and (2) provide leadership to States, local governments, and others to prevent uneconomic uses of flood plains and to reduce flood losses.

We reported that:

- Federal agencies had not evaluated flood hazards adequately in their (1) construction and disposal programs and (2) grant, loan, and mortgage insurance programs involving public and private facilities.
- The Corps of Engineers and the Soil Conservation Service, Department of Agriculture, had made limited progress in providing technical assistance to localities with flood hazards because of insufficient funding.
- The Office of Management and Budget and the Water Resources Council had been assigned responsibility for monitoring implementation of several of the major task force recommendations, but they had not actively monitored or effectively implemented some of them.
- Generally, there had been inaction on the part of State and local governments to minimize their flood losses.

We recommended that the Secretaries of Agriculture and Housing and Urban Development, the Administrators of the General Services Administration and the Veterans Administration, and the Directors of the Office of Management and Budget and the Water Resources Council take a number of actions which we believed would help the agencies' programs for curtailing flood losses. The agencies concerned generally agreed with our conclusions and recommendations and said that corrective actions would be taken.

In addition, we suggested that the Congress consider requiring the Corps and the Soil Conservation Service to include information in their budget requests on plans, funding projections, and time estimates for completing needed technical assistance projects. (RED-75-327, Mar. 7, 1975.)

Public Involvement in Planning Public Works Projects

Because of the disruptive impact that public works projects can have on individuals and communities

and because of public opposition to many projects, we examined the procedures and practices of three of the largest public works agencies to identify and assess the extent of public involvement in planning and developing projects. The Federal share of the cost of public works projects funded by these agencies—the Federal Aviation Administration, the Federal Highway Administration, and the Corps of Engineers—amounted to over \$5 billion annually.

In our report to the Congress we described a number of areas where greater efforts by the three agencies to involve the public in project planning were needed. Because there are other Federal agencies and programs to which the concepts of public involvement apply, we recommended that the Office of Management and Budget develop uniform Federal standards for involving the public in planning federally sponsored activities. (RED-75-282, Dec. 6, 1974.)

Department of Agriculture

The Department of Agriculture, through its 20 constituent agencies and about 84,000 employees, administers a wide variety of programs to (1) strengthen the agricultural economy through food and fiber production and through marketing activities, (2) improve nutrition through family food assistance programs, child nutrition programs, and nutrition research and education, (3) protect the environment through land, water, and forest conservation activities, and (4) make rural areas a better place to live and work through rural development and extension activities. The Department's budget authority for carrying out these and other activities during fiscal year 1975 was about \$15 billion.

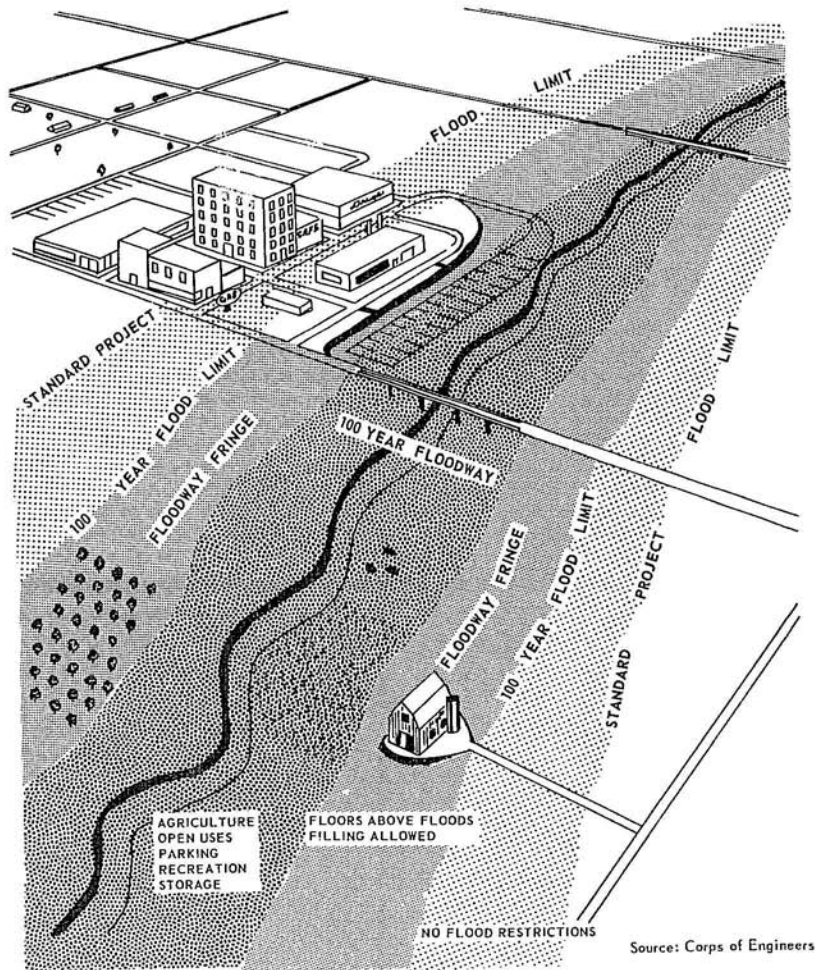
Production and Marketing Activities

Improvements Needed in Regulation of Commodity Futures Trading

The Department of Agriculture's Commodity Exchange Authority was responsible for regulating commodity futures trading until April 21, 1975, when the newly established Commodity Futures Trading Commission became responsible. In a report to the Congress, we made several recommendations to the new Commission for administrative improvements, including (1) improving trade practice investigations by improving exchange records, using com-

FLOOD PLAIN REGULATIONS

TO ENCOURAGE WISE USE AND AVOID FLOOD DAMAGE



puters, and taking prompt action on violations, (2) completing complaint investigations promptly, (3) working with other Federal agencies to improve cash-pricing information, (4) redirecting its audit function to an oversight role and transferring primary responsibility for enforcing required financial provisions to the commodity exchanges, and (5) implementing a formal research program for commodity futures trading, including research into such areas as foreign and trader influence in the futures markets.

The Department of Agriculture said that the report would be made available to the new Commission for its consideration and such action as it may deem appropriate. (RED-75-370, June 24, 1975.)

Reduction in Expenditures Possible Through Assumption of Insured Risks

The storage charges which the Commodity Credit Corporation pays on grain under its price-support programs are set under a contract with commercial warehouses. The storage rate includes a factor for hazard insurance. The Corporation also carries a blanket insurance policy for protection against shortages of warehouse-stored grain.

In a report to the Congress, we recommended that the Secretary of Agriculture have the Corporation

- eliminate hazard insurance coverage on grain and obtain commensurate reductions in storage rates and
- terminate the blanket insurance coverage at the earliest opportunity and assume the risks and responsibility for collecting from warehousemen and their sureties.

The Department was reluctant to eliminate hazard insurance coverage but said that it would reconsider the recommendation after a newly adopted storage rate system has been in operation for a reasonable period of time. Regarding insurance coverage for warehouse shortages, the Department indicated that the policy would not be renewed. (RED-75-320, Jan. 10, 1975.)

Appraisal of the Special Summer Food Service Program for Children

This program provides for feeding, during summer vacation, children from areas having poor economic conditions or high concentrations of working mothers. The Food and Nutrition Service finances

the nonprofit food service at approved locations; the food service is operated by approved sponsors.

We reported to the Congress that, although the program generally accomplished its objective of providing nutritious meals to many eligible children, there were instances of noncompliance with regulations which adversely affected operations. Also, program participation was limited by vagueness in the law as to the coverage desired; lack of strong support at the Federal, State, and local levels; and Federal and State funding limitations.

The Department basically agreed with our recommendations directed at increasing program participation and strengthening program management. We suggested that the Congress define the eligible population and authorize advance payments to sponsors. (RED-75-336, Feb. 14, 1975.)

Observations on the Food Stamp Program

In December 1974, about 17 million people participated in the food stamp program by buying stamps worth more than their purchase price and using them to buy food at grocery stores. The total Federal cost for fiscal year 1974 was \$2.9 billion.

We reported to the Congress that the Food and Nutrition Service, which administers the program, should obtain and use better data on actual and potential program participants to measure program coverage, develop criteria to evaluate and improve effectiveness of outreach, and gauge the impact that contemplated changes would have. Also, the Service *should* take further actions to strengthen its quality control system to help insure program integrity. Quality control data showed that many errors were made in determining applicants' eligibility and purchase prices. Finally, we reported that inconsistencies in program income criteria should be eliminated to insure equitable treatment of all applicants.

The Service said it was implementing or considering implementing all of our recommendations. (RED-75-342, Feb. 28, 1975.)

Forestry and Conservation

Action Needed To Discourage Removal of Trees That Shelter Cropland in the Great Plains

Under a variety of Federal programs over the past hundred years, millions of trees have been planted on the Great Plains. Many were planted to

form field windbreaks to help reduce wind erosion. In recent years, some windbreaks, particularly those planted in the 1930s and early 1940s, have been removed. We reported to the Congress that continued removals would make the erosion problem in the Great Plains more serious and would result in the loss of a valuable resource which had taken many years to develop.

We recommended that the Secretary of Agriculture have appropriate departmental agencies

- survey, especially in the Great Plains, the extent of windbreak removals and the renovation needed to preserve existing windbreaks;
- encourage counties to carry out a cost-sharing windbreak renovation program; and
- initiate an educational program to support efforts to preserve and renovate existing windbreaks.

Agency officials generally agreed with the recommendations and said that a cost-sharing windbreak renovation program could be implemented under existing legislation. (RED-75-375, June 20, 1975.)

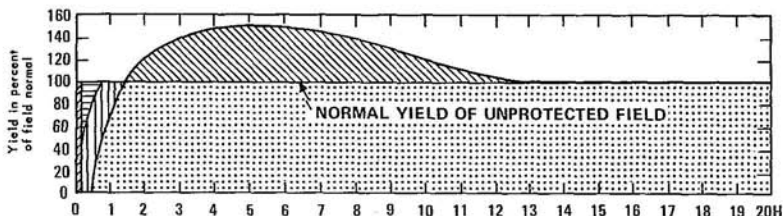
Testimony at Hearings

We testified in April 1975 before the Subcommittee on Federal Spending Practices, Efficiency and Open Government, Senate Committee on Government Operations, on our observations on the food stamp program. (RED-75-342, Feb. 28, 1975.)





Audit Work in Process

At June 30, 1975, we were reviewing (1) rural economic development programs and policies, (2) procedures for establishing or relocating Federal offices and facilities in rural areas, (3) problems impeding the economic improvement of small-farm operators, (4) the Government's program to alleviate losses suffered by agricultural producers due to natural disasters, (5) the Department's short-range forecasting of commodity supplies, demands, and prices, (6) the food stamp program, (7) efforts to curb soil erosion problems on U.S. agricultural lands, and (8) food production and marketing activities.

Windbreak Effect on Crop Yield



(H = 40 feet in this diagram)

-  Unplanted field borders.
-  Normal crop loss at field borders.
-  Crop loss in sapped strip near trees.
-  Crop gain due to windbreak effect.

Department of the Army Corps of Engineers (Civil Functions)

The civil works functions of the Corps of Engineers consist of several related activities for controlling and developing beneficial uses of water resources in the United States, Puerto Rico, and the Virgin Islands. These functions include engineering, designing, constructing, operating, and maintaining navigation projects; beach erosion control projects; flood control projects; and multiple-purpose projects.

For fiscal year 1975 the Congress appropriated approximately \$1.7 billion to the Corps for its authorized civil functions. The Corps employed about 28,500 people to carry out these functions.

National Efforts To Preserve the Nation's Beaches and Shorelines— A Continuing Problem

Damage due to erosion is a major problem on the Nation's coastal and Great Lakes shorelines. Federal progress in controlling beach and shoreline erosion has been slow, and limited effort has been expended by State and local agencies on beach and shoreline erosion control activities. In a 1971 report, the Corps of Engineers estimated that the total Federal, State, and local cost to construct suitable protection works for the Nation's 2,700 miles of critically eroded areas would be about \$1.8 billion; the cost for placing sand on the beaches to reduce erosion damage would be an additional \$73 million annually.

We recommended that the Secretary of the Army require the Corps of Engineers to monitor the condition of the Nation's beaches and shorelines and develop uniform criteria and methodology for use in its assessments, with maximum State and local government participation and using information developed under the requirements of the Coastal Zone Management Act. We recommended also that the Secretary require the Corps to accelerate the application of its research efforts by more directly involving its Coastal Engineering Research Center in individual project planning and development. (RED-75-364, June 11, 1975.)

Audit Work in Process

Audit work in process at the end of the fiscal year included (1) economic and environmental analyses of several Corps water resource projects and (2) reviews of the demonstration program to extend the navigation season on the Great Lakes-St. Lawrence Seaway system and the Corps of Engineers' dredging activities.

Department of Housing and Urban Development

The Department of Housing and Urban Development administers programs related to (1) housing production and mortgage credit, (2) housing management, (3) community planning and development, and (4) policy development and research.

During fiscal year 1975, the Department had about 15,200 employees and appropriations totaling about \$5.2 billion. In addition, \$200 million was appropriated to the President for disaster relief—an activity administered by HUD's Federal Disaster Assistance Administration.

Local Housing Authorities Could Improve Their Operations and Reduce Dependence on Operating Subsidies

Local housing authorities provide housing to low-income families who cannot afford private housing. These authorities received an estimated \$1.6 billion in Federal operating subsidies between the authorization of subsidies in 1969 and June 30, 1975. The major reasons the housing authorities had been experiencing deteriorating financial conditions requiring operating subsidies included

- increases in the number of extremely low-income tenants in low-rent public housing;
- increases in operating costs due to inflation, vandalism, and the provision of new services; and
- the enactment of Federal legislation that limited the amount of rent charged to tenants.

We reported to the Congress that local housing authorities (1) had an opportunity to establish more equitable rent schedules, (2) needed to improve their rent collection efforts, and (3) should, along with

HUD, take action to reduce vacancies and vandalism in public housing.

We recommended that the Department develop and maintain equitable rent schedules, improve rent collection efforts, and reduce vacancies and vandalism in public housing. HUD generally agreed with our recommendations.

We also recommended that the Secretary of HUD arrange with the Department of Health, Education, and Welfare to encourage State welfare agencies to make rental payments to local housing authorities for housing provided to certain welfare recipients who are chronically delinquent in making rent payments. (RED-75-321, Feb. 11, 1975.)

Assistance to Homeowners for Correcting Housing Defects

The Department was authorized in 1970 to correct or to compensate owners for defects seriously affecting the use and livability of housing insured un-

der the homeownership assistance program. By June 30, 1974, HUD had spent \$7.4 million correcting housing defects.

We reported to the Congress that improvements were needed in making and inspecting repairs, contracting for repairs, and settling claims because

- repairs had not been made promptly,
- defects approved for repair had not been properly corrected,
- not all defects eligible for repair had been approved,
- contract specifications for repairs had not been required,
- sound contracting practices had not been followed, and
- claims against sellers for funds due HUD had not been collected.

The Department said it would issue new procedures to (1) improve the level of assistance provided homeowners, (2) reflect compliance with the Federal Procurement Regulations, and (3) strengthen controls over claim collections. (RED-75-340, Mar. 19, 1975.)

The Federal Crime Insurance Program: How It Can Be Made More Effective

HUD operates the Federal crime insurance program to help protect property owners from losses.

We reported to the Congress that the program was meeting a need but that policy sales had been low since the program began and were below expectations. We noted that (1) agents and brokers had not been actively selling the insurance, especially in high-crime areas where the program was most needed, (2) most of HUD's promotion efforts had not been specifically directed to the potential customer, and (3) protective device requirements had hindered program sales because the devices were too costly. In addition, HUD's review of private crime insurance availability had not been adequate to determine whether the program should be offered in more States.

We recommended that the Congress consider requiring the Department to

- increase commissions of persons selling crime insurance;
- train interested individuals to sell the insurance;
- increase its promotion of the program;



Vandalized bathroom severely damaged and stripped of fixtures.

- concentrate the selling efforts in the high-crime, inner-city areas;
- reevaluate its protective device requirements with a view toward reducing their costs; and
- make more indepth reviews of the program's need in States where Federal crime insurance is not available. (RED-75-333, Apr. 11, 1975.)

Greater Benefits Can Be Derived From Improved HUD Audits of Program Participants

The Department's programs and activities provide assistance for housing and community development. The audit function serves as an important part of its system of management control over these programs and activities.

We reported to the Congress that HUD's project audits could have served management better if the Office of Audit had always identified what caused the major deficiencies at the program participant level. Also, a large number of reported deficiencies remained uncleared for long periods because departmental officials assigned a low priority to this function.

We recommended that the Secretary of HUD

- require the Office of Audit to identify and report what caused the major deficiencies reported at the program participant level,
- require the Department's management to devote high priority to resolving uncleared audit findings, and
- require the Inspector General to periodically report to the Secretary on the status of uncleared audit findings.

The Department agreed with the objective of our recommendations but said its current audit policies and practices substantially achieved those objectives. We believe there is room for further improvement. (RED-75-279, Nov. 25, 1974.)

Getting the New Communities Program Started: Progress and Problems

The Department guarantees obligations of private and public developers which buy and develop land for residential, commercial, and industrial uses under the new communities program. We reviewed 4 of the 10 new community projects HUD had

approved for guarantee assistance as of January 1, 1974.

We reported to the Congress that

- projects were not being undertaken in older central cities, smaller towns, and rural areas because unique problems in these areas increased costs of the projects and risks of the developers;
- HUD used inadequate market and financial feasibility studies or made inadequate evaluations of such studies in guaranteeing \$77 million in obligations;
- HUD was not fully aware of the financial difficulties the developers were encountering because it did not require the developers to periodically revise their financial projections; and
- the Federal Government may not have been adequately protected from potential financial loss because HUD accepted as collateral (1) real property that was not properly valued and (2) items that had little or no value.

We recommended that HUD improve its program administration in the areas of feasibility studies, financial monitoring, and collateral determination. We also recommended that, among other alternatives, the Congress consider providing additional financial assistance and tax incentives to encourage development of projects in central cities, small towns, and rural areas.

The Department generally agreed with our recommendations and outlined corrective actions underway or planned. (RED-75-284, Nov. 15, 1974.)

Testimony

We testified in March 1975 before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing, and Urban Affairs, on the findings, conclusions, and recommendations in our February 1975 report that local housing authorities can improve their operations and reduce dependence on operating subsidies.

Audit Work in Process

Work in process at June 30, 1975, included reviews of HUD's mortgage insurance programs, its use of public accountants to audit local housing authorities, and the adequacy of its environmental clearance/impact statements.

Department of the Interior

The Department of the Interior's activities include (1) administering over 500 million acres of Federal land and trust responsibilities for approximately 50 million acres of land, mostly Indian reservations, (2) conserving and developing mineral and water resources, (3) promoting mine safety and efficiency, (4) conserving, developing, and using fish and wildlife resources, (5) coordinating Federal and State recreation programs, (6) preserving and administering the Nation's scenic, historic, and recreation areas, (7) restoring arid lands in the West through irrigation, and (8) managing hydroelectric power systems. The Department is also concerned with the socioeconomic development of the territories of the United States and the Trust Territory of the Pacific Islands. In addition, the Department administers programs providing services to Indians and Alaska Natives.

During fiscal year 1975, the Department's 21 agencies had a work force of about 58,000 and a budget of about \$2.5 billion.

Need for Improved Land Management Activities on Indian Reservations

The Bureau of Indian Affairs administers the Government's Indian trust responsibilities; however, these responsibilities have not been clearly defined in treaties, legislation, or administrative action. Specific duties and responsibilities of Indian tribes, groups, and individuals under the program of Indian self-determination, whereby Indians administer their own affairs, have not been defined. In a report to Senator George McGovern, we recommended that the Secretary of the Interior direct the Bureau of Indian Affairs to

- resolve the conflict between interpretations of where the Bureau's trust responsibilities end and where Indian self-determination begins,
- make the required range inspections and livestock counts to avoid possible deterioration of range lands,
- determine what factors Bureau officials should consider in determining if a proposed land sale is in the long-range best interest of an Indian owner,
- provide written notices to Indian owners that mineral rights in land to be sold may be reserved

and provide written notices of proposed sales of Indian trust lands to applicable tribes, and

- review its basis for determining the reasonableness of rates for farm and pasture leases and include specific documentation in the files to explain and justify the criterion used. (RED-75-360, June 4, 1975.)

Improvements Needed in Federal Efforts To Assist Business Development On Indian Reservations

About 550,000 Indians live on or near more than 200 reservations under Federal jurisdiction. The reservations' economic environments are typified by high unemployment and low family income levels.

We concluded that greater success in establishing businesses on Indian reservations and increasing Indian employment opportunities would depend on Federal agencies' doing a better job in attracting sound business prospects to the reservations.

Because of the proliferation of Federal programs involving Indian financing, action is needed to (1) determine how the agencies, collectively, can meet Indian needs and (2) assign responsibility to a single agency for directing and coordinating Indian economic development. A formal coordinating mechanism would provide a focal point for program administrators involved in Indian economic development efforts to share experiences and work toward a sound approach to Indian economic development assistance.

Rewards at stake through better program results are considerable. If jobs planned for Indians through federally funded projects had been realized, unemployment on the seven reservations we reviewed would have dropped about 70 percent.

We recommended that the Director, Office of Management and Budget (1) provide for an organizational framework which would clarify Federal Indian economic development program and coordination responsibilities and (2) work with appropriate heads of departments and agencies to develop, by means of an interagency committee, improved procedures for project evaluation and monitoring and a systematic broad-scale promotional program.

We recommended also that the Secretary of the Interior have the Commissioner of Indian Affairs try to identify solutions to the problems of excessive turnover of Indian labor and consider establishing a postemployment counseling program as one pos-

sible solution to helping the Indian worker adjust to a structured work environment. (RED-75-371, June 27, 1975.)

Need for More Information on Plans for Constructing the Garrison Diversion Unit in North Dakota

We reported to the Conservation and Natural Resources Subcommittee, House Committee on Government Operations, that the estimated costs of the Garrison project included in the Bureau of Reclamation's fiscal year 1975 budget submission were understated by about \$72.6 million and exceeded the Bureau's latest estimate of the project's authorized cost ceiling by about \$41.2 million. We could not precisely determine the amount understated because the Bureau had not fully assessed (1) the total effect of changes to the authorized project plans and (2) the additional requirements imposed by general legislation and new construction standards. Also, the Bureau estimated that from \$4.2 million to \$35 million in additional funds might be required to settle a project water quality dispute with Canada.

We recommended that the Secretary of the Interior require the Bureau to update its estimate of total project costs so that the appropriate congressional oversight and appropriations committees would be more fully informed of estimated cost increases which would cause the Garrison project to exceed its authorized cost ceiling. We recommended also that the Secretary of the Interior formally advise these congressional committees of the water quality dispute with Canada because its potential effect on total estimated cost could be to further exceed the authorized cost ceiling. (RED 75-277, Nov. 25, 1974.)

Testimony

On August 21, 1974, we testified on certain financial aspects of a contract between the National Park Service and Park Reservation Systems, Inc., for a national park reservation system.

Audit Work in Process

Audit work in process at the end of the fiscal year included reviews of the (1) efforts by the Bureau of Indian Affairs to encourage the development of

natural resources on Indian reservations, (2) National Park Service's Opportunity Purchase Program, (3) concession operations in the national parks, (4) Federal land exchanges with private citizens, (5) Respirable Coal Mine Dust Sampling Program, (6) potential for increasing the availability and sale of Federal hydroelectric capacity and for increasing the effectiveness of interconnections and transmission systems, (7) effectiveness of river basin commissions in planning for the development and utilization of water and related land resources, and (8) Federal efforts to manage ground water resources and improve irrigation water management.

Department of Transportation

The Department of Transportation had an estimated budget outlay of \$9.1 billion for fiscal year 1975 for providing fast, safe, and efficient air, highway, rail, and urban mass transit systems and for operating the U.S. Coast Guard. The Department had over 111,000 employees—73,500 civilians and 37,500 members of the U.S. Coast Guard.

Need To Improve Benefit-Cost Analysis In Setting Motor Vehicle Safety Standards

The National Traffic and Motor Vehicle Safety Act of 1966 directed the Department to establish motor vehicle safety standards that are reasonable, practicable, and appropriate for the particular type of motor vehicle or item of equipment to which they apply. To carry out this function, the National Highway Traffic Safety Administration uses benefit-cost analyses to evaluate the merits of proposed highway safety standards. We reported to the Chairman, Senate Committee on Commerce, that the Safety Administration's estimate of annual accident costs (\$46 billion) was much higher than the estimates of the National Safety Council (\$15 billion) and the Office of Science and Technology (\$18.7 billion) because data sources, statistical bases, assumptions, and calculations of cost varied.

We recommended that the Committee consider (1) discussing with the Safety Administration the need to reevaluate the data, data bases, and assumptions used in estimating accident costs and (2) initiating legislation requiring the industry to furnish manufacturing cost and leadtime data if the Safety

Administration's efforts to seek manufacturers' cooperation in providing such data fails. Subsequent to our report, Public Law 93-492 was enacted on October 27, 1974, to give the Safety Administration authority to obtain information, such as manufacturers' cost and leadtime data, by subpoena or otherwise. (RED-75-251, July 22, 1974.)

Grants To Improve Bus Transit Systems—Progress and Problems

To help meet metropolitan transportation needs, the Urban Mass Transportation Administration offers Federal grants to local authorities for developing transit systems. Through April 30, 1975, grants totaling \$3.6 billion had been provided for transit systems.

We reported to the Congress on the progress and problems experienced by four public bodies in taking over bus transit systems, as well as areas for improvement in administration. The four transit systems—Atlanta, Honolulu, Minneapolis-St. Paul, and Portland, Oregon—had succeeded in reversing a long decline in ridership. Aggregate figures showed an increase of about 20 million riders in 1973 over low points during the early 1970s.

The Department said that our recommendations for improving program management were sound and that it would intensify actions to insure that they were implemented fully. (RED-75-275, Nov. 25, 1974.)

Vessel Traffic Systems—What Is Needed To Prevent and Reduce Vessel Accidents?

The Ports and Waterways Safety Act of 1972 authorized a vessel traffic control program for congested U.S. waterways to reduce loss of life, injuries, and damage to property and the environment resulting from the steadily increasing number of vessel accidents. Under the program, the Coast Guard was developing or operating vessel traffic systems in six U.S. ports using various combinations of electronic surveillance.

In a report to the Congress, we recommended that, before planned sophisticated elements are added to the six vessel traffic systems, the Coast Guard should develop basic systems for several other ports or waterways which would be more cost effective in preventing vessel casualties. Coast Guard

data showed that major reductions in vessel casualties could be effected with basic systems. The Coast Guard said it could not accept our recommendation entirely because it intended to insure that decisions were made on a port-by-port basis.

The Coast Guard had made only limited use of its authority under the Ports and Waterways Safety Act to regulate vessel movements in the U.S. ports and waterways. We recommended that the Coast Guard give national emphasis and direction to establishing regulations, such as vessel speed limits and limitations on size of tows, to control vessel traffic. The Coast Guard said appropriate regulations were being developed in line with our recommendation. (RED-75-319, Jan. 21, 1975.)

Improved Procedures Needed for Implementing Aviation Safety Recommendations

At the request of Congressman Ralph H. Metcalfe, we reviewed the Federal Aviation Administration's responsiveness to safety recommendations made by the National Transportation Safety Board and the Board's procedures for following up on its recommendations.

During fiscal years 1970-74, the Board made 655 safety recommendations to FAA. As of August 29, 1974, 222 of these recommendations were classified by the Board as needing followup.

We reported that FAA had not always taken prompt and effective action on the Board's recommendations and that it had not adequately monitored the status of actions promised. As a result, actions could be dormant for long periods or they could be forgotten. FAA generally agreed with our recommendations to improve its responsiveness to the Board's recommendations.

We reported also that the Board had established new procedures for evaluating and following up on FAA's actions which should solve many of the problems of determining whether that agency adequately considered the Board's recommendations or made adequate progress in correcting problems. (RED-75-334, Mar. 6, 1975.)

Testimony at Hearings

On March 25, 1975, we testified before the Subcommittee on Government Activities and Transportation, House Committee on Government Opera-

tions, on the results of our review of the procedures for implementing aviation safety recommendations.

Audit Work in Process

At June 30, 1975, we were reviewing the (1) development of a national transportation policy, (2) policy considerations for funding of inland waterway improvements and operations, (3) effectiveness of the Federal Aviation Administration's program to improve airport safety, (4) bridge inspection and replacement program of the Federal Highway Administration, and (5) effectiveness of automobile safety standards established by the National Highway Traffic Safety Administration.

Environmental Protection Agency

The overall mission of the Environmental Protection Agency is to protect and enhance the Nation's environment by conducting environmental research, establishing and enforcing environmental protection standards, and providing financial assistance to States and municipalities to construct sewage treatment plants. EPA also underwrites local pollution control agency administrative costs and helps finance the cost of local planning for pollution abatement and control.

During fiscal year 1975, the agency spent about \$2.9 billion for environmental protection activities and employed a staff of about 9,200 to administer its water, air, solid waste, pesticide, noise, and radiation related programs.

Using Solid Waste To Conserve Resources and To Create Energy

Recovery of materials and energy from solid waste reduces the volume of wastes requiring disposal and helps to conserve dwindling material resources. We reported to the Congress on the steps taken toward resource recovery with Federal assistance since the passage of the Resource Recovery Act of 1970, including EPA's slow implementation of the act.

Under a major provision of the act, EPA awarded grants of about \$20.4 million for four resource recovery demonstration projects—the first is expected to begin operations in 1975 and the last in 1979. We questioned the need for spending \$9 million on

one of these projects, an energy recovery system, because similar systems were operating or were planned in other locations. EPA and the sponsoring State maintained the position that funding for the project was justified.

We pointed out three major issues affecting the economics of resource recovery which needed to be resolved: (1) possible discrimination in freight rates, which is a major cost element for recovered materials, (2) Federal procurement policy toward products containing recovered and recycled materials, and (3) taxes which favor virgin materials over secondary materials. Resolving these issues will require a cooperative effort on the part of EPA and the Federal agencies responsible for these matters.

EPA agreed with our recommendation that it expand its assistance to States and local communities to solve their solid waste problems by establishing resource recovery systems. (RED-75-326, Feb. 27, 1975.)

Increased Effort Needed To Meet the Great Lakes Water Quality Agreement

In our report to the Congress on the implementation of the United States and Canada Great Lakes Water Quality Agreement of 1972, we pointed out that (1) the United States had made substantial progress in controlling pollution from municipal sources but much remained to be done, (2) the pollution problem in the U.S. portion of the basin was much more serious than the pollution problem in Canada and required considerably more funds to correct, (3) greater progress had not been made because many municipalities did not meet the administrative and legislative requirements for Federal funding, and (4) Federal funding for research on the Great Lakes' ecological system had been delayed during fiscal years 1973 and 1974 because some of the available funds had been transferred to another program and some had been impounded by the administration.

We recommended that EPA (1) explore with Canada the possibility of expanding their joint research and development program to find ways to minimize the cost of controlling pollution from combined sewer overflows and (2) prepare an estimate of the funds needed for (a) research aimed at gaining a greater understanding of the Great Lakes ecological system and (b) monitoring and surveillance

activities and present this information to the appropriate congressional committees.

The Agency generally agreed with our findings. (RED-75-338, Mar. 21, 1975.)

Value Analysis for Reducing Waste Treatment Plant Costs

In our report to the Congress on EPA's implementation of cost reduction techniques in its construction grant program, we pointed out that a potential lifetime savings of \$5.2 million—in capital costs; annual operation, maintenance, and replacement costs; and interest costs—had been identified in a value analysis study of a municipal waste treatment plant with a capital cost of \$4.1 million. Because of the magnitude of the estimated \$107 billion required to construct municipal waste treatment facilities, even minor percentage reductions in waste treatment facilities' costs would result in large dollar savings.

We recommended that EPA establish and implement a value analysis program and incorporate it into EPA's construction grant program to insure that treatment facilities are constructed at the lowest cost. However, the current method of using the percentage of construction cost of the facilities to procure consulting engineering firm services is incompatible with establishing such a program because the firms have little incentive for reducing costs and thereby reducing their fees.

EPA generally agreed with our findings and said that it was strongly committed to having value analysis as part of its construction grant program. (RED-75-367, May 8, 1975.)

Testimony at Hearings

In August 1974 we testified before the Subcommittee on the Environment, Senate Committee on Commerce, on the results of our May 1974 report concerning our review of EPA's pesticide market surveillance program. This review showed, among other things, that consumers had not been adequately protected from defective pesticides.

We also testified in April 1975 before the Subcommittee on Transportation and Commerce, House Committee on Interstate and Foreign Commerce, on the progress and problems in implementing the Resource Recovery Act of 1970. Our testimony in-

cluded comments on the need for certain changes in H.R. 5487, a bill then under consideration by the Subcommittee.

Audit Work in Process

Work in process at June 30, 1975, included reviews of EPA's (1) program for controlling and eliminating the ocean dumping of municipal and industrial wastes, (2) pesticide registration and tolerance programs, (3) compliance with user charge requirements in the construction grants program, (4) research programs on the effects of air pollution, and (5) waste treatment construction grant program.

Energy Research and Development Administration

The Energy Research and Development Administration was established in January 1975 by the Energy Reorganization Act of 1974 to bring together in a single agency the major Federal energy research and development activities. Energy research and development functions previously handled by the Atomic Energy Commission, the Department of the Interior, the National Science Foundation, and the Environmental Protection Agency were consolidated under the new agency. Its major program areas are fossil energy; nuclear energy; solar, geothermal, and advanced energy systems; conservation; environment and safety; and national security.

ERDA's operating expenses will be about \$3.4 billion annually. It employs about 7,400 Government employees and has a system of Government-owned facilities operated by industrial, educational, or other nonprofit organizations which employ about 90,000 people.

During the fiscal year, most of our audit work at this agency related to energy matters. Summaries of some of our energy-related reports appear in chapter 6.

Isolating High-level Radioactive Waste From the Environment: Achievements, Problems, and Uncertainties

We reported to the Congress that the Atomic Energy Commission had made considerable progress toward insuring safe storage of high-level radio-

active waste generated by AEC and industry. Problems had been encountered with containing liquid wastes in underground tanks and with spillages in schedules for solidifying such wastes. The program for managing commercially generated waste had also progressed. (RED-75-309, Dec. 18, 1974.)

Controlling the Radiation Hazard From Uranium Mill Tailings

We reported to the Congress on the progress being made (1) under the federally supported remedial action program authorized in June 1972 to provide financial assistance to the State of Colorado to limit exposure of individuals to radiation from uranium mill tailings used in construction projects in Grand Junction, Colorado, and (2) for the long-term control and stabilization of uranium mill tailings in western States.

On the remedial action program, we recommended that the Administrator of the Energy Research and Development Administration (1) request the Colorado Department of Health to (a) make additional efforts to directly contact property owners of unsurveyed locations to obtain the necessary radiation measurements and (b) require that determination of "no undue concern," based on subjective judgment, be reviewed by supervisory management officials and (2) require the Administration to review all such determinations. Also, since it was likely that certain objectives of the remedial action program would not be met because of its voluntary nature, we suggested that the Congress consider having the Administration submit a report on its progress and the extent to which the program objectives will not be met.

With respect to the efforts to control and stabilize uranium tailings, we recommended that the Chairman, Nuclear Regulatory Commission, (1) assess the capability and willingness of States to assume and carry out programs for long-term monitoring of tailings piles and for correcting any problems in tailings

stabilization and control programs and (2) determine what additional Federal authority, if any, is needed to improve such programs. (RED-75-365, May 21, 1975.)

Audit Work in Process

Work in process at the end of the fiscal year included reviews of foreign breeder programs and of ERDA's programs on (1) solar energy, (2) energy conservation, (3) uranium ore, and (4) safeguarding nuclear materials.

Federal Power Commission

The Federal Power Commission, an independent regulatory agency of the Federal Government, regulates the interstate aspects of the electric power and natural gas industry, administers a broad program to promote and encourage the efficient utilization of the Nation's natural resources, and issues licenses for the construction and operation of non-Federal hydroelectric projects that are consistent with the comprehensive development of the Nation's water resources. The Commission also has certain responsibilities for gas under the Outer Continental Shelf Lands Act and for investigating the environmental impact of some of the activities it regulates.

During fiscal year 1975, the Commission had about 1,300 personnel positions and its programs cost about \$33 million.

Most of our audit work during the year related to energy matters, which are discussed in chapter 6.

Audit Work in Process

Work in process at June 30, 1975, included reviews of procedures for auditing the costs of political energy advertising and a contract awarded for the development and operation of a regulatory information system.

Justice, and the Treasury; the District of Columbia Government; the Small Business Administration; the United States Postal Service; certain regulatory agencies; the judicial and legislative branches; and various other agencies and commissions. It is also responsible for audit work related to Federal, State, and local intergovernmental relations.

The Director of the division is Victor L. Lowe and the Deputy Director is William J. Anderson.

Audit Reports

During fiscal year 1975, we submitted 80 reports to the Congress—24 to the Congress, 26 to congressional committees, 22 to Members of Congress, and 8 to officers of the Congress on activities of the legislative branch. We sent 22 reports to department or agency officials. A list of these reports is included in appendix 2. Table 1 shows the numbers and types of reports relating to each agency.

CHAPTER THIRTEEN

GENERAL GOVERNMENT OPERATIONS

Responsibilities

The General Government Division is responsible for audit work at the Departments of Commerce,

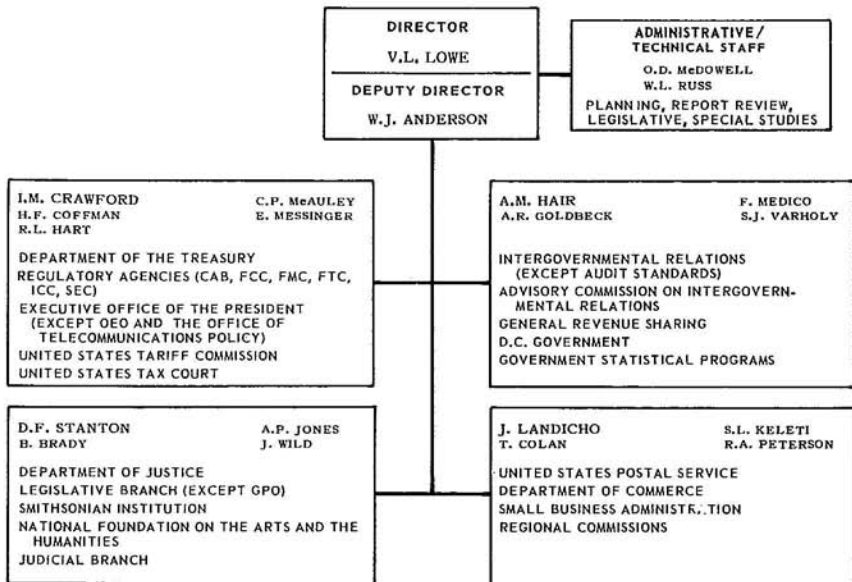
Department of Commerce

The primary mission of the Department of Commerce is to promote and develop the foreign and

Table 1

	Reports submitted to					Total
	Congress	Congressional committees	Members of Congress	Officers of Congress	Agency officials	
Departments:						
Commerce	2	2	—	—	—	4
Justice	9	6	6	—	2	23
Treasury	2	2	—	—	3	7
Independent agencies:						
District of Columbia Government	2	1	1	—	2	6
Executive Office of the President	—	1	—	—	—	1
National Foundation on the Arts and the Humanities	—	—	1	—	1	2
Regulatory agencies and commissions	—	—	4	—	2	6
Revenue Sharing	1	—	2	—	1	4
Small Business Administration	1	1	—	—	—	2
Smithsonian Institution	—	1	—	—	—	1
United States Postal Service	3	7	8	—	9	27
Multiagency	2	1	—	—	—	3
Judicial branch	1	1	—	—	—	2
Legislative branch	1	3	—	8	2	14
Total	24	26	22	8	22	102

GENERAL GOVERNMENT DIVISION



JUNE 30, 1975

domestic commerce of the United States and to foster, serve, and promote the Nation's economic development and technological advancement. The Department incurred obligations of about \$1.8 billion during fiscal year 1975 and had about 35,000 employees at the end of the fiscal year.

National Oceanic and Atmospheric Administration

Marine Science Activities and Oceanic Affairs

In connection with the National Ocean Policy Study, the Chairman, Senate Committee on Commerce, asked us to obtain information on Federal agencies administering programs related to oceanic affairs and marine science activities. Our report to the Congress supplied funding data and a description of 11 agencies' programs. The funds allocated

to the programs were about \$2 billion for fiscal year 1975. (GGD-75-61, Feb. 25, 1975.)

Audit Work in Process

Audit work in process at June 30, 1975, included audits of Federal programs related to marine science activities and oceanic affairs; the collection and dissemination of scientific, technical, and engineering information; the effectiveness and management of the minority business program; and planning for use of U.S. pavilion facilities used in international expositions held in the United States.

Department of Justice

The Department of Justice primarily enforces Federal laws; represents the Government in legal

GENERAL GOVERNMENT OPERATIONS

matters; helps State and local governments reduce crime; confines, supports, and rehabilitates Federal offenders; administers the immigration and naturalization laws relating to the admission, exclusion, deportation, and naturalization of aliens; and controls narcotics and dangerous drug abuse. The Department has about 50,000 employees, and its estimated expenditures were about \$2.1 billion for fiscal year 1975.

Federal Regulation of Lobbying Act

At the request of the Chairman, Senate Committee on Government Operations, we reported on administration and enforcement practices under the Federal Regulation of Lobbying Act.

Prior congressional scrutiny generally found the act ineffective. Much of the criticism stemmed from the act's vague language and the Supreme Court's interpretation of it. Although the act is administered by the Secretary of the Senate and the Clerk of the House of Representatives, they do not have investigative authority, the right to inspect records, or enforcement power. Reports required to be filed with the Clerk and the Secretary were, in many cases, incomplete or late.

The Department of Justice handles criminal violations of the act. However, the act does not specifically authorize the Department to monitor lobbying. The Department's involvement was limited to enforcement on complaints received.

We testified on these and similar matters before the Committee on April 22, 1975. (GGD-75-79, Apr. 2, 1975.)

Special Assistance to the Congress

We provide special assistance to the Congress to help it oversee operations of the Federal Bureau of Investigation. At the request of the Chairman, House Judiciary Committee, we are investigating the FBI's domestic intelligence operation. The Chairman said that, to preclude duplication of effort, his Committee will share the information we report with other select congressional committees investigating intelligence operations.

At the request of the Chairman, Senate Judiciary Subcommittee on Constitutional Rights, we are investigating the FBI's proposal to expand the operation of its computerized criminal history system by providing limited message-switching of such infor-

mation among the States. This work is being done in connection with the Subcommittee's consideration of legislation (S. 1427 and S. 1428) to guarantee the security and privacy of criminal history information.

At the request of the Chairman, House Judiciary Subcommittee on Crime, we provided information to help the Subcommittee oversee the Law Enforcement Assistance Administration's programs.

Law Enforcement Assistance Administration

The Law Enforcement Assistance Administration (LEAA) primarily helps State and local governments to improve their criminal justice systems and reduce crime. Since fiscal year 1969, the agency has provided the States with over \$2.6 billion for these purposes.

How Criminal Justice Agencies Use Criminal History Information

At the request of the Chairman, Subcommittee on Constitutional Rights, Senate Committee on the Judiciary, we reported on (1) the extent that information in criminal histories was used by Federal, State, and local agencies for prearrest as compared to postarrest purposes and (2) the extent that law enforcement, judicial, and corrections agencies used the information. State and local agencies used such information for prearrest purposes in less than 7 percent of the cases. Federal agencies used the information for prearrest purposes in 23 percent of the cases.

Although most agencies considered response time adequate, slow response times made it difficult for the information to be useful to law enforcement agencies in postarrest followup investigations and to courts for setting bail. Also, poor coordination among criminal justice agencies resulted in multiple requests for information on the same individual.

We suggested that Federal, State, and local criminal justice agencies study information flow procedures to reduce response time where necessary and minimize the frequency of requests. (GGD-75-6, Aug. 19, 1974.)

Progress in Determining Approaches Which Work in the Criminal Justice System

Congressional concern with attempts by LEAA and the States to evaluate their programs since

LEAA was created by the Omnibus Crime Control and Safe Streets Act of 1968 led to a mandate in the Crime Control Act of 1973 that LEAA evaluate its programs.

We reported to the Congress that, between passage of the 1968 and 1973 acts, the States made limited progress in evaluating the outcome of their block grants and LEAA gave the States little guidance. LEAA's National Institute of Law Enforcement and Criminal Justice, moreover, had accomplished little in doing outcome evaluations as of August 1973, when the new legislation was enacted. Neither LEAA nor the States had developed adequate systems so that managers could use evaluations to make program and policy decisions. LEAA and the States are becoming increasingly concerned about the need to do evaluations.

We recommended that LEAA issue guidelines that require States to address more specifically how they intend to use evaluations to make management decisions. The Department of Justice generally agreed with our recommendations and has begun to implement them. (GGD-74-84, Oct. 21, 1974.)

The Pilot Cities Program

The Pilot Cities Program was begun in 1970 to demonstrate that improved research could bring about better planning of city and county programs to reduce crime. With a projected cost of \$30 million, it was one of the Law Enforcement Assistance Administration's first attempts to bring about improvements through direct financing.

We reported to the Congress that cumulative experience was sufficient for LEAA to draw useful conclusions about how to promote changes at local levels—one of the program's basic objectives. Essentially, the problems of the program were that:

- Consistent objectives were not agreed upon.
- Teams interpreted the program differently.
- Participating organizations experienced instability.
- Guidelines were too broad as to what was to be accomplished and how.
- Regional LEAA offices used different management methods.

Pilot cities projects generally were not new or innovative and should not have been supported directly with LEAA moneys supposed to be used to solve problems of national importance. In June 1974, we suggested that steps be taken to phase out

the program by June 30, 1975, and LEAA agreed. As a result, about \$9,132,000 programmed for the Pilot Cities Program by LEAA will not be spent. (GGD-75-16, Feb. 3, 1975.)

Federal Efforts To Coordinate Programs To Mitigate Juvenile Delinquency

We reported to the Congress that coordination among Federal agencies to prevent juvenile delinquency or to rehabilitate delinquents had been difficult because no national strategy had been developed.

The Interdepartmental Council to Coordinate All Federal Juvenile Delinquency Programs proved ineffective because it had to rely on funds and staff provided by its member agencies and lacked authority to coordinate their activities. Federal Regional Councils established in 1972 generally were not involved in juvenile delinquency projects because of inadequate leadership from Washington.

The Juvenile Justice and Delinquency Prevention Act of 1974, enacted shortly after we completed our review, is designed to improve the Federal Government's attempts to combat juvenile delinquency.

We testified on these and similar matters before the Senate Judiciary Subcommittee to Investigate Juvenile Delinquency on April 29, 1975. (GGD-75-76, Apr. 21, 1975.)

Halfway Houses as a Viable Alternative to Prison

LEAA funds have been applied to halfway houses, which are community-based correction activities. We reported to the Congress on how successful halfway houses were in rehabilitating offenders, how the houses were coordinated with the States' correction systems, and what standards were being applied to halfway house operations.

Halfway houses are generally neither a part of a statewide, coordinated correction system nor subject to statewide operating standards. The houses achieved some success in working with offenders, but success varied significantly from house to house. Overall, houses were effective with approximately 50 percent of their participants.

We recommended that LEAA take the initiative in improving halfway houses by requiring States, as a condition for obtaining LEAA grants, to include in their plans information on whether operating standards or a coordinated system for halfway houses exist in their State. In those States where

existing standards are not adequate, the plan should specify a course of action to eliminate the impediments to establishing a coordinated, standardized system.

The Department of Justice generally agreed with our recommendations and stated that LEAA would consider setting guidelines for a coordination policy for statewide halfway house programs and for minimum standards for halfway house operations. (GGD-75-70, May 28, 1975.)

Audit Work in Process

Reviews underway at June 30, 1975, included assessments of the (1) adequacy of local jails, (2) effectiveness of probation, (3) adequacy of law enforcement planning, (4) impact of learning problems on juvenile delinquency, and (5) agencies' equipment systems improvement programs.

Drug Enforcement Administration

Stopping the Flow of Drugs From Mexico

The amount of narcotics and dangerous drugs originating from or transhipped through Mexico to the United States continues to increase although the Drug Enforcement Administration and the Mexican Government have intensified enforcement efforts in recent years. We reported to the Congress that several factors have hindered greater effectiveness in reducing the flow of drugs to the United States. Although the U.S. Government can improve the planning and management of its operations and help to train and equip Mexican enforcement personnel, the Mexican Government is the key to any real success.

We recommended that the Attorney General, in cooperation with the Secretary of State, improve information gathering and cooperation in Mexico by encouraging the Mexican Government to (1) share information obtained during interrogation of suspected drug traffickers and (2) prosecute within the Mexican judicial system, those traffickers fleeing to Mexico, if Mexico continues to refuse extradition.

The Department of State endorsed our recommendations and said actions are underway and will be pursued. The Department of Justice stated that some important issues were ignored, such as (1) investigative procedures used by the Mexican Judicial Police, (2) lack of operating agreements between the Drug Enforcement Administration and local

Mexican police officers on custody and prosecution of arrested carriers, and (3) problems created for U.S. border investigations by the policy of the Government of Mexico, which requires that known narcotics and dangerous drugs being smuggled out of Mexico be seized in Mexico. The above issues were not identified by us or recognized by agency officials at the completion of the review as causing major problems. (GGD-75-44, Dec. 31, 1974.)

Testimony Before Congressional Committees

In March 1975 we testified before the Subcommittee to Investigate Juvenile Delinquency, Senate Committee on the Judiciary, on the cultivation, use, and control of opium. We discussed the availability of opium for medical purposes, projections of future needs and quota setting, research to increase opium yields, alternatives to the use of opium, and the Turkish opium poppy ban and its rescission. In June 1975 we testified before the Permanent Subcommittee on Investigations, Senate Committee on Government Operations, on the effectiveness of the Drug Enforcement Administration.

Audit Work in Process

Work in process as of June 30, 1975, included audits of (1) Federal efforts to control the abuse and diversion of methadone in treatment programs, (2) improvements needed in regulating and monitoring the manufacture and distribution of licit narcotics, and (3) the adequacy of controls and disposition practices over seized and forfeited property in the custody of Federal law enforcement agencies.

Immigration and Naturalization Service

Foreign Student Program

We reported to the Congress on the system for admitting foreign students to the United States and the controls designed to insure that they are complying with the conditions of entry. We reported that:

- The Departments of Justice and State were not selectively screening applicants for student status or adequately developing an information system to provide a basis for evaluating their screening procedures.
- Service-approved schools were issuing certificates of eligibility to aliens without thoroughly

assessing their qualifications and were not meeting their reporting responsibilities to the Service.

—The Service's inadequate review of data on students requesting benefits was allowing many students to remain in the United States without seriously pursuing their declared educational goals.

Foreign student status has also become a method for many aliens to gain entry into the United States to acquire, on a preferential basis, permanent resident status. We recommended that, if the Congress wished to eliminate the preferential treatment involving prospective immigrants from the same country, it should require a waiting period for foreign students before allowing them to acquire immigrant status, if grounds for such status were acquired while in an illegal status.

The Departments of Justice and State generally agreed with the report's conclusions and recommendations and promised action where practicable. (GGD-75-9, Feb. 4, 1975.)

Audit Work in Process

Work in process at the Immigration and Naturalization Service at June 30, 1975, included audits of (1) newly arrived immigrants receiving welfare, (2) organized efforts to evade immigration laws, (3) illegal entry into the continental United States through U.S. territories, and (4) the magnitude and impact of legal and illegal aliens on the U.S. economy.

Bureau of Prisons

During fiscal year 1975, the Bureau of Prisons had about 8,400 employees and a \$220 million budget to provide care, custody, and correction for approximately 23,000 prisoners in 55 institutions and 6,000 prisoners in contract facilities.

Inmate Release Funds

At the request of the Chairman, Subcommittee on Courts, Civil Liberties, and the Administration of Justice, House Committee on the Judiciary, we reported on the use which the Attorney General and the Bureau of Prisons made of the statutory authority for providing funds to inmates upon release from prison. Upon release from prison, inmates are given money in the form of a gratuity or loan if prison officials consider this necessary.

The Bureau allows release loans to inmates who work at paid employment outside their prisons. The law, however, does not indicate whether "release" applies only to inmates released after completing their sentence or on parole or whether "release" also includes prisoners "released" to work. To remove all doubts, we recommended that the Subcommittee initiate legislation to authorize or prohibit such loans.

We also questioned whether inmates committed to community treatment centers are eligible for a release gratuity. An inmate is neither discharged from prison nor paroled when committed to a community treatment center. We recommended that, if the Subcommittee wished these inmates to receive release gratuities, it initiate legislation to amend the law to specifically so provide.

The Subcommittee introduced H.R. 2324, which proposes an inmate rehabilitation fund for loans to inmates upon release, work furlough, or transfer to community treatment centers. The gratuity matter is still under consideration. (GGD-75-3, Aug. 16, 1974.)

Audit Work In Process

Work in process at the end of fiscal year 1975 included audits of (1) the Bureau's facilities construction programs, (2) programs for youthful offenders in Federal prisons, and (3) behavior modification programs.

Department of the Treasury

The Treasury Department performs four basic functions: formulating and recommending financial, tax, and fiscal policies; serving as financial agent for the U.S. Government; enforcing the law; and manufacturing coins and currency. The Department has about 121,000 employees.

Method for Paying Interest on Government Trust Funds

Large sums are invested for the major trust funds in Government securities at varying interest rates. The bases for the interest rates which the Department of the Treasury pays on most sums borrowed from the trust funds are prescribed by statute or are established administratively. Because these bases are

not the same, there are inequities in the rate of interest Treasury pays on borrowed funds.

We recommended that the Congress consider enacting one law to provide that the major trust funds, rather than being invested in specific Government securities, be paid interest on the trust fund balances used for nontrust purposes. The interest rate paid to each fund should be the same as, and in line with, the cost of borrowing by Treasury from the public.

In disagreeing with our recommendation, the Department stated that the system recommended was not supported by adequate analysis. However, we believe our analysis was adequate to demonstrate the need for a uniform method for paying interest on Government trust funds. (GGD-75-34, Jan. 10, 1975.)

Premium Pay for Federal Inspectors at U.S. Ports-of-Entry

Four Federal agencies perform inspections at U.S. ports-of-entry. We reported to the Congress that the premium pay laws and regulations of the four agencies—U.S. Customs Service, Immigration and Naturalization Service, Animal and Plant Health Inspection Service, and Public Health Service—contain different provisions for compensating inspectors. As a result, inspectors of different agencies working about the same overtime hours are paid for a varying number of hours. In addition, the amount of premium pay reimbursed to the Government by parties-in-interest (airlines, shipowners, etc.) varied among agencies.

The Secretaries of the Treasury, Agriculture, and HEW and the Attorney General, with the assistance of the Civil Service Commission and the Office of Management and Budget, agreed to develop uniform regulations, to the extent permitted under current laws, on premium pay and on the reimbursability of the costs of inspections at ports-of-entry.

We recommended that the Congress (1) enact one premium pay law to apply to the four inspection agencies for services at ports-of-entry, (2) establish a uniform policy on charges to be made to parties-in-interest for inspections at ports-of-entry, and (3) require the establishment of specific days and hours at each port-of-entry during which the full cost, including overhead, of inspections would be charged to the parties-in-interest. (GGD-74-91, Feb. 14, 1975.)

Internal Revenue Service

The Internal Revenue Service administers all internal revenue laws, except those relating to alcohol, tobacco, firearms, explosives, and wagering. During 1975, this agency spent about \$1.9 billion to help taxpayers meet their filing obligations, audit tax returns, collect the tax due, and make tax refunds and rebates to taxpayers, among other things. It collected revenues of about \$293 billion in fiscal year 1975 and made refunds and rebates of about \$40 billion to taxpayers.

Our review efforts at IRS continue to be limited because it refuses to grant us independent access to records necessary to effectively review its activities. We did work with the agency on efforts to design a new automatic data processing system for tax administration and did review several of its activities at the request of, and as agents of, the Joint Committee on Internal Revenue Taxation.

While our arrangement with the Joint Committee is working satisfactorily, we do not regard it as a substitute for independent GAO audits, since that Committee maintains ultimate control over the areas to be reviewed and controled: the release of our reports. In addition, our ability to respond fully and directly to specific requests of other congressional committees remains impaired. The Deputy Comptroller General testified on these matters before the Subcommittee on Commerce, Consumer, and Monetary Affairs, Committee on Government Operations, House of Representatives, on May 22, 1975.

Tax Withholding for Agricultural Employees

We reported to the Joint Committee on Internal Revenue Taxation that only limited use was made of the Internal Revenue Code provision for voluntary withholding of Federal income tax from agricultural wages. Many agricultural workers (1) were not filing income tax returns, (2) were not reporting all or part of their wages, (3) owed large—relative to their income—year-end Federal income tax payments, or (4) were not paying taxes due when filing their tax returns. These situations lead to tax delinquencies and collection problems for the Internal Revenue Service.

We recommended that the Internal Revenue Code be amended to include agricultural wages in the

mandatory income tax withholding system. (GGD-75-63, Mar. 26, 1975.)

Telephone Assistance to Taxpayers

We reported to the Joint Committee on Internal Revenue Taxation that IRS' national toll-free telephone assistance program needed improvement and that the agency had taken steps to improve it. Problems noted during the January to April 1974 tax filing seasons were telephone equipment failure, inadequate equipment, insufficient staffing, and inadequate management information on the quality of assistance being provided. We made several proposals to the Commissioner of Internal Revenue to improve the quality of the telephone assistance program. The Commissioner agreed with our proposals and put them into effect during the 1975 tax filing season. (GGD-75-69, June 10, 1975.)

Audit Work in Process

At the request of, and as agents of, the Joint Committee on Internal Revenue Taxation, we are reviewing IRS audit and collection activities, taxpayer service efforts, control over access to tax return information, administration of taxes on self-employed income, and use of moneys to pay for confidential and other information from informers and others.

Office of Revenue Sharing

General Revenue Sharing

The State and Local Fiscal Assistance Act of 1972, commonly called the Federal Revenue Sharing Act,

provides for distributing about \$30.2 billion in Federal funds to State and local governments over a 5-year period beginning January 1, 1972. The act also provides that the Comptroller General review the work done by the Treasury and State and local governments to enable the Congress to evaluate compliance and operations under the act. Almost \$21 billion in revenue sharing funds was distributed to the 50 State governments and to over 38,000 local governments during the 2½-year period ended June 30, 1975. Our reviews of this program were designed to develop information to assist the Congress when it considers renewing the program in fiscal year 1976.

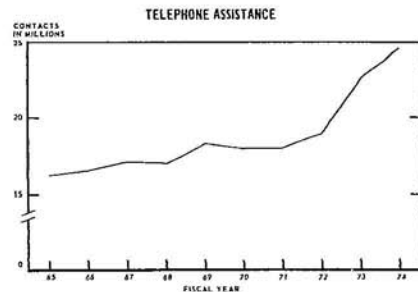
Local Government Modernization

We reported to the Congress on a sampling of current, informed thinking about the prospects for using revenue sharing to achieve a measure of local government modernization and about the status of government in metropolitan America.

The report includes a summary of the proceedings of a conference, attended by interested Federal, State, and local officials and others, that considered five papers on the subject by authorities in the field. A wide variety of viewpoints were expressed in the papers and by conference participants. Participants felt that the persistent and growing problems of metropolitan government argued for Federal efforts to induce modernization. Participants objected, however, to using revenue sharing as the sole or even primary vehicle to encourage such modernization and stressed that any Federal undertaking should be marked by flexibility, modest objectives, and full awareness that efforts to achieve structural change are questionable. (GGD-75-60, Apr. 17, 1975.)

Audit Work in Process

Work in process at June 30, 1975, included (1) a study of ways to improve opportunities for the public to participate in local government spending plans and (2) a review of the equitableness and accuracy of the tax data used to allocate revenue sharing funds. In response to requests from chairmen of congressional committees we were also (1) reviewing how the Office of Revenue Sharing has discharged the civil rights enforcement responsibilities assigned to it under the Revenue Sharing Act and (2) conducting in-depth case studies of revenue sharing in 26 local governments.



District of Columbia Government

The District of Columbia Government completed its first year of home rule on June 30, 1975; during the year, citizens elected a Mayor and a City Council to run the city government, which continues to be unique in that it has some characteristics of a county government and many responsibilities similar to those of a State. The Congress still oversees the District, including appropriating operating funds. We continue to audit the operations and accounts of the District Government.

Identifying and Assessing Individuals Not Filing District Income Tax Returns

We reported to the Congress that millions of dollars in tax assessments had not been realized by the District of Columbia, because it did not follow up on all identified potential nonfilers and did not have a program to check filing and reporting on income not subject to withholding. Exchanging followup data with States would also have increased the assessments.

Additional resources are being made available to implement our recommendations to follow up on all potential nonfilers and check filing and reporting on income not subject to withholding. A program to exchange followup data with States was also begun.

We suggested revising the Federal-State cooperative program, used by the District and States to identify potential nonfilers, to make the program more efficient and enhance voluntary taxpayer compliance with District and State income tax laws. The revision would require taxpayers to designate on their Federal tax returns the State(s) with which they filed, or planned to file, tax returns. An association of State tax officials is considering whether there is sufficient justification to propose the revision to IRS. (GGD-75-8, Mar. 20, 1975.)

Use of Productivity Techniques For Resource Management

We reported to the Congress, Mayor, and Council that the District government could save money by using productivity techniques to manage its re-

sources. The District Government could use such techniques to help it do a better job and possibly save money in delivering services to residents.

We selected the Tax Audit and Liability Division, Department of Finance and Revenue, to demonstrate the feasibility of using productivity techniques. The techniques included establishing measures to be used, defining productivity, collecting essential data for analyses, and making trend analyses. The techniques showed, among other things, that (1) labor productivity for individual tax returns declined 40 percent between 1968 and 1972 and (2) increased audit effort went to individual tax returns between 1970 and 1971, although the best revenue payback—additional taxes resulting from audits—was in corporation tax returns.

The techniques demonstrated can be used throughout the District of Columbia and other State and local governments in a productivity measurement system. Since early 1973 the District has been developing a performance monitoring system, and thus far 240 measures in 16 agencies have been identified as part of the system. (GGD-75-56, Apr. 16, 1975.)

Audit Work in Process

At June 30, 1975, we were reviewing tax administration matters, including self-assessed taxes and compliance with State income tax reporting requirements by members of the military service; the District public schools' management system for allocating and evaluating use of resources and the schools' management program for planning, reviewing, and approving capital improvement projects; urban renewal and other housing-related activities; and certain District procurement and supply activities.

Small Business Administration

During fiscal year 1975, the Small Business Administration had a budget of \$444.1 million to operate programs designed to provide financial, procurement, and management assistance to the small business community. As of June 30, 1975, the agency had an estimated loan portfolio of \$6.1 billion.

Our audits concerned several major loan and guarantee programs. Most of our work was done in

response to Public Law 93-386, which requires a full-scale audit of the Administration.

Effectiveness of the 8(a) Procurement Program

Section 8(a) of the Small Business Act of 1953 authorizes the Small Business Administration to enter into procurement contracts with Federal agencies and, in turn, subcontract the work to small businesses. We reported to the Congress that the Administration has had little success in helping disadvantaged firms become self-sufficient and competitive under the 8(a) procurement program. From 1968 to August 1974, only 31 firms successfully completed the program. We evaluated the progress of 110 firms that had received subcontracts; 73 had not become self-sufficient. The program did not succeed primarily because SBA could not control the supply of contracts from Federal agencies.

We recommended that the Administrator (1) reconsider the agency's position of maintaining 1,500 active firms in its 8(a) program and periodically adjust the number of firms depending on the level of contracts that can be made available for the program, (2) establish a system to monitor a sponsor's compliance with the sponsorship arrangement, (3) require field offices to consider all factors in the standard operating procedures when determining the need for 8(a) assistance and document, in writing, the connection between applicants' social or economic disadvantages and their inability to compete successfully in the business world, and (4) establish adequate internal controls to insure that 8(a) firms are given management assistance. (GGD-75-57, Apr. 16, 1975.)

Audit Work in Process

At June 30, 1975, we were reviewing—in compliance with Public Law 93-386—(1) the section 7(a) business loan program, (2) the effectiveness of the section 301(d) small business investment company program, (3) the self-sufficiency of the lease guarantee program, (4) the effectiveness of the local development company program, (5) the management, organization, and review functions, (6) selected sponsors in the 8(a) contract program, (7) selected personnel management practices, and (8) financial statements.

United States Postal Service

The Postal Service delivered about 90 billion pieces of mail in fiscal year 1975. The Service employed about 700,000 people, and used about 32,000 post offices and 200,000 vehicles. Total revenues were about \$11 billion, including \$1.75 billion in Federal subsidies.

Missent Mail—A Contributing Factor to Mail Delay and Increased Costs

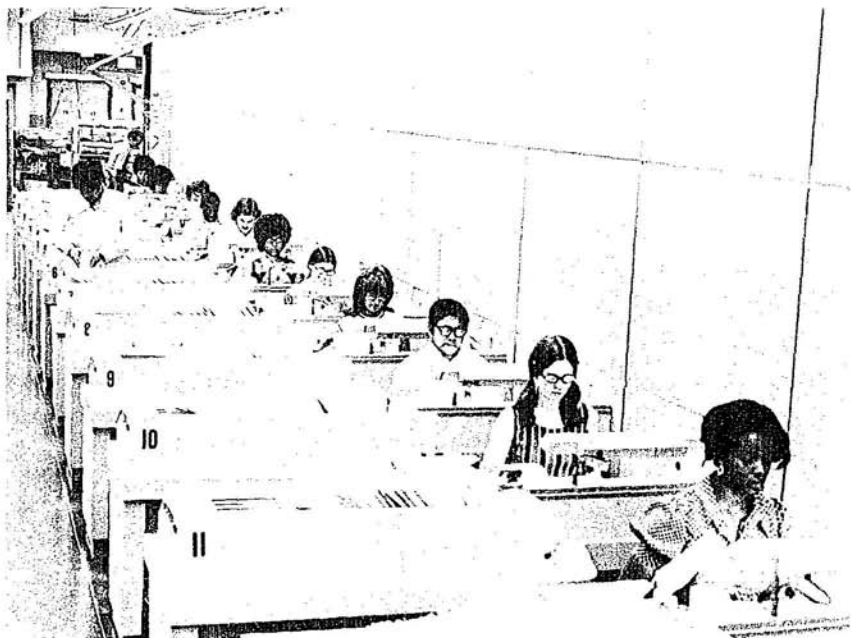
We reported to the Congress that, although the use of letter-sorting machines has helped the Postal Service handle the increasing mail volume, other factors, such as operator errors and careless handling of sorted mail, have actually decreased efficiency and added to the cost of mail delivery. We recommended an evaluation of the letter-sorting machine design, improvement of the environmental conditions of the operators, establishment of work standards, and expansion of quality control and error analysis programs. The Postal Service has initiated corrective action on many of the problems discussed in the report. (GGD-75-2, Oct. 22, 1974.)

Bulk Mail System

The Postal Service is investing about \$1 billion in a National Bulk Mail System to improve service for mailing parcels, circulars, and other bulk mail. In our report to the Congress describing how the system will operate, the planning behind it, and potential problems ahead, we observed that:

- The estimate of \$950 million to construct and equip the new system is reasonably accurate.
- The Postal Service's projection of a financial benefit of \$500 million annually by 1984 is contingent on two factors: the Service's future share of the parcel delivery market and revenues and the accuracy of the evaluation as to how the new system will affect the overall costs of the Service.

We recommended that the Postmaster General periodically analyze the national bulk mail routing system to insure that the most effective and efficient system possible is operated. We have been informed by the Postmaster General that such periodic analyses have been planned. (GGD-75-31, Nov. 1, 1974.)



Letter-sorting machines in use.

Forecast of Postal Service Self-Sufficiency Potential

In our report to the Chairman, House Committee on Post Office and Civil Service, we outlined the potential of the Postal Service to become self-sufficient by 1984 and the relationship of this goal to the level of postage rates. The future level depends directly on mail volume, the Service's expenses, and the amount of any Federal subsidy. Using 12 different situations based on constant volume but varying rates of productivity and inflation and under various assumptions regarding a Federal subsidy, the report projected the price of a first-class postage stamp for each situation. To make such projections, regression analysis was employed in developing equations to determine both postal volume and postal expenses

for the period 1974-84. In addition, assumptions for productivity and inflation were made for this period.

In addition, the report included the Postal Service's forecasts, which were obtained by a different method but using GAO projections for volume and expenses. (GGD-75-58, Feb. 20, 1975.)

Postal Operations in Rural America

In spite of receiving a Federal subsidy of \$1.75 billion in fiscal year 1974, the Postal Service had to borrow \$500 million to meet its expenses. Although postage rates have increased greatly, the cost of labor and fuel have risen even faster, and the need to economize wherever possible has become more imperative. Such financial problems led us to reassess

NETWORK CONFIGURATION: ■ 21 BULK MAIL CENTERS
● 12 AUXILIARY SERVICE FACILITIES



the pros and cons of closing some third- and fourth-class post offices.

We reported to the Congress that:

- The quality of mail service given rural customers does not decline when small post offices are closed.
- About 12,000 small post offices could be closed with an estimated annual savings of \$100 million.
- The Postal Service has been closing a limited number of such post offices, but is reluctant to continue due to congressional concern, and would like to see the legislation clarified before continuing such closings.

We recommended that the Postmaster General more adequately inform rural customers of services to be available after a post office is closed and assure that the full range of services available is being provided to such customers. We also recommended that the Congress consider revising the Postal Reorganization Act (39 U.S.C. 101) to specifically authorize the Postal Service to close all small post offices

if equivalent alternate services are available. (GGD-75-87, June 4, 1975.)

Audit Work in Process

Work in process at the end of the fiscal year included audits of the Origin-Destination Information System, personnel management, the system by which costs are allocated to various classes of mail, and the Postal Rate Commission. Additional work was being performed at the request of committees and Members of Congress.

Intergovernmental Relations

The Federal Government has provided assistance for over a century to accomplish governmental objectives in partnership with State and local governments. Federal assistance, estimated to total \$52 billion in 1975, was provided by 975 individual programs administered by 52 Federal agencies. As

GENERAL GOVERNMENT OPERATIONS

a means of strengthening and improving intergovernmental relations between Federal, State, and local governments, we directed our work toward improving management of the system for delivering Federal assistance and promoting effective coordination of Federal, State, and local planning and review activities.

Cooperation and Coordination Among All Levels of Government

Title IV of the Intergovernmental Cooperation Act of 1968 sought to increase intergovernmental cooperation by providing State agencies, local governments, and other parties with the opportunity to review and comment on federally assisted projects and direct Federal development projects which could affect their plans and activities. The Office of Management and Budget implemented this statute through OMB Circular A-95.

We reported to the Congress that:

- The parties, which could be affected by proposed projects, did not always have a chance to review and comment on the projects, because projects which had great impact on area and community development were not covered by the circular.
- Participants in the review and comment process were confused as to (1) which projects were covered, (2) when projects were to be submitted, (3) how much time they had for review, and (4) when the process was completed.

We made recommendations to improve the circular and to strengthen OMB's monitoring of the circular's implementation. OMB agreed with our findings, conclusions, and recommendations. (GGD-75-52, Feb. 11, 1975.)

States Need, But Are Not Getting, Full Information on Federal Financial Assistance Received

Federal agencies are required by the Intergovernmental Cooperation Act of 1968 to inform States of funds provided to them and their political subdivisions as a means of aiding State planning and budgeting. Responsibility for implementing this requirement was first placed with OMB and later transferred to Treasury.

We reported that, because the term "grants-in-aid," as defined in the act, excludes some forms of Federal assistance, neither OMB nor Treasury have required Federal agencies to report all financial assistance provided. As a result, States have lacked full information on

- who in each State received what Federal assistance,
- why it was provided, and
- where in a State the assistance was having impact.

Also, Federal agencies furnished States with information on grants-in-aid on a specific form designed to help States accumulate uniform data. Often the forms were not complete, accurate, or legible.

We recommended to the Congress that the Intergovernmental Cooperation Act of 1968 be amended to require that Federal agencies report to each State on all Federal financial assistance to the State and its political subdivisions. We also recommended that OMB evaluate other methods of giving States grant award information, particularly using Federal agencies' internal information systems. OMB generally concurred. (GGD-75-55, Mar. 4, 1975.)

Judicial Branch

U.S. Magistrate System

We reported to the Congress that results of the new magistrate system, established by the Federal Magistrates Act of 1968 to reduce the workload of Federal district courts, were difficult to measure. The object of the act was to allow magistrates to dispose of a greater range of minor offenses and relieve district judges of as many minor judicial duties as possible. Full benefits of the act, as intended by the Congress, were not yet being achieved.

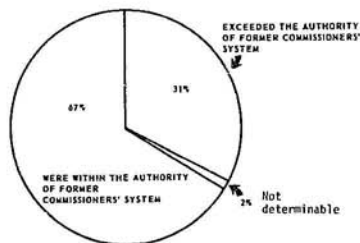
Some evidence indicated, however, that the new system was providing assistance by disposing of a number of minor criminal offenses and relieving district court judges of some judicial duties. This contributed to an increase in cases terminated by district judges, despite an increase in the difficulty of cases prosecuted.

We recommended that, because of the varying interpretations of magistrates' authority by circuit courts, the Congress further define the magistrates' authority and amend the act to expand magistrates'

3 of 4



MATTERS HANDLED BY MAGISTRATES DURING FISCAL YEAR 1973



trial jurisdiction to include most misdemeanors. (GGD-74-104, Sept. 19, 1974.)

Administration of the Criminal Justice Act by U.S. Courts and the D.C. Superior Court

At the request of the Chairman, Subcommittee on Constitutional Rights, Senate Committee on the Judiciary, we reported on the administration and operation of the Criminal Justice Act and, in particular, how the Superior Court of the District of Columbia administers its Criminal Justice Act program. The act provides that each U.S. district court operate a plan for furnishing representation to defendants who cannot afford an adequate defense.

We reported that, during fiscal year 1973, approximately 56,000 persons were represented by court-appointed counsel in the 94 U.S. court districts and the D.C. superior court and court of appeals. We also reported that:

- Judges and magistrates were generally satisfied with the representation provided by appointed attorneys.
- Judges and magistrates believed that the maximum hourly rates and limits set for appointed attorneys were adequate. (GGD-75-32, Nov. 21, 1974.)

Audit Work in Process

Work in process at June 30, 1975, included an audit of the administrative activities of U.S. district courts.

Legislative Branch

We maintain a professional staff at the Capitol to audit the various revolving funds, other activities of the House and Senate, and private organizations doing business on the Capitol grounds. Our audits of private organizations are carried out pursuant to section 451 of the Legislative Reorganization Act of 1970.

Our staff also assists with management, financial, and administrative problems when requested by officers of the Congress. Such requests are received virtually every day and require close cooperation with these officials on their immediate problems and on the development of long-range improvements in their operations.

Audit work on the legislative branch included examinations of the following activities:

The Senate:

Senate Recording Studio

The House of Representatives:

The Sergeant at Arms
Finance Office
Recording Studio
Office Supply Service
Office Equipment Service
House Restaurant
House Beauty Shop
Majority Printing Clerk
Minority Printing Clerk

Architect of the Capitol:

Acquiring property and paying dislocation allowances
U.S. Senate Restaurants

Library of Congress:

Administration of working and revolving funds
Division for the Blind and Physically Handicapped

Private organization:

United States Capitol Historical Society

Other:

Joint Committee on Atomic Energy
Office of Attending Physician
Officer of the Doorkeeper

The expenditures for salaries, mileage, and expense allowances of Senators; salaries of officers and

GENERAL GOVERNMENT OPERATIONS

employees of the Senate; hiring clerks for Senators; and other expenses of the Senate were audited on the basis of documents submitted to us.

We completed 14 reports on audits of legislative branch activities during the year. These reports related to activities of the Senate, House, Architect of the Capitol, Library of Congress, United States His-

torical Society, Joint Committee on Atomic Energy, and Office of the Attending Physician.

On the basis of audits made pursuant to section 451 of the Legislative Reorganization Act of 1970, we reported to the Congress on the financial statements of the Capitol Historical Society for fiscal year 1975.

CHAPTER FOURTEEN

INTERNATIONAL OPERATIONS

Responsibilities

The International Division audits all Government programs having an international character and the

elements of departments and agencies administering these programs. This work includes reviewing U.S. participation in (1) development assistance programs, both bilateral and multilateral, (2) international trade, monetary, and financial activities, and (3) Government functions related to foreign policy and security.

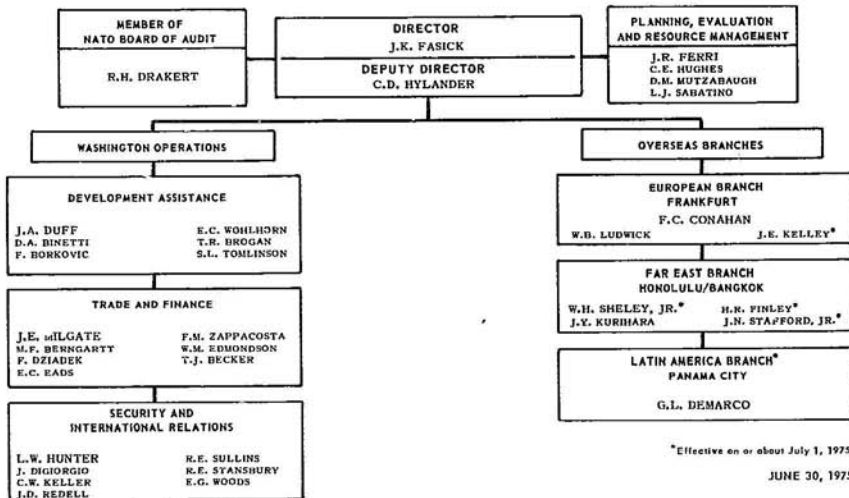
The audit work extends to the Department of State and its related international activities, including the Agency for International Development; the United States Information Agency; the Overseas Private Investment Corporation; the Arms Control and Disarmament Agency; and the international activities of the Office of Management and Budget and the Departments of Agriculture, Commerce, Post Office, Defense and Treasury.

The Director of the Division is J. Kenneth Fasick, and the Deputy Director is Charles D. Hylander.

Overseas Operations

We have a European Branch, with headquarters in Frankfurt, Germany; a Far East Branch, with headquarters in Honolulu, Hawaii; and an office in Bangkok, Thailand. A Latin America Branch, with

INTERNATIONAL DIVISION



*Effective on or about July 1, 1975

JUNE 30, 1975

headquarters in Panama City, Panama, began operations at the beginning of fiscal year 1976.

During fiscal year 1975, our staff visited 41 countries in our European jurisdiction, 19 in our Far East jurisdiction, and 18 in Latin America and other areas.

Our overseas branches help us conduct short, broad-based country surveys, designed to provide current and firsthand observations on the status and future direction of Government policies and programs in selected countries and to help identify potential problems and issues. We use this information to plan and program our work and to assist congressional committees. During fiscal year 1975, we conducted these brief country surveys in 13 different countries or areas of the world.

Audit Reports and Assistance to the Congress

During fiscal year 1975, we completed 24 reports to the Congress, 24 to congressional committees, 19 to individual Members of Congress, and 13 to agency officials.

Several reports proposed legislative action. Also, the Congress enacted legislation in fiscal year 1975 related to our earlier proposals. (See ch. 2.) We testified during the year on Commerce's export expansion program, voluntary aid agencies, and foreign assistance and informally provided 29 oral closeouts, 17 oral reports, and 10 letter closeouts in response to specific congressional requests.

Foreign Visitors

Each year many foreign visitors seek information about GAO operations and its role in relation to activities of the executive and legislative branches. Many of these visitors are students, sponsored under U.S. foreign assistance programs.

During fiscal year 1975, GAO representatives met with individuals and groups of public and private organizations from 23 countries and the Commission of European Communities.

Economic and Financial Assistance

Multilateral Development Assistance

Over the years there has been a trend toward channeling U.S. development assistance funds

through multilateral organizations, such as the United Nations, International Bank for Reconstruction and Development, and Asian Development Bank. The United States is the largest resource contributor to such organizations.

During fiscal year 1975 we sent reports to the Congress on multilateral assistance and reports to the Secretary of the Treasury on audit and reporting standards.

Numerous Improvements Still Needed in Managing U.S. Participation in International Organizations

International organizations and financial institutions cannot be audited by member governments. GAO, however, is responsible for responding to congressional concern that the programs and projects of these organizations are effectively and efficiently carried out.

We made a review to determine the extent to which our past recommendations had been implemented and to examine the Department of State's progress toward improving the effectiveness of U.S. participation in international organizations. We noted that no recommendation had been fully implemented and that (1) executive branch organizations for managing participation need improvement, (2) U.S. policies and priorities must be set, (3) an improved U.S. management system is needed, (4) a more effective U.N. review and evaluation is essential, and (5) the United Nations needs to employ more U.S. nationals. (ID-75-52, July 18, 1974.)

Actions Recommended To Alleviate Serious Financial Problems Facing United Nations

Another report noted that many U.N. members had not contributed their assessed share toward U.N. expenses. As of December 31, 1973, more than \$204 million in assessed dues remained outstanding, of which the largest part was withholdings by certain members for past or continuing U.N. activities to which they objected.

The overall result has been a steadily deteriorating financial position, with no prospects for either an immediate or a long-range solution. To continue operations, the United Nations has had to issue bonds, borrow from internal accounts, and defer payment of some obligations. We reported that the Department of State had not dealt with these problems effectively nor made adequate comprehensive reviews



Donald A. Williams, GAO auditor (right), discusses country surveillance work with Mr. Joseph J. Montllor, Deputy Chief of Mission, Buenos Aires, Argentina.

of U.N. budget proposals. (ID-74-57, Aug. 2, 1974.)

Effectiveness of Independent and Comprehensive Audits of the Inter-American Development Bank

The Group of Controllers was established in the Inter-American Development Bank in 1968 in response to a 1967 amendment to the Inter-American Development Bank Act. Our second review of this group's effectiveness showed it was successfully developing into an organization capable of effectively serving member governments by providing essential information on how the bank managed funds and

achieved intended objectives. (ID-75-12, Nov. 26, 1974.)

Independent Review and Evaluation System in the International Organizations

The Congress is somewhat concerned about the level of U.S. participation in and management of funds by international organizations. Although we have made several reports to the Congress on U.S. participation in these organizations, member nations cannot audit the organizations. Therefore, we have been supporting the establishment of an independent review and evaluation system in each orga-

INTERNATIONAL OPERATIONS

nization to provide an independent and continuous program of selective reviews of all major programs and activities of the organizations. The review group would be responsible to the governing authority rather than to management and could report objectively on programs and activities to the representatives of member nations.

We have made considerable progress toward this goal. We supported an amendment to the Foreign Assistance Act in December 1973 (Public Law 93-189) that required the President, acting through U.S. representatives to the World Bank Group, the Asian Development Bank, and the U.N. System, to propose and actively seek the establishment of independent review systems in these organizations. The act also required the Comptroller General to prepare auditing and reporting standards to be used by the governing bodies of the organizations to establish review systems.

We worked closely with officials of the Treasury and State Departments in preparing standards for the Asian Development Bank and the U.N. System. The standards were formally presented to the Secretaries of State and the Treasury in the spring of 1975. The Asian Bank has approved the establishment of an independent review group, and this concept is under discussion at the United Nations (ID-75-56, Apr. 16, and ID-75-60, Apr. 22, 1975).

Audit Work in Progress

At yearend we were concluding our examination of the U.N. System for managing development assistance activities. This work involved a study of the mechanisms for planning, programing, implementing, reviewing, and evaluating U.N. assistance programs and projects. We also were reviewing how external assistance to Thailand, through the United Nations and international lending institutions, is implemented and coordinated.

Bilateral Development Assistance

The primary U.S. Government agency involved in promoting economic development and stability in less developed countries is the Agency for International Development. Assistance is provided (1) for food and nutrition, health and population planning, and education and human resources, (2) to promote economic or political stability in friendly countries, (3) to support the efforts of private and voluntary organizations in the development process, and (4)

to alleviate selected development problems, especially overseas disasters.

During the fiscal year we completed 14 reports on bilateral assistance programs: 4 to Congress and 10 to committees or Members of Congress.

Use of U.S.-Owned Foreign Currencies

At the requests of the Chairman, Senate Foreign Relations Committee, and the Chairman, Subcommittee on the Near East and South Asia, House Committee on Foreign Affairs, we studied U.S.-owned foreign currency holdings. Of the \$1.9 billion held on June 30, 1973, about \$1.7 billion, held in eight countries, was excess.

We recommended that the Congress consider the need for legislation that would (1) specifically give it a clearly defined formal means to stop objectionable grants proposed without appropriation and (2) clarify the question of executive authority to use the first proviso of section 104, Public Law 480, to grant excess currencies without appropriation. (ID-74-78, Aug. 19, and ID-74-91, Aug. 27, 1974.)

Cost and Use of Personnel in the Agency for International Development

In responding to a request from the Subcommittee on Foreign Operations, Senate Committee on Appropriations, to review the cost and use of personnel in the Agency for International Development, we reported a number of major personnel management problems, including overgrading and overstaffing.

We recommended that the Subcommittee (1) request the Administrator of AID to make a comprehensive review of staffing needs and correct the identified imbalances and (2) request the Chairman of the Civil Service Commission to review AID's management of general schedule employees. (ID-74-98, Aug. 29, 1974.)

Legislative Dollar Ceiling for Cambodia

At the request of the Chairman, Senate Foreign Relations Committee, we asked about the controls and procedures used by executive branch agencies to insure that the legislative dollar ceiling for Cambodia was not exceeded. Specific interest was expressed in the pricing formulas used by the Department of Defense in providing additional articles from regular defense stocks.

In our opinion, the executive branch agencies were making a concerted effort to report all costs

they considered applicable to the ceiling. However, ammunition in the pipeline remained in the military services' inventory accounts until orders were issued authorizing its delivery to Cambodia. Therefore, the ceiling did not prevent ammunition shipments to forward depots to replace ammunition previously delivered to Cambodia. (ID-75-54, Mar. 18, 1975.)

Pricing Procedures for Ammunition Provided to Cambodia

As requested by Senator James B. Pearson, we reviewed a situation in which, as a result of a Department of Defense error in pricing procedures, Cambodia was overcharged \$21.5 million for ammunition during fiscal year 1974. Defense was of the opinion that this money could be used to provide Cambodia with additional ammunition during fiscal year 1975.

We concluded that Defense's treatment of the overcharge violated the spirit and intent of section 655 of the Foreign Assistance Act of 1961, as amended. We suggested that, in setting future ceilings on assistance, the Congress consider (1) limiting the amount of the pipeline which may be delivered during the new fiscal year to the amount reported in the budget request as obligated and undelivered and (2) directing that a consistent policy be applied in pricing military assistance program deliveries, namely, using the price in effect at the time the material is withdrawn from inventory. (ID-75-59, Mar. 28, 1975.)

U.S. Assistance and Other Expenditures Benefiting Thailand

Our review of United States-Thailand treaties and agreements showed that some basic reasons for entering into the Ramason and Public Law 480 agreements were not in the stated justifications. Public Law 480 assistance to Thailand appeared inappropriate in view of worldwide needs for U.S. agricultural commodities and Thailand's limited requirements for such items on concessional terms. Thai economic development was adversely affected because local currency was generated slowly from the sale of Public Law 480 commodities, therefore delaying the replacement of Thai Government funds diverted from economic development to military and/or security programs.

Our classified report to the Congress also discussed

military and economic assistance programs and expenditures related to the U.S. military presence in Thailand.

We recommended that, in the future, the Secretary of State seek the legislative approval necessary to use Public Law 480 sales proceeds for military purposes, rather than using trade-off agreements in which the Public Law 480 agreement justification does not mention its connection with military programs and/or objectives. We also recommended that the Secretary of Defense act to correct deficiencies noted in the use of U.S.-funded military equipment. (ID-75-49, Apr. 7, 1975.)

Reopening the Suez Canal

At the request of Congressman Glenn M. Anderson, we reported on the costs and benefits of U.S. participation in reopening the Suez Canal. Total costs included \$22.2 million funded by the Agency for International Development, more than \$6.5 million in Department of Defense expenditures for normal military salaries and support services for the clearance program, and \$515,000 of excess Egyptian currency expenditures. Also, more than \$400,000 in explosives and military equipment was transferred to the Egyptian Government by DOD.

Benefits to the United States of reopening the canal depended on so many variables that precise estimates were not practical. However, the U.S. share of any savings would be limited, due to changes in tanker fleet configurations and permanent dislocations in trade patterns. The report also noted a probable revenue loss to the United States of \$11 million to \$14 million annually in tolls to the Panama Canal through diversion to the Suez Canal. (ID-75-52, Apr. 11, 1975.)

Funding and Reporting of Agency for International Development Overhead Costs

The Senate Foreign Relations Committee asked us to examine how the Agency for International Development administers foreign aid programs, to ascertain whether they are carried out effectively and at minimum personnel and overhead expenses.

We reported that, during the last several years, the Agency has reduced the number of personnel that plan and implement the U.S. foreign aid program. The largest reduction was in overseas personnel; however, the Washington staff has increased. We found (1) little direct relation between the an-

INTERNATIONAL OPERATIONS

nual level of the Agency program and the number of personnel, (2) extensive use of contract technicians, and (3) increased retirement of foreign service personnel as a result of new retirement provisions of the Foreign Assistance Act.

We concluded that all of the Agency's administrative and overhead dollar costs should be funded by its administrative expense account. We therefore recommended that the Administrator initiate appropriate action to identify all program support activities for separate justification and funding. (ID-75-50, Apr. 28, 1975.)

Identifying Unused South Vietnam Military Assistance Program Funds for Use in the Vietnamese Refugee Program

At the request of the Chairman, Senate Appropriations Subcommittee on Foreign Operations, we reviewed the Department of Defense's ability to identify unused funds in the South Vietnam military assistance program for use in the Vietnam refugee program.

Defense told the Subcommittee that an estimated \$17 million of fiscal year 1975 funds could be recovered within 1 to 6 months. According to the accounting records of the military departments, \$66.4 million was uncommitted and another \$33.2 million could become available. Defense officials cautioned, however, that some of these funds may be required for as yet undetermined costs.

We concluded that sufficient documentation was not available to support any specific dollar figure but that Defense procedures for terminating assistance for the Vietnam program would be adequate to identify the amount of unused funds when the documents become available. (ID-75-70, May 30, 1975.)

Preliminary Estimates of Evacuation Costs of Vietnamese and Cambodian Refugees

At the request of the Chairman, Subcommittee on Foreign Operations, Senate Appropriations Committee, we reviewed the basis and validity of the seven line items—sealift, airlift, facilities, daily maintenance, resettlement, welfare and medical, and resettlement to third countries—comprising the May 2, 1975, preliminary cost estimate of \$605 million and the \$98 million Indochina Postwar Reconstruction funds made available for evacuating and resettling Vietnamese and Cambodian refugees.

Our review indicated that:

- The estimates included questionable amounts; however, sufficient data was not available at the time to make an informed judgment.
- Daily maintenance rates and facilities could cost much less than estimated.
- Actual expenditures for sealift and airlift of materials and refugees were expected to exceed estimates, but not greatly. (ID-75-68, May 27, 1975.)

U.S. Provides Safe Haven for Indochinese Refugees

The collapse of the Governments of South Vietnam and Cambodia produced a flood of refugees, most of whom came to the United States for safe haven. Plans to receive, process, and absorb these refugees into the United States sparked intense interest in the Congress and the public at large. We made an independent review and onsite observations of processing procedures.

We reported to the Congress on how the President's InterAgency Task Force was organizing and implementing a program to receive and process the refugees.

Some major problems included the possibility of bad weather at temporary staging areas and reception centers, a slowdown in refugee processing due to requirements for security clearances and sponsors, and concentrations of refugees settling in certain locations. Resettlement was not progressing nearly as fast as originally hoped, raising the possibility that existing appropriations might not provide sufficient funding. Also, task force reimbursements to Defense and other agencies for costs incurred were expected to be complex. (ID-75-71, June 16, 1975.)

Voluntary Foreign Aid Programs

At the request of Senator Walter F. Mondale, Chairman, Subcommittee on Children and Youth, Senate Committee on Labor and Public Welfare, we examined the relationship between AID's Advisory Committee on Voluntary Foreign Aid and selected registered voluntary aid agencies, to determine whether the Advisory Committee's registration and compliance activities effectively protect children assisted by these voluntary agencies and the contributing public.

During the period covered by our review, registered voluntary agencies obtained about \$473 million

from public contributions and \$208 million from the Government.

We testified before the Subcommittee on October 10, 1974, that the Advisory Committee was unable to adequately evaluate a voluntary agency's eligibility for registration or to effectively monitor the agency's activities to assure that it continues to meet registration standards. We also concluded that, to the extent the contributing public relies on registration of the agency with the committee as a "seal of Government approval," the registration program may be more misleading than beneficial.

United States Economic Assistance to Turkey

Our report to the Congress on U.S. economic assistance to Turkey concluded that, despite the discussed phaseout of U.S. concessional economic assistance by 1973, the Agency for International Development's program there was continuing. Also, the Congress had not been fully informed of the U.S. role in debt relief, which gave new assistance to Turkey.

We recommended that the Secretary of State and the Administrator of the Agency (1) develop a comprehensive plan for reducing and phasing out U.S. economic assistance to Turkey and (2) insure that all efforts and agreements to relieve debt service burdens are more fully and systematically reported to the Congress. (ID-74-64, Sept. 16, 1974.)

Rescission of the Opium Poppy Growing Ban by Turkey

In response to a June 1971 decision by the Turkish Government to ban opium production, the United States pledged \$35.7 million to be used for income substitution programs and as compensation to Turkey for foreign exchange losses incurred because of the ban. Turkey later rescinded the poppy ban on July 1, 1974.

Our report discussed the events leading up to this rescission and examined the status of the \$35.7 million grant and the uses to which the funds were being applied.

We observed that the United States should negotiate with the Turkish Government to resume the opium production ban and urge it to continue developing income-replacement projects as well as promoting agricultural activities, which most likely would lead to reduced poppy growing. (ID-74-11, Sept. 9, 1974.)

U.S. Government Programs and Activities in Brazil

In view of Brazil's vigorous economic growth, we recommended that the Secretary of State and the Administrator of AID act to terminate U.S. assistance as expeditiously as possible and try to renegotiate the terms of concessional loans. We also made recommendations (1) to the Secretary of State on reversionary rights to grant-aid military equipment and on Embassy commercial staffing, (2) to the Director of ACTION on Peace Corps staffing and assistance to certain Brazilian states and agencies, and (3) to the Secretary of Commerce on trade promotion and market research activities.

The Department of State and the Agency for International Development said they had not yet invoked the renegotiation clause for loans to countries with greatly improved economic conditions. They disagreed that the United States should seek to renegotiate past loans to Brazil. Our report, therefore, recommended that the Congress consider directing the Agency to review its policy for renegotiating these loans and concessional loans to other countries making economic progress. (ID-74-55, Aug. 26, 1974.)

Low Income Group Not Helped by AID's Housing Investment Guaranty Program

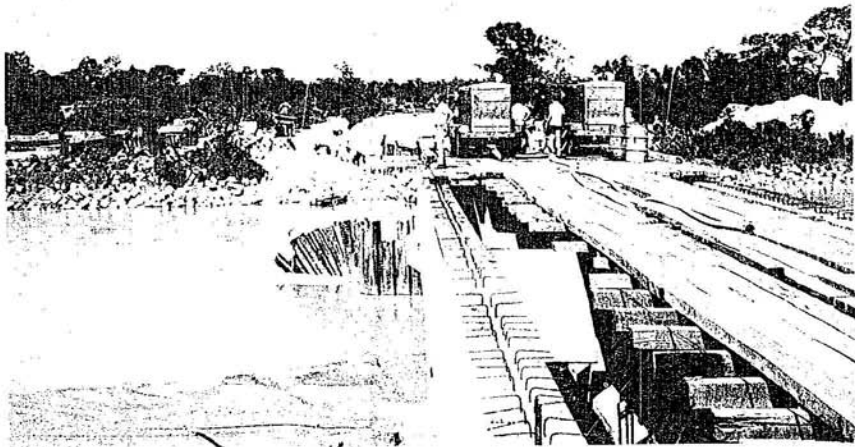
By the end of fiscal year 1974, \$880.1 million in guaranty authority had been made available for the Agency's Housing Investment Guaranty program. AID has authorized \$658.9 million in guaranties for housing projects. Legislation establishing the program was amended in 1965 and 1969 to specify housing for lower income families and persons (sec. 222(b)(3) of the Foreign Assistance Act of 1961, as amended).

Our report to the Congress observed that the program had no appreciable impact on improving housing for lower income families, because these families simply could not afford them.

We recommended that the Agency further define its policies in the light of the program's legislative objectives, to determine whether and how the program could effectively serve lower income families. The Agency stated that new policy guidance addresses this issue. (ID-75-9, Nov. 25, 1974.)

U.S. Government Policies and Programs in Bolivia

The United States has provided about \$650 million to support Bolivia's social, economic, and mili-



Christopher H. Swenson, GAO auditor, inspects AID bridge project in Bolivia.

tary advancement in the past 20 years. During fiscal years 1972-74, U.S. assistance totaled nearly \$150 million—an exceptionally high figure considering Bolivia's population of only 5 million. Our report to the Congress assessed the effectiveness of this assistance.

We recommended that the Secretary of State and the Administrator of the Agency for International Development: (1) condition future U.S. assistance on measurable development planning and self-help measures; (2) take positive steps to improve coordination; and (3) carefully consider and justify to the Congress any future programs in which U.S. funds are used to finance a host country's contribution to an externally financed project. We also recommended that the Secretaries of State and Defense reassess the need for continuing grant-aid military assistance to Bolivia and include Inter-American Geodetic Survey assistance in the President's *Annual Report to the Congress*. We further recommended that the Secretary of Treasury stress to U.S. representatives to international lending agencies the need

for greater coordination of assistance to Bolivia. (ID-75-16, Jan. 30, 1975.)

Audit Work in Process

Reviews in process at the end of the year included: (1) U.S. assistance to Pakistan; (2) host country financial participation in Agency for International Development projects; (3) commodity management for terminated programs in Southeast Asia; (4) U.S. efforts to develop free labor movements in less developed countries; and (5) evaluation of U.S. international narcotics control efforts. We were also continuing to examine problems of the Indochinese refugee program.

We were working on a report on: (1) Defense and AID actions to comply with recent laws banning U.S. assistance, except for narcotics control, to foreign police and prison systems and (2) State Department implementation of sense-of-the-Congress resolutions calling for the President to deny assistance to foreign governments that imprison their citizens for political purposes or engage in consistent patterns of gross violations of human rights.

International Trade and Finance

In this area we sent 6 reports to the Congress, 7 to committees and Members of Congress, and 5 to agency officials.

Low U.S. Share of World Bank-Financed Procurement

Goods and services financed by the U.S. bilateral foreign aid program have generally been tied to procurement from the United States since the late 1950s, but those financed by the World Bank are procured by international competitive bidding.

The U.S. share of procurement financed by the World Bank has been low compared with its share in international trade with developing countries for comparable goods and compared to its share in earlier years.

To supplement actions already being taken by U.S. agencies to increase the U.S. share, we recommended that the Secretary of Commerce evaluate the effectiveness of the procedures adopted in 1970 for notifying U.S. businessmen of forthcoming World Bank projects. We also recommended that the Secretary of the Treasury encourage the World Bank to include in its loan documents consideration of the availability of alternative sources of financing for proposed development projects. (ID-75-7, Oct. 17, 1974.)

Improved Government Assistance Can Increase U.S. Share of Foreign Engineering and Construction Projects

We reviewed Government support to U.S. engineering and construction companies abroad, because this industry could contribute to the U.S. trade balance and balance-of-payments position.

The Government has no focal point for considering the companies' needs or for effectively explaining available Government assistance. State and Commerce had a joint working group for identifying ways to assist the companies, but this group was inactive.

The Commerce Department promotes mostly capital and high-technology items to maximize U.S. exports.

We recommended that the Secretaries of State and Commerce direct the working group to act as a focal point to (1) insure effective exchanges of infor-

mation between U.S. companies and agencies, (2) prepare a comprehensive summary of available Government assistance and distribute it to U.S. companies seeking foreign contracts, and (3) supervise the development of a better information base for determining whether additional assistance to companies is warranted. In addition, we suggested that the Secretaries of State and Commerce seek the support of other Government agencies in coordinating with the joint working group in accomplishing its task. (ID-74-63, Sept. 9, 1974.)

Balance-of-Payment Deficit for Fiscal Year 1974 Attributable to Maintaining U.S. Forces in Europe Has Been Offset

Section 812 (the Jackson-Nunn amendment) of the Department of Defense Authorization Act, 1974 (Public Law 93-155), provides for reducing U.S. Forces in Europe by a percentage equal to the percentage that the balance-of-payments deficit attributable to maintaining such forces in Europe was not offset. Subsection 812(a) states that the fiscal year 1974 balance-of-payments deficit incurred as the result of deploying U.S. Forces in Europe in fulfillment of U.S. treaty commitments and obligations be determined by the Secretary of Commerce in consultation with the Secretary of Defense and the Comptroller General of the United States.

In our consultative role, we participated in a working group on the NATO balance of payments with representatives of Commerce and Defense and provided a legal analysis on the application of the legislation to Commerce. Our report reviewed the status of efforts to offset the balance-of-payments deficit. (ID-75-43, Feb. 7, 1975.)

We later reported that, on the basis of balance-of-payments methodology and concepts, the NATO balance was in deficit by \$684 million in fiscal year 1974.

As required by subsection 812(d), the President submitted his final report on section 812 on May 27, 1975. He reported that our allies have fully offset the fiscal year 1974 deficit and that the troop reduction provision will not have to be implemented. This report accepted the working group's determination of the amount the NATO balance was in deficit for fiscal year 1974.

Although we do not agree with the appropriateness of some items the President used to offset the

deficit, from information available as of March 31, 1975, we agree that the requirements of the Jackson-Nunn amendment were met and, therefore, the troop reduction provision of subsection 812(b) is not applicable. (ID-75-75, July 1, 1975.)

The Overseas Food Donation Program— Its Constraints and Problems

In an April 1975 report to the Congress on the overseas food donation program, GAO pointed out that exhaustion of surplus agricultural commodities, expanding commercial export demands, and poor grain harvests in recent years had adversely affected the program's effectiveness. Uncertainty over the availability of U.S. grain supplies to support the program was the most crucial problem. GAO suggested that the Congress consider whether legislation, beyond that which had been proposed by the administration, is needed to free the program from constraint. Additional recommendations were made to the Secretary of Agriculture and the Administrator of the Agency for International Development for improving and enhancing procurement practices in acquiring commodities from suppliers. (ID-75-48, Apr. 21, 1975.)

Export of U.S. Manufactured Aircraft—Financing and Competitiveness

Our study for Senator Jacob K. Javits showed that, because the Export-Import Bank of the United States (Eximbank) is helping to finance exports of U.S.-manufactured commercial jets at favorable interest rates, financing costs have been reduced for foreign carriers, thereby strengthening their capital position and enabling them to compete more effectively with U.S.-flag carriers. On the other hand, through long-term debt financing and leasing arrangements, U.S. carriers acquired U.S.-manufactured aircraft at lower financial costs than did foreign airlines. However, these arrangements do not alter the fact that Eximbank financing has reduced the advantages enjoyed by U.S. carriers.

The use of U.S.-manufactured commercial jet aircraft dominates all major non-Communist foreign airborne fleets, except for British Airways. At least for the near future, the United States may be expected to maintain this competitive edge. (ID-75-41, Mar. 12, 1975.)

Assistance to the Nonrubber Footwear Industry

At the requests of Senator William D. Hathaway, Representatives James A. Burke and Richard H. Fulton, and former Representative Louis C. Wyman, we determined Government costs associated with workers and firms adversely affected by unrestrained shoe imports—costs such as, but not restricted to, unemployment compensation and trade adjustment assistance.

We estimated that this assistance and related Government administrative costs totaled \$150 million for the 3 years 1971-73, of which about \$66 million was provided to workers and firms in Maine, Massachusetts, and New Hampshire. Footwear workers also received welfare payments; however, because payments had not been compiled by category of worker and varied according to individual circumstances, data on welfare payments was not accumulated. (ID-75-36, Mar. 25, 1975.)

The Agricultural Attache Role Overseas: What He Does and How He Can Be More Effective for the United States

Our review of agricultural attaches was prompted by the interest expressed by Members of Congress, as well as the circumstances surrounding the unexpected large Soviet wheat purchases in 1972, the growing concern over the adequacy of information on world food supplies and demands, and the Secretary of Agriculture's emphasis on attaches as "salesmen."

This report discussed a number of improvements Agriculture can and should make to increase the effectiveness of its foreign agricultural attaches and Agriculture's plans for improving attache services.

Agriculture agreed that Government overseas market development support should be withdrawn whenever feasible but believed that the need to continue programs in established markets was clearly indicated in congressional directives regarding the use of funds appropriated for export maintenance and expansion.

The Congress may wish to consider clarifying the ground rules for Government financial assistance to private groups for overseas promotion of agricultural commodities. (ID-75-40, Apr. 11, 1975.)

Audit Work in Process

At yearend we were reviewing such trade matters as (1) the Government's role in East-West trade activities, (2) U.S. trade policy toward developing nations, (3) followup of 1973 Russian wheat report recommendations, and (4) the buy-national policies and practices of the United States and its major trading partners.

We were also examining the financial statements of the Export-Import Bank, Overseas Private Investment Corporation, Inter-American Foundation, and AID loan program.

Military Assistance and Support of Other Nations

Following the trend in recent years, the Congress has leaned toward further reducing the rapidly diminishing grant military assistance program, looking ultimately to phasing it out. For fiscal year 1975 the Congress appropriated \$475 million for grant military assistance and \$300 million for foreign military sales credits. The entire credit was earmarked for Israel.

Foreign military cash sales are now used as a primary vehicle for transferring military arms and services abroad to friendly foreign forces in support of our goals and those of our allies. Cash sales exceeded \$8 billion in fiscal year 1974 and amounted to \$5.9 billion for the first three quarters of fiscal year 1975.

The Congress, the media, and private groups organized to influence public events are increasingly interested in the Foreign Military Sales Program, and some have reservations about elements of the program. The U.S. arms industry actively supports the sales program to further its own and the national interest. The size of the program affects our foreign relations, balance of payments, domestic employment, mobilization base and military readiness, and the presence of Government and private personnel abroad.

Should the United States Continue To Finance Military Assistance to Taiwan?

We reported to the Congress that, although U.S. economic assistance to Taiwan was discontinued in

1965 and assistance grants sharply reduced, U.S. military resources continued to be transferred to Taiwan. These have averaged about \$150 million a year since 1966 and amounted to \$100 million for 1974. The actual cost is small, because they have shifted from predominantly grant aid to other forms, such as credit sales.

Some assistance still continues, at a cost of \$17 million a year. We believe that some costs could be reduced, functions could be consolidated, and Taiwan could even pay for whatever assistance it receives because of its healthy and expanding economy and its favorable trade position with the United States.

We recommended that the Secretaries of Defense and State periodically review U.S. relations with Taiwan and consult with its officials about paying expenses incurred by the United States in providing military aid. Arrangements should be made for the United States to recover the proceeds, which averaged \$900,000 annually, from future sales of property surplus to Taiwan's needs.

The Department of State, in September 1974, concluded that the special arrangement with Taiwan was no longer justified, and proceeds of sales of surplus property will hereafter accrue to the United States. (ID-74-50, July 22, 1974.)

Issues Related to U.S. Military Sales and Assistance to Iran

Iran agreed to purchase more U.S. arms in 1974 than did the rest of the entire world combined in any other preceding year.

Although the law requires recovery of all costs to the maximum extent possible, the United States is conducting these sales at considerable cost.

Even with its high level of military assistance and arms purchases from the United States—\$6.9 billion since 1970—Iran's international monetary reserves increased from \$992 million to \$5.4 billion in 9 months ending June 30.

The Congress does not receive timely information on the volume and makeup of these sales or on the nature of the military capability they provide. We proposed that the Congress require the executive branch to periodically furnish it with such information. (ID-75-15, Oct. 21, 1974.)

Funding of Presidential Gifts and Grants to Middle East Countries

Under the contingency fund provision of the Foreign Assistance Act, President Nixon had authority to give a helicopter to President Anwar Sadat of Egypt in 1974 and to grant \$10 million of U.S.-owned excess Egyptian currency to an Egyptian charity.

However, modifications in the language of an amendment to the 1961 act made the intent of the Congress less clear regarding the purposes for which the contingency fund may be used.

This report to the Chairman, Subcommittee on Government Activities, House Committee on Government Operations, also included a list which, according to the Department of State, represents all other gifts given during the June 1974 trip. At the request of State, the list does not reflect names of recipients nor countries in which the gifts were given. State has not told us the value of the gifts, because the funding source is confidential. (ID-75-20, Oct. 31, 1974.)

Military Assistance and Sales to the Persian Gulf States

Due to recent events, the Persian Gulf states' economic and political influence will affect not only the United States but other world powers as well.

Our classified report to the Chairman, Subcommittee on Near East and South Asia, House Committee on Foreign Affairs, presented information on military assistance and sales to the Persian Gulf states. In general, the information concerned: (1) procedures for monitoring U.S. contractor activities, (2) U.S. military programs in the Persian Gulf states, (3) American manufacturers' activities in the Persian Gulf, and (4) third-country military assistance. (ID-75-37, Dec. 31, 1974.)

Audit Work in Process

In accord with the changing character of security assistance programs, we are currently reviewing the overseas administration of these programs, including the phase-down of U.S. military activities in Thailand, follow-up of training under military assistance, and end-item use.

We are now inquiring into the U.S. logistical sup-

port system for items sold abroad; issues related to coproduction and licensing of military production abroad; and the U.S. Government mechanism for reviewing, approving, or rejecting sales.

We are again looking at security assistance to Korea, following up on our report of July 1, 1974 (ID-74-48).

U.S. Participation in International Organizations

Congressional and public interest has focused in recent years on the financial and political aspects of U.S. commitments to various international organizations, especially NATO. Recent events in Southeast Asia and the Middle East have raised additional questions at home and abroad about the extent of U.S. obligations overseas. An earlier GAO report on U.S. contributions to NATO budgets indicated consolidated cost information was not available for the Congress to use in controlling spending for NATO and in judging the full extent of U.S. obligations.

Audit Work in Process

Anticipating an increasing congressional need for timely, comprehensive information on U.S. participation in international organizations, we have begun a series of reviews to identify the extent of U.S. costs and commitments to such organizations as NATO, the Central Treaty Organization, and the Southeast Asia Treaty Organization. We are looking into the U.S. costs of staffing and supporting these organizations and of military and economic assistance to less-developed member nations, and other U.S. costs which might be reduced. We are also reviewing the additional budgetary costs of stationing U.S. NATO-committed forces in Europe, the extent of host-country support provided to offset these costs, and the current status of some of the issues involved relative to maintaining U.S. NATO-committed forces in Europe, such as mutual force reductions and dual basing.

Conduct of Foreign Affairs

The Department of State administers U.S. foreign affairs both at home and abroad. It deals with individual as well as groups of nations, promotes

and protects U.S. interests, and provides consular services to Americans traveling and residing abroad and to foreign residents seeking to visit or live in the United States.

Proposals To Strengthen the Foreign Gifts and Decorations Act of 1966

Our report to the Senate Committee on Foreign Relations concluded that deficiencies in the Foreign Gifts and Decorations Act of 1966 and in its implementing regulations limit its effectiveness.

We recommended that the Secretary of State develop clear procedures for the recording, control, and custody of gifts subject to reporting under the act. These procedures should provide for Federal entities to report employees who receive decorations or gifts over minimum value to the Chief of Protocol. The Chief of Protocol should periodically request an accounting of all gifts received by the White House, the Vice President, and the Secretary of State and disclose to the public gifts reported to him. He should also document all gifts, including those known to be received but not deposited. (ID-75-51, Mar. 26, 1975.)

Fundamental Changes Needed To Achieve a Uniform Government-wide Overseas Benefits and Allowances System for U.S. Employees

The system of benefits and allowances for Government civilian employees overseas has innumerable differences in the types and amounts of allowances available and paid to U.S. civilian employees overseas in different agencies and within the same departments. The benefits and allowances system has become inflexible and difficult to manage, resulting in inequities, morale problems, and excessive costs.

We recommended that the Director, Office of Management and Budget, assign responsibility for developing and monitoring the implementation of uniform policies and standards for overseas allowances. Also, the Director should require clarification of the fundamental purpose of each allowance and benefit, development of objective standards on their effectiveness, aggregate annual reporting of the program to the Congress, and adoption of a flexible system for paying overseas premiums which will be

responsive to recruitment and retention needs and to changes in the employment market.

An interagency committee was convened to study our recommendations. Their study is expected to be completed late in calendar year 1975. (ID-74-67, Sept. 9, 1974.)

Holiday Administration Overseas: Improvement Needed To Achieve More Equitable Treatment of Employees

The degree to which holidays are being observed by Federal employees overseas may be inappropriate, because the number of holidays granted to employees in a given country varies widely between agencies, posts, and American and alien employees.

We recommended that the Director, Office of Management and Budget, establish common policies and standards governing holiday administration overseas, establish a ceiling on the total number of holidays that can be observed at overseas posts, authorize the Ambassador or senior officer to establish the holidays to be observed, and consider the appropriateness of legislation to exclude premium pay for work on U.S. holidays at posts observing host-country holidays in lieu of American holidays. We also recommended that the Secretary of Defense develop reasonably uniform holiday schedules for Defense civilian and military personnel overseas, and suggested several options for achieving uniformity and coordination with civilian agency policies and practices. (ID-75-42, Mar. 17, 1975.)

United States-Soviet Union Cooperative Programs

The Moscow Summit in May 1972 laid the foundation for United States-Soviet Union cooperation agreements in the fields of health, environmental protection, space exploration, and science and technology.

Our report to the Congress showed that the exchange of information under these programs was limited and of little technical benefit to the United States. The agreements established rapport and fostered public visibility, but the exchange of scientists and technicians envisioned in the agreements was just beginning to materialize.

Poor communications, differing priorities, misunderstandings, and security concerns delayed many

projects during the first 18 months. Funding, language translating facilities, and travel costs of visiting scientists should have been resolved during this period but were not.

We suggested that the Congress consider the desirability of an annual progress report on each agreement and of specifically funding the agreements. U.S. departments and agencies have indicated that they are working to resolve the funding and translating problems. (ID-75-18, Jan. 8, 1975.)

The Law of the Sea Conference at Caracas

We reported to the Congress on our assessment of the positions taken by the United States at the Caracas Session of the Third U.N. Conference on the Law of the Sea and identified the types of problems U.S. negotiators would have to deal with during future sessions.

The Conference, held June 20 to August 29, 1974, considered important trends on such issues as territorial seas, economic zones, straits, fisheries, marine pollution, continental margins, marine scientific research, and dispute settlement. (ID-75-46, Mar. 6, 1975.)

Audit Work in Process

Work in process at yearend included a congressional request to assess U.S. Embassy and consulate efforts to assist and protect Americans overseas during crises or emergencies. We were also reviewing such matters as (1) foreign language programs and assignments of U.S. Government personnel overseas, (2) U.S. representation abroad, (3) U.S. assistance to Soviet Jewish refugees, and (4) the system to warn U.S. mariners of political and military hazards at sea.

eration of this Division with the responsibilities described.

Transfer of Transportation Audit

The General Accounting Office Act of 1974 (Public Law 93-604, Jan. 2, 1975) transferred GAO's transportation rate audit function to the General Services Administration, with overview responsibility remaining with GAO. A fully operational organization was transferred to GSA on October 12, 1975.

Multidisciplined teams, comprising members of GAO and GSA, coordinated the transfer with the guidance and assistance of the Office of Management and Budget and the Civil Service Commission. GAO's projects director and staff assumed responsibility for full consideration of employee interests and the existence of a viable operation at the time of the transfer.

To that end, they identified and discussed employee concerns; studied title 5 of the GAO Manual for Guidance of Federal Agencies to identify those areas of title 5 for which responsibility was to be transferred to GSA; developed the Determination Order and Transfer Agreement for approval by OMB, CSC, GSA, and GAO; and continued to analyze rate audit operations to identify areas for increasing efficiency, improving productivity, and achieving greater cost effectiveness.

Transportation Payments

The Federal Government spends about \$1.7 billion annually for commercial transportation services directly procured on standard forms. GAO has audited charges for these services on the basis of paid bills submitted by Government agencies. Expenditures for other directly procured commercial transportation services, consisting primarily of contract services covering the transportation of mail, commercial ocean services paid by the Military Sealift Command, contract airlift services paid by the Military Airlift Command, transportation services paid by Government corporations, and foreign transportation payments by the Departments of State and Defense, are audited onsite by the responsible agencies and are subject to overview by GAO.

CHAPTER FIFTEEN

TRANSPORTATION AUDIT AND CLAIMS SETTLEMENT

Responsibilities

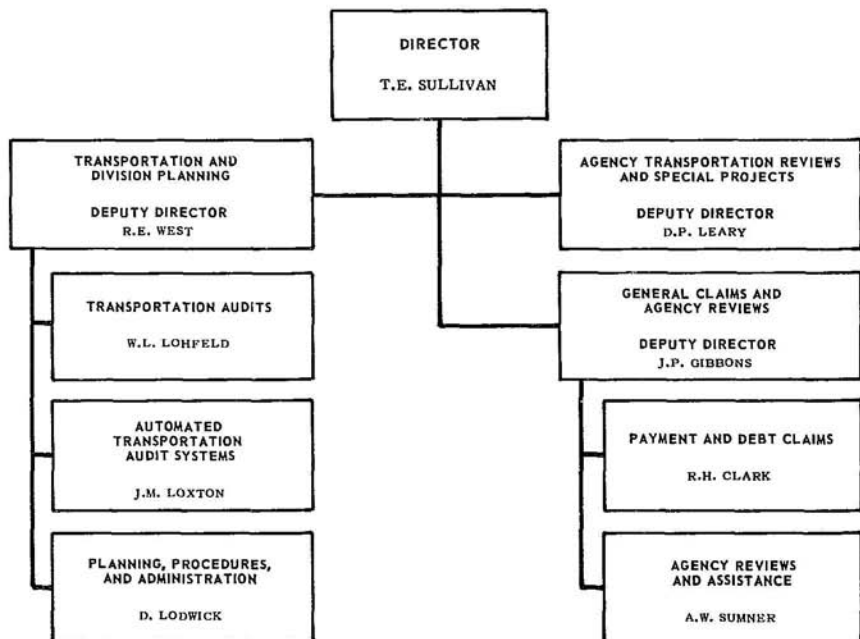
During fiscal year 1975, the Transportation and Claims Division was responsible for determining the correctness of charges paid for freight and passenger transportation services furnished for the account of the United States; recovering overcharges; settling transportation claims, both by and against the Government; and settling and adjudicating all general claims and demands by or against the United States. In settling many of the transportation and general claims, it furnished technical support and other help to the Department of Justice in its prosecution or defense of suits to which the United States was a party.

This Division also reviewed, evaluated, and reported on the claim settlement, debt collection, and transportation activities of Government agencies and helped the agencies improve their effectiveness in those areas.

These functions were carried out with a staff of about 620 professional, technical, and clerical personnel. The Director was T. E. Sullivan. Deputy Directors were R. E. West (transportation and division planning), D. P. Leary (agency transportation reviews and special projects), and J. P. Gibbons (general claims and agency reviews).

Fiscal year 1975 marked the last full year of op-

TRANSPORTATION AND CLAIMS DIVISION



JUNE 30, 1975

The Government also spends several billion dollars annually for operating military transportation fleets, moving civilian employees' household goods on a commuted basis, reimbursing transportation charges incurred by cost-type contractors, and other indirect transportation services. These expenditures are covered in our reviews of selected activities and programs of various agencies.

Federal agencies must pay carriers' bills upon presentation and before audit. Because accountable officers are exempted, by law, from liability for any overcharges by carriers improperly applying rates or charges for services procured by standard forms, paid transportation bills were submitted to us for central postaudit, determination of overcharges, and recovery of overcharges from the carriers.

During the year, we audited 4.2 million bills of lading covering freight shipments for which the Government had paid over \$1.2 billion and 2.6 million transportation requests procuring passenger transportation services for which the Government had paid about \$448 million. As a result of our audit of these transactions, we issued 65,488 overcharge notices to commercial carriers requesting refunds totaling \$10.7 million. A summary of this activity for fiscal year 1975 is shown in table 1.

Collections from carriers, totaling \$10.1 million, were credited to the pertinent basic appropriations of the procuring agencies or, where this was not possible, were deposited in the Treasury as miscellaneous receipts.

The amount of the payments we audited was

Table 1

BILLS OF LADING AND TRANSPORTATION REQUESTS AUDITED DURING FISCAL YEAR 1975

	Number	Amount paid	Notices of overcharge issued	
			Number	Amount
Bills of lading	4, 241, 001	\$1, 232, 474, 786	57, 161	\$9, 986, 710
Transportation requests	2, 632, 862	448, 113, 216	7, 813	958, 161
Total	6, 873, 863	1, 680, 588, 002	65, 488	10, 675, 138

about 10.6 percent more than that in the prior year, while the amount of the overcharges we detected and reported to carriers was about 5 percent less. Our audit work was performed with 1.6 percent fewer staff-hours than we used for such work in fiscal year 1974. A schedule showing transportation audits and collections for fiscal years 1966-75 is included in appendix 5.

To fully protect the Government's interest, we also examined certain types of carriers' bills prior to payment by agency disbursing officers. During the year we examined 532 original unpaid bills for \$633,244 and disallowed about \$150,000 as being in excess of the proper contract or tariff rates.

In our transportation audit, we identified hundreds of shipments involving transportation services which, although procured at legal rates, resulted in excess costs that were not recoverable from the carriers. These traffic management errors occurred because uneconomical routes, modes of carriage, or types of service were selected. We brought the errors to the attention of responsible transportation officials of the agencies involved for necessary corrective action.

Transportation Claims

Under our claims settlement authority, we adjudicated transportation claims against the United States, with certain minor exceptions. Excepted were claims for loss or damage, accessorial or supplementary transportation services, and amounts due because of carrier errors in computing the original bills. The excepted types of claims may be settled by administrative agencies but were reviewed in our audit of paid vouchers.

At the beginning of the year, we had 7,172 transportation claims on hand. We received 11,647 more claims and settled or disposed of 11,166 for approximately \$3.6 million, leaving 7,653 on hand at the end of the year. These claims were carriers' supplemental bills for changes in their original charges or demands for replacement of overcharges we had collected. In disposing of these supplemental bills, we certified \$1.9 million for payment and disallowed or terminated \$1.7 million.

A schedule showing transportation claims settled during fiscal years 1966-75 is included in appendix 5.

Payment Claims

Government agencies have primary responsibility for paying obligations incurred in connection with their operations. GAO must adjudicate two classes of claims before payment can be made or denied: (1) those in which such reasonable doubt exists as to preclude action by the administrative agency in the absence of specific statutory authority and (2) those in which the law specifically prohibits payment by the administrative agency before our adjudication. We also consider those reclaims of items previously denied by administrative agencies that cannot be properly corrected at the agency level.

Claims against the United States may arise from any type of Government transaction and may be made by private citizens; Government personnel, both civilian and military; business entities; and State and foreign governments. The categories of claims include Government contracts; compensation due civilian and military personnel, including overtime and premium pay; quarters and cost-of-

living allowances; travel; transportation of household effects; per diem; allowances on changes of official station; retirement pay; compensation due deceased civilian officers, employees, and members of the Armed Forces and the National Guard; and miscellaneous claims by Government personnel and public creditors.

On July 1, 1974, we had on hand, exclusive of transportation claims, 3,332 claims against the United States. During fiscal year 1975, we received 9,469 claims, made settlement on 9,980, and paid a total of \$195 million in claim settlements. As of June 30, 1975, 2,821 claims remained on hand. During the fiscal year, we took final action on 987 additional claims which were barred because of the 10-year statute of limitations on filing claims with GAO.

Debt Claims

Government agencies have primary responsibility for collecting debts arising from their activities. The agencies must, however, report to us for further collection action valid debts on which they have been unsuccessful in their collection actions and cannot obtain compromises or suspend or terminate collection actions.

In connection with debts reported to us for collection, we locate debtors whose addresses are unknown, procure information on the financial status of debtors, and issue letters of explanation and demands for payment. We make every effort to identify amounts due debtors by the Government for application to their debts. Debtors who cannot pay the entire amount of their debts at one time may make payment in monthly installments commensurate with their ability to pay. When we cannot obtain payment of a debt, we refer the case to the Department of Justice for suit, provided the debtor's financial circumstances warrant such action.

We adjudicate debt claims which other agencies submit because of doubt as to the amount due, the legal liability of the parties involved, or the action to be taken. We similarly adjudicate disputed claims against debtors when such action is requested by the debtors, their representatives, or the agencies concerned.

On July 1, 1974, 42,952 claims by the United States, with a total estimated value of \$89.4 mil-

lion, were on hand or under referral to the Department of Justice. During fiscal year 1975, we disposed of 28,926 debt cases, resulting in collections totaling over \$5.3 million.

On June 30, 1975, 41,017 claims, with a total estimated value of \$90 million, were on hand or under referral to the Department of Justice. Of these, 12,616 claims representing accounts receivable of \$8.9 million were under collection in GAO, and 4,024 claims representing \$4 million were under collection in Justice. Thus, 16,640 claims with a combined value of \$12.9 million were under collection.

We have authority to arrange compromise settlements on claims which do not exceed \$20,000, exclusive of interest. Compromise offers involving claims for larger amounts are referred to the Attorney General with our recommendations for disposition.

During fiscal year 1975, we solicited 15,898 compromises from debtors and made 331 compromise settlements in which \$251,268 was accepted in liquidation of debts totaling \$477,127. Compromise settlements accepted by GAO are final and conclusive on the debtor and on all U.S. officials, agencies, and courts.

Executive agency heads are authorized to waive claims for overpayment of pay to civilian employees and military personnel in certain cases involving less than \$500. Only GAO can waive claims for more than this amount or claims that are the subject of an exception made by GAO in the account of any accountable officer.

During fiscal year 1975, we processed 998 requests for waiver of erroneous payments of pay totaling nearly \$1.6 million. We granted waiver requests for the full amount in 437 cases amounting to \$814,735 and denied 432 requests totaling \$754,495. The remaining 129 cases were denied in part.

Agency Reviews and Assistance

During the year, we prepared 23 reports covering reviews of Federal agency transportation and traffic management activities. Eleven reports were submitted to individual Members of Congress, 1 to the Congress, and 13 to officials of Government departments or agencies.

Transportation and Traffic Management

Government Use of Section 22 Quotations

In our continuing investigation of rates and charges under section 22 of the Interstate Commerce Act, we furnished Senator Philip A. Hart an analysis of motor truckload freight moving under section 22 for the Department of Defense. Our analysis showed that, if section 22 were not available, the Government would have had to pay an additional \$36.6 million to move this motor freight traffic. The overall section 22 charges were \$4.8 million more than the motor carriers' fully allocated cost of shipping.

Representatives of the National Industrial Traffic League, Phillips Petroleum Company, Money magazine, and Handling and Shipping magazine have expressed interest in this motor study as well as our similar rail study reported on April 9, 1974. We are working with members of the National Industrial Traffic League to perfect the costing formulas used in these studies. (TCD-75-3, Mar. 13, 1975.)

Rate Simplification Project

We continued a study aimed at simplifying the transportation rate structure. Discussions with members of the transportation industry and the operations research field are providing additional input and generating much interest in the commercial sector.

We developed a formula for computing fully allocated costs which approximates the results reached by the Interstate Commerce Commission. We completed preliminary work on comparing these costs with actual transportation charges and performed special analyses to observe the effect of weight, mileage, car type, and commodity group on transportation charges. We are refining our formula for fully allocated costs to minimize the deviation between our results and those of ICC.

This information should help agencies negotiate rates under section 22 of the Interstate Commerce Act. We plan to extend this study into the structure of motor freight rates, to achieve a formulized freight rate structure.

Seavan Detention in Germany

We sent a letter report to the Secretary of Defense concerning the serious seavan detention problem at the Kaiserslautern Cold Stores Warehouse in Germany. Because of the large volume of seavans received at the warehouse during the past 2 years, warehouse personnel have been unable to unload them during the allowable free time. The Government has incurred detention costs in excess of \$1 million a year. The Secretary of Defense agreed with our finding and has taken action to resolve the problem. (TCD-75-2, Feb. 10, 1975.)

Military Sealift Command Payment and Billing Procedures

We identified four major problem areas in the paying and billing procedures of the Military Sealift Command.

1. Erroneous and duplicate payments to carriers.
2. Use of locally produced estimates to determine the cube of privately owned vehicles instead of the Federal Maritime Commission Guide on Shipping Automobiles, which generally produced a lower cube.
3. Inaccurate input data to the industrial fund billing to the military services.
4. Use of appropriated funds to pay seavan detention charges for non-appropriated-fund activities.

We estimate annual recurring savings of over \$3 million as a result of our recommendations to correct the above deficiencies. In addition, we collected \$338,000 for duplicate payments by the Command, and the Navy Exchange is repaying \$105,000 to the Navy Management Fund for erroneous payments from appropriated funds for seavan detention charges which should have been paid from non-appropriated funds.

Appropriated Funds Improperly Used by Non-Appropriated-Fund Activities

We continued to identify and bill non-appropriated-fund activities for the improper use of appropriated funds. Department of Defense regulations require that non-appropriated funds be used for the shipment of foreign-made merchandise and personal property for those activities. Appropriated funds had

been used for these payments. We identified about \$12.5 million in erroneous payments to many different activities. The improper use of appropriated funds for transportation services was mitigated, effective April 1, 1975, by the assignment of a reimbursable transportation account code. Cases reported for collection action included:

Personal Property Shipments

The Army and Air Force Exchange Service began repaying an estimated \$1.6 million for the erroneous payment of personal property shipment costs from appropriated funds. The initial check received by the U.S. Army Finance and Accounting Center, Indianapolis, Indiana, in liquidation of the debt was for \$141,539.

Shipment of Foreign-Made Liquor, Beer, or Wine

We reviewed Department of Defense expenditures to determine whether appropriated funds were being used to ship foreign goods, contrary to its regulations. We found that \$609,000 had been improperly used by the Army and Air Force Class VI stores (retail liquor stores) to ship foreign-made liquor and wine. The Army paid the amount owed, and the Air Force arranged for monthly payments over a 3-year period.

We sent a letter on September 3, 1974, to the Secretary of Defense recommending that (1) the Army and Air Force Class VI stores buy their foreign-made liquor and wine on a prepaid basis, (2) the Department review administrative controls over the use of appropriated funds, and (3) the Army and Air Force review their procedures for handling audit report recommendations to insure compliance. The Secretary of Defense agreed with our findings. (TCD-74-8, Sept. 3, 1974.)

Subsequently, the Air Force's liability was increased by \$61,200 to cover shipments made after our initial action, and an additional \$12,404 was identified for additional shipments made by the Army while corrective action was being taken. The Army agreed to repay the \$12,404.

Our survey of transportation activities in the Far East showed that over \$392,000 in appropriated funds were improperly spent for the shipment of foreign liquor from Japan to Okinawa, Korea, and Taiwan. We issued a letter to the Department of the Army asking that action be initiated to recover this amount.

We identified over \$129,000 in appropriated funds which were improperly spent for the shipment of foreign beer from Europe to various points in the Pacific. Letters to the military services asked for details and recommended that recovery action be taken and the practice discontinued.

Shipment of Foreign Merchandise

We identified \$116,708 in improperly disbursed appropriated funds for the shipment of foreign merchandise by the Navy China Fleet Store in Hong Kong to various points in the Pacific. We sent a letter to the Naval Supply Systems Command recommending that action be initiated to recover this amount.

Foreign Military Sales

In a survey of transportation payments for shipments under the Foreign Military Sales Act, we found that one country had failed to pay for transportation services furnished by the United States. We recommended to the Department of the Army that the sales contracts be amended to include \$4.9 million in transportation charges. Two contract amendments totaling \$1.7 million in transportation charges have been accepted by the country involved. The Department of the Army is processing amendments for the remaining contracts.

During the period July 1974 through March 1975, the Army and Air Force sponsored foreign military sales shipments by military airlift at a cost of about \$2.8 million. We are recomputing the airlift charges and expect to recoup about \$1.5 million from the foreign countries involved.

We also found that excessive delays in the deposit of checks in payment of foreign military sales were resulting in a loss of interest to the Government. We recommended to the Army that checks be deposited on the day of receipt, and the Army agreed. We estimate an annual increase in earned interest of about \$800,000 can be achieved.

Through Government Bill of Lading Household Goods Shipments

We reported to the Secretary of Defense on the procedures for transporting code 5 international household goods shipments via through Government bill of lading forwarders. Code 5 shipments were

transported over land, in both the United States and overseas, by forwarders and over ocean by the Military Sealift Command. Sometimes the Military Sealift Command contracted for ocean carrier, substitute, or minibridge service between ports within the United States. This was in lieu of water transportation.

We pointed out that, on some code 5 shipments from Europe, the Department of Defense had made duplicate payments, paying for a portion of the shipments at both the central military finance offices and the Military Sealift Command. Ocean carriers were paid for the minibridge service even though the forwarders had actually received the shipments from the ocean carriers before that service was rendered. We also identified shipment delays and excess costs which had occurred because of unrealistic and unclear Military Traffic Management Command routing instructions and noted that the rate tender bases for determining charges on diverted or terminated shipments appeared inequitable.

Defense agreed with our findings and initiated better coordination among the various agencies involved. Further revision and negotiation of the rate tenders was planned. (TCD-75-7, July 29, 1974.)

Payment and Debt Claims

Federal Claims Collection Act of 1966

Our second report to the Congress on agency implementation of the Federal Claims Collection Act of 1966 and the Joint Standards, issued by the Comptroller General and the Attorney General, covered the period July 1, 1969, to December 31, 1972. The report included information compiled from questionnaires submitted by 128 offices in 36 executive departments and independent agencies.

Most agencies agreed that the law's flexibility had allowed them to settle most of the claims generated by their activities by processing the easily collectible accounts and eliminating the items clearly uncollectible at the agency level. Government agencies reported that, during the period covered by our report, they had collected or compromised debts totaling almost \$2.5 billion and suspended or terminated collection action on debts amounting to about \$273 million. Some agencies were reluctant to invite compromises, even when the possibility of collecting the

debt in full was remote; however, the amounts recovered by those agencies that did exercise compromise authority were reasonable in relation to the original amounts of the debts. (TCD-74-6, Aug. 22, 1974.)

Overpayments in the Medicare Program

At the request of the Bureau of Health Insurance, Social Security Administration, we issued a statement on the application of the statute of limitations to debt cases arising from the Medicare program. We informed the Bureau that these overpayments might not be within the purview of the statute but that, in the absence of court decisions to that effect, cases must be processed on the premise that the statute of limitations does apply.

We also sent a report to the Department of Health, Education, and Welfare on potential losses under the Medicare program due to excessive delays in processing overpayments. We recommended that the Bureau of Health Insurance monitor collection actions and forward cases to GAO as promptly as possible. We also recommended that HEW comply with the Federal Claims Collection Act by identifying and locating all liable parties; requesting credit data; and considering termination, suspension, and compromise as viable alternatives to referral to GAO on cases involving less than \$20,000. (TCD-75-4, Apr. 4, 1975.)

Waiver of Erroneous Payments of Pay and Allowances

We are preparing a report to the Congress on the waiver of erroneous payments of pay to civilian Government employees pursuant to Public Law 90-616, as amended. Public Law 92-453 had broadened the scope of the earlier legislation by including "allowances," as well as pay and overpayments of pay and allowances to members of the uniformed services. Our report will include statistics compiled from agencies' annual reports submitted to GAO.

In discussions and correspondence with members of the military departments on this subject, we pointed out that the 3-year limitation period in 10 U.S.C. 2774(b)(2) for considering a waiver must begin on the date the erroneous payment is discovered by the administrative office. We also emphasized that investigative reports should contain suffi-

cient information so that further claim development is not required.

Agency Debt Collection Operations

Veterans Administration

New programs or changes in existing programs by the Congress have generated new debts in the Veterans Administration. Legislation granting veterans the opportunity to collect educational benefits in advance has caused a large increase in overpayments. Recent legislation enabling veterans to obtain loans from VA for as much as \$600 per semester is expected to have a similar effect.

To help the agency reduce its workload, we reviewed debt claim operations at the VA regional office in Waco, Texas. We found that regional office operations could be improved by

- providing GAO with current credit information,
- offsetting education overpayments with compensation and pension payments,
- notifying GAO promptly of education overpayments being offset from current education awards and of actions taken by VA Committees on Waivers and Compromises,
- updating the statute of limitations when there is either a written acknowledgment or partial payment of the debt, and
- issuing demand letters to all liable parties in VA-guaranteed mortgage loan default debts.

Our report will recommend that the Administrator of Veterans Affairs take steps to improve these areas.

Defaulted Student Loans

We completed a review of operations of the Office of Education, HEW, Boston regional office and the central office in Washington, D.C., to collect defaulted student loans insured by the Office of Education. We found that aggressive and timely collection action was not being taken, required documentation was frequently missing, diligence by the lender was often lacking, many notes were improperly assigned to the United States, and some claims were not processed in accordance with regulations and should not have been paid. We discussed

these problems with agency officials who expressed a willingness to adopt some of our suggestions.

We are reviewing the agency's regional offices in San Francisco and Chicago and have scheduled meetings with the U.S. attorneys in San Francisco and Chicago before referring the case to the Department of Justice. When our review is completed, we will submit a report to the Congress.

Defaulted Loans—Small Business Administration

At the request of the Small Business Administration, we reviewed defaulted loans at its New Orleans district office. We examined debts which were either uncollectible or in which litigation costs would exceed estimated recovery. Most of the loans were made to disaster victims during 1966-68. We determined that any additional action by GAO to collect these loans would not be cost effective.

Other Traffic Management and Transportation Activity Assistance

During the year, our work in other aspects of traffic management and transportation activities included

- providing guest lecturers or instructors at the Federal Government Accountants Association Federal Fiscal Seminar, Washington, D.C.; the Army Transportation School, Fort Eustis, Virginia; the U.S. Navy Transportation School, Oakland, California; and the GAO Analysis of Inventory Control and Logistics Management Course, Philadelphia, Pennsylvania;
- considering and acting upon various requests from administrative agencies for permission to deviate from established procedures to provide more economical and efficient traffic management;
- furnishing passenger fare and other transportation data to the Department of Labor for preparing its monthly consumer price index; and
- furnishing information on freight rates and routes, household goods rates, and passenger fares and charges to the Department of Defense, Department of Justice, the U.S. Postal Service, the U.S. International Trade Commission, and the Defense Supply Agency.

Technical Assistance

We continued to provide technical assistance to the Department of Justice in its prosecution and defense of transportation suits by or against the United States and in proceedings before the Interstate Commerce Commission. As part of this assistance, transportation specialists participated in numerous conferences with members of the Department. As noted before, our assistance to the Department regarding general claims is limited to referring debts and advising on compromise offers.

We reported debts against carriers involving 222 items totaling \$52,112 to the Department for collection. During the fiscal year, similarly reported debts, covering 273 items and totaling \$58,388, were settled by collecting \$29,077 through judgments, compromises, or other means.

In the same period, the Department of Justice notified us that carriers had filed 10 suits covering 180 shipments. We furnished technical advice and other assistance to the Department in 22 suits for \$855,293 involving 901 shipments. Forty-three suits, the subject of reports in this or prior years, involving 4,240 shipments and \$4.5 million, were settled by payment of judgments for \$178,000 and by dismissal or withdrawal of the balance.

We have continued our efforts to facilitate settlement of suits in the Court of Claims involving international movements of household goods by the Department of Defense. During the year we completed our onsite audit of nearly 8,000 shipments statistically selected from a universe of nearly 700,000 shipments covering the period March 1, 1963, through September 30, 1970, which were subject to the terms of military basic tenders. The use of this sampling procedure had been agreed to by representatives of the plaintiffs and the Government in connection

with two suits, to facilitate the audit and disposition of the household goods claims.

The plaintiffs examined our records to verify the Government's proof of claim on shipments for which the plaintiffs alleged having no record of payment of the original transportation charges. The plaintiffs thereafter requested additional verification of collection or refund on certain other shipments for which documentation had been reconstructed from microfilm furnished by the military finance centers.

As a result of our onsite audit and the plaintiffs' review of payment records, 786 claim revisions were received from plaintiffs. At least 2,000 additional revisions will be required before the plaintiffs' claims can be reconciled. We do not know at this time when litigation proceedings will be held on the 16 legal and factual issues remaining unresolved.

The collection of rail and motor carrier overpayments was another activity of continuing importance in our audit and legal assistance work. Overpayments arise when carriers apply unjust and unreasonable rates as defined by the Interstate Commerce Act. During this period, certain motor carriers voluntarily refunded over \$66,000 when advised of unjust and unreasonable rate situations. However, reparations for overpayments may be recovered only through suits filed in the U.S. district courts.

Disposition of six civil actions filed against the United States in the U.S. District Court, Northern District of Texas, concerning the issues of applicability and unjust and unreasonable rates, had been held in abeyance pending issuance of an Interstate Commerce Commission report and order. As a result of ICC's ruling in favor of the Government, the plaintiff's claim for \$53,000 was dismissed. Judgments in favor of the Government were rendered on the basis of that ruling in eight other cases, totaling \$75,000, plus interest and cost.

CHAPTER SIXTEEN

FIELD OPERATIONS

Responsibilities

The Field Operations Division, through its regional offices located in 15 principal U.S. cities, plays a major role in carrying out GAO's audit work, investigations, and special studies throughout the continental United States. Thus, it participated in most of the audits and other work described in previous chapters of this report. In addition, it performs assigned audits of 23 corporations and other organizations under the Government Corporation Control Act and similar legislation, and it audits and settles the accounts of military disbursing offices.

Approximately half of GAO's professional staff is assigned to the Field Operations Division's regional offices. This Division is supervised by John E. Thornton, Director, and Stewart D. McElyea, Deputy Director. A directory showing the location and managers of GAO regional offices, suboffices, and military audit staffs is included as appendix 7.

Audits of Federal Corporations and Other Activities

The Government Corporation Control Act requires GAO to audit the financial transactions of Government corporations "in accordance with the principles and procedures applicable to commercial

corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General * * *." Other laws provide similar audit responsibility for unincorporated business activities.

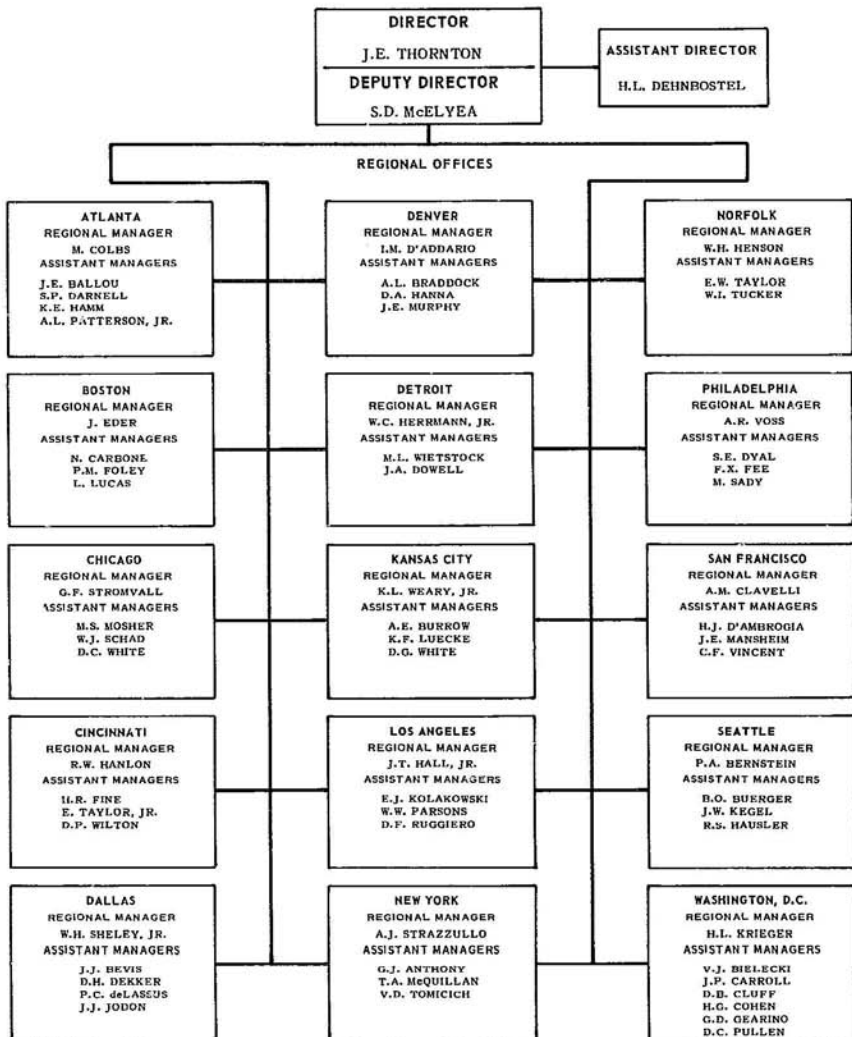
Audits of the corporations and other activities consist primarily of examining financial statements in accordance with generally accepted auditing standards. During the fiscal year, we submitted 14 reports to the Congress, expressing opinions on whether the agencies' financial statements presented fairly their financial positions and operating results. Two other reports were submitted to the Congress—a report on the accountability and physical controls of the Treasury Department's gold bullion reserves, in response to a congressional interest, and a report on a study of personnel policies of agencies in the Panama Canal Zone, in response to a congressional subcommittee request. Twelve reports containing recommendations for improving organizations' financial management activities were transmitted to management officials. These reports are included in the list of audit reports in appendix 2.

Student Loan Insurance Fund

In the reports on our audits of financial statements of the Student Loan Insurance Fund for fiscal years 1973 and 1974, we expressed the opinion that the records were not adequate to support the fund's financial statements. The following problems were cited.

- The automated guaranteed student loan system, relied on to maintain detailed records of the program, did not function properly. The system could not provide the information needed to prepare accurate financial statements.
- The program for collecting from defaulted borrowers was inadequate. As a result, uncollectible loans could not be identified, and a reasonable basis for estimating either current or future losses could not be established.
- The rate used to calculate losses on defaulted loans did not consider experience of the program.
- Consolidated information on the full cost of the Guaranteed Student Loan Program was not reported to the Congress.
- Program regulations did not impose a time limit for lenders and guarantee agencies to sub-

FIELD OPERATIONS DIVISION



mit claims after the borrowers default, die, or become disabled; this procedure could result in paying claims and having no legal remedies to obtain collections because of expiration of the statute of limitations.

In response to these problems, the Department of Health, Education, and Welfare:

- Agreed that program records were not adequate and outlined actions being taken to provide accurate program and financial information.
- Listed various steps being taken to improve its collection program, identify uncollectible loans, and more accurately determine current and future losses.
- Agreed that program experience was not being used to calculate losses on defaulted loans. After implementing its new collection program, HEW plans to obtain reliable information on program experience, which will be used to estimate losses.
- Stated that it would develop procedures to report consolidated information on the full cost of the program as soon as the principles and standards for the Department-wide cost accounting system are established.
- Stated that it was developing a new accounting system and was planning to submit the accounting manual to the Comptroller General for approval.
- Agreed that deadlines should be established for filing claims. HEW stated that it planned to seek a ruling from its Office of the General Counsel on how to strengthen present filing provisions for both lenders and guarantee agencies. It agreed to establish a deadline for submitting claims presently outstanding if its General Counsel determines such deadlines are feasible.

We will follow the progress made in finally disposing of these problems. (FOD-74-17, Sept. 17, 1974 and FOD-75-8, Feb. 12, 1975.)

Federal Deposit Insurance Corporation and National Credit Union Administration

As in prior years, we did not have unrestricted access to bank examination reports and related documents prepared by the Federal Deposit Insur-

ance Corporation on the banks it insures. Because of this, we could not ascertain

- if bank examinations were of sufficient scope and reliability to identify all banks that should have been classified as problem banks,
- if the Corporation had taken effective followup action on bank examiners' findings, and
- the significance of any possible adverse effects of problem banks on the Corporation's financial position.

The National Credit Union Administration also took a position similar to the Federal Deposit Insurance Corporation—we were denied access to examination reports prepared on the credit unions it insures. As a result, we could not determine (1) if the Administration had taken effective action on all findings disclosed by its examinations and (2) the significance of any possible adverse effect of problem credit unions on the financial position of the Administration.

Because of these serious obstacles, we could not express an overall opinion on the financial statements of the Federal Deposit Insurance Corporation and the National Credit Union Administration for fiscal year 1974.

We recommended in our report on the Federal Deposit Insurance Corporation (FOD-75-9, June 11, 1975), as we did in previous reports, that the Congress amend the Federal Deposit Insurance Act to clarify GAO's authority to have access to examination reports, files, and other records of the Corporation. In our report on the National Credit Union Administration (FOD-75-18, July 14, 1975) we recommended that the Congress amend the Federal Credit Union Act to clarify GAO's access to credit union examination reports.

Treasury Department Gold Bullion Reserves

We submitted a report to the Congress on the accountability and physical controls of the Treasury Department's gold bullion reserves, valued at about \$11.3 billion, which are in five depositories located throughout the country.

In response to congressional interest and in conjunction with the Bureau of the Mint, we assisted in planning and observed a physical inventory of the Fort Knox depository's gold bullion. We also reviewed and evaluated the Mint's controls over gold

at the Fort Knox, Denver, New York, and San Francisco depositories. A special settlement committee took the inventory and issued its report on October 21, 1974. The last inventory of the Treasury's gold reserves was taken in 1953.

On the basis of our review of the controls exercised by the Bureau of the Mint and of the audit procedures followed, we believe that the gold stored at the Fort Knox depository agrees with the records of that depository. We found the Mint's controls over gold adequate; however, controls at one depository could be improved.

We recommended that the Secretary of the Treasury request the Director of the Mint to include, as part of each depository's annual settlement of accounts, a cyclical inventory of its gold holdings. This would insure that the gold holdings in all compart-

ments be inventoried over a specified period of years. These inventories would increase public confidence, further improve internal control, and provide current assurance that procedures for safeguarding gold bullion are adequate.

The Director of the Mint agreed to perform a cyclical inventory of gold at each depository as part of the annual settlement of accounts. In addition, the Director assured us that necessary corrective measures would be taken regarding our specific recommendations for improving controls at one depository. (FOD-75-10, Feb. 10, 1975.)

Federal Agencies in the Canal Zone

A study of the personnel policies of the Panama Canal Company and the Canal Zone Government and of the problems of the Latin American communities in the Canal Zone was made at the request of the Chairman, Subcommittee on the Panama Canal, House Committee on Merchant Marine and Fisheries.

A 238-page report (FOD-75-14, May 28, 1975) addressed the study of seven subject areas dealing primarily with personnel policies of the Panama Canal Company and Canal Zone Government.

1. Costs and basis of pay plans of the Canal organization, including the salary and wage increases, seamen's wages, tropical differential, and U.S. tax factor, which are considered in establishing the pay of the U.S. citizen and non-U.S. citizen employees.
2. Leave and related travel benefits for Canal organization employees.
3. Canal Zone employment practices, including the worker-trainee program, the apprentice program, the dual register, mandatory retirement, recruitment operations, promotional opportunities for the Company's Panamanian employees and the Equal Opportunity Program of the Company.
4. Panama Canal pilot entry qualifications.
5. Canal Zone housing and schools.
6. The effect of the Department of Defense 5-year rotation program on company employees.
7. Health benefits.

Hearings on the report were held by the Subcommittee on June 16, 1975.



Left to right, GAO staff members Jerry McKeehan, Jim Nicotera, Hy Krieger (Washington regional manager), and Floyd Sutherland examining a bar of gold at the Fort Knox depository.

Organizations Outside the Federal Government

During the year we examined financial statements of two organizations outside the Federal Government. Reports were sent to the National Commander, Disabled American Veterans (FOD-75-3, Aug. 23, 1974), and the Board of Trustees, Government Services, Inc. (FOD-75-16, Apr. 11, 1975).

The examination of the financial statements of the Disabled American Veterans is required by statute, while our work involving Government Services, Inc., is performed at the request of the corporation. Each organization reimburses GAO for the cost of the audits.

Audits of Military Pay and Allowances

Our staffs at the four military finance centers—Cleveland (Navy), Denver (Air Force), Indianapolis (Army), and Kansas City (Marine Corps)—tested the accuracy and legality of pay and allowance disbursements made by U.S. military activities throughout the world. As a result of this work, military commanders were sent 105 reports, dealing primarily with the accuracy of travel and temporary lodging allowance payments. These reports also covered such matters as erroneous rental and leave charges, as well as the functioning of the Joint Uniform Military Pay System.

CHAPTER SEVENTEEN

ADMINISTRATION

Management Services

As a result of organizational changes made during the year, Office-wide responsibility for personnel

management, staff development and upward mobility, budget administration and financial management, publishing and graphics, libraries, and other administrative services is now centralized in our management services organization. This organization is headed by Assistant Comptroller General Thomas D. Morris and Deputy Assistant Comptroller General Clerio P. Pin.

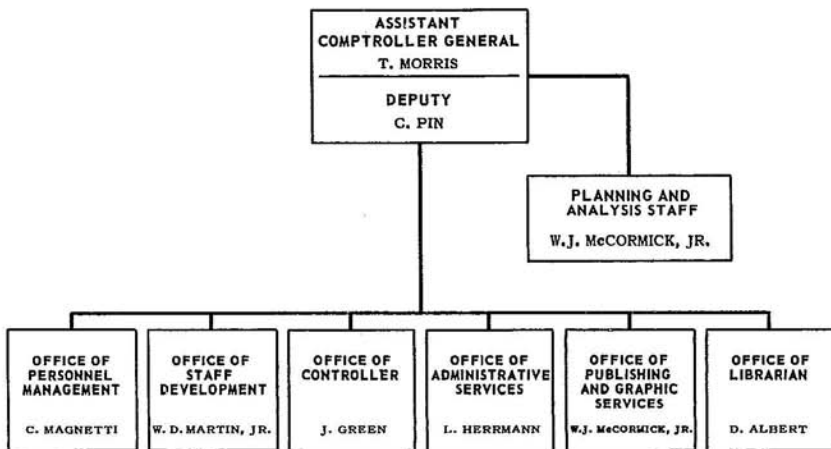
Personnel Management

The Office of Personnel Management is responsible for staff acquisition and training, employment policy guidance, and related personnel management services. The director of the office is C. O. Magnetti.

Recruiting

The diverse nature of GAO's work necessitates diversity of expertise among staff members. As shown in table 2, which summarizes the composition of our staff, our recruiting programs are geared toward acquiring staff members from diverse academic disciplines.

MANAGEMENT SERVICES ORGANIZATION



JUNE 30, 1975

Table 1
ANALYSIS OF STAFF CHANGES, FISCAL
YEAR 1975

	Profes- sional	Technical and other	Total
Employees on rolls July 1, 1974	3, 564	1, 624	5, 188
Appointments	490	466	956
Transfers between categories	25	(25)	--
Total	4, 079	2, 065	6, 144
Separations:			
Retirements	43	128	171
Transfers to other agencies.	130	71	201
Other reasons	106	176	282
Total separations	279	375	654
Employees on rolls June 30, 1975 ¹	3, 800	1, 690	5, 490
¹ Includes:			
Permanent, full-time employ- ees	3, 785	1, 545	5, 330
Permanent, part-time employ- ees	2	15	17
Students and other tem- porary employees.	13	130	143

Professional Staff

Two primary recruitment programs are used to fill GAO's professional staffing needs: the college recruiting program and the upper level recruiting program.

We meet most of our professional staffing needs by recruiting college graduates from colleges and universities. During fiscal year 1975, we visited 316 colleges and hired 342 quality graduates. We also conducted two summer intern programs at the college level—one for second-year law students and one for graduate students participating in 2-year masters degree programs.

Through the upper level recruiting program, we acquire the services of experienced professionals from both the public and private sectors. During fiscal year 1975, we employed 135 experienced professionals at upper grade levels.

Support Staff

During fiscal year 1975, we hired 289 permanent employees and 177 temporary employees for our support staff. Many secretaries and technicians were

graduates of 2- or 4-year college programs, while others were employed through cooperative work programs negotiated between GAO and various educational institutions.

Personnel Development

We are continuing an extensive internal training program to meet the developmental needs of our staff members. We provide technical training for our professional and support services staffs, and supervisory and management training for the professional staff.

The professional staff is introduced to how GAO performs its financial, management, and program audits with the aid of a thorough operational auditing course. Analytical concepts and methods, ADP techniques, auditing standards and procedures, and acceptable methods and formats for communicating the results of audits to the Congress, to executive agencies, and the public are presented in other internal technical training courses. Appropriate supervisory training programs are presented as needed.

The career development program for support services employees includes typing, shorthand, basic communications, English style practices, office skills, correspondence procedures, seminar for secretaries, and office management courses. These courses are designed to help each level of the support staff to either develop new skills or polish previously acquired skills. The focus is on helping the employees develop personally and at the same time increasing their assistance to the professional staff.

Professional Attainment

Further evidence of broad interest in self-development and the caliber of our professional staff is evidenced by the 760 staff members who now hold masters degrees and 31 others with doctorate degrees. We have on our staff 470 CPAs and 172 others who have passed the examination and are completing their experience requirements. Also, 161 staff members have been admitted to the practice of law in various jurisdictions.

Personnel Operations

Our personnel operations staff monitors and interprets personnel laws, regulations, and executive orders and develops internal policies and guidance. It also administers programs covering position classi-

Table 2

COMPOSITION OF STAFF
(on rolls at June 30, 1975)

	Total	Permanent full-time	Permanent part-time	Students and other temporary employees
Professional:				
Accountants and auditors	2,568	2,556	-	12
Business administration/management	531	531	-	-
Attorneys	126	125	-	1
Actuaries and other mathematical scientists	103	101	2	-
Claims adjudicators	41	41	-	-
Engineers	36	36	-	-
Computer and information specialists	37	37	-	-
Economists and other social scientists	177	177	-	-
Personnel management specialists	36	36	-	-
Transportation specialists	20	20	-	-
Other	125	125	-	-
Total professional staff	3,800	3,785	2	13
Technical:				
Transportation rate auditors	211	211	-	-
Fiscal auditors	39	39	-	-
Claims adjudicators and examiners	74	74	-	-
Legal assistants	5	5	-	-
Total technical staff	329	329	-	-
Other:				
Administrative and clerical	1,298	1,172	15	111
Wage board	63	44	-	19
Total other staff	1,361	1,216	15	130
Total	5,490	5,330	17	143

fiction and wage administration, merit promotions, suggestion awards, labor-management relations, appeals and grievances, health and retirement programs, an array of employee benefits, personnel security, and counseling services.

This year special emphasis was placed on extending health services to all of our employees who are 40 years of age and older and on implementing the changes in benefits to employees for line-of-duty injuries.

Staff Development

The Office of Staff Development was established as a separate office in November 1974 to give added emphasis to the development and motivation of the

human resources needed to carry out GAO's objectives. The Director of the office is William D. Martin, Jr.

We have devoted special efforts to (1) developing improved training and educational opportunities for all staff members, (2) assisting in the organizational development activities in various divisions and offices of GAO, and (3) developing new appraisal and counseling techniques for professional staff members.

Staff and Organizational Development

To help all employees achieve their maximum potential and usefulness and to meet the needs of the Office, we foster an extensive program for continuing education. We sponsor continuing education in job-related areas for our staff at the graduate and

Table 3
DISTRIBUTION OF STAFF

Division or Office	Professional	Technical	Other	Total
Comptroller General's Office	4	-	5	9
Special Staff Services	9	-	10	19
General Counsel	125	4	110	239
Assistant Comptroller General (Management Services)— includes Planning and Analysis	9	-	9	18
Administrative Services	-	-	108	108
Comptroller	10	-	74	84
Publishing and Graphics	-	-	104	104
Librarian	-	-	22	22
Personnel Management—includes secretarial assignments Staff Development—includes first-year and upward mobility programs	40	-	85	125
.	157	11	38	206
Assistant Comptroller General (Policy and Program Planning) Policy	1	-	2	3
Program Planning	8	-	3	11
Internal Review	6	-	3	9
.	8	-	2	10
Assistant Comptroller General (Special Programs) Program Analysis	9	-	2	11
Special Programs	28	-	8	36
.	37	-	9	46
Federal Personnel and Compensation	73	-	16	89
Financial and General Management Studies	228	-	40	268
General Government	182	-	35	217
Logistics and Communications	141	-	26	167
Manpower and Welfare	230	1	48	279
Procurement and Systems Acquisition	143	-	28	171
Resources and Economic Development	227	-	43	270
Joint Financial Management Improvement Program	6	-	3	9
International	132	2	27	161
Europe	42	-	4	46
Far East	52	-	7	59
Field Operations	1,831	37	208	2,076
Transportation and Claims	62	274	282	618
Total	3,800	329	1,361	5,490

undergraduate level at leading colleges and universities and in such special educational programs as the National War College and the Fellowship in Congressional Operations for Executives.

We also work with the Office of Personnel Management in developing internal training programs to meet the changing training needs of all staff members.

We are supporting organization development efforts in the International Division, Office of General Counsel, and certain management services offices. These efforts are designed to help these organizations

improve their operations by focusing on work processes, organization structure, communications flow, management styles, and interpersonal relations. Both internal staff members and external consultants have been involved in these efforts.

Two major efforts have been undertaken to revise our appraisal systems. The first involves a redesign of the system for GS-9 through GS-13 auditing and accounting staff members. The second calls for establishing job-related profiles for grades GS-15 and an assessment and appraisal system for the GS-14s. These projects will be completed in 1976.

First-Year Professional Program

Professional staff members participate in assignments in three different divisions or offices during their first year to provide on-the-job training and to make them aware of varied approaches to supervision and management. They also participate in training programs to introduce them to GAO audit policies and procedures.

During the fiscal year 1975, about 160 staff members participated in this program in Washington, D.C.

Upward Mobility

Our upward mobility program gives employees in lower-grade jobs with limited opportunity for advancement a bridge to permanent professional positions as management analysts, management auditors, and claim adjudicators.

During fiscal year 1975, 28 employees with demonstrated potential were competitively selected to participate in the program. Besides receiving on-the-job training and careful counseling, they may attend college either during duty hours or after hours, with GAO paying all costs related to their education. During fiscal year 1975, 4 employees completed program requirements and were assigned to permanent auditor positions.

Another program provides employees in positions with limited mobility an opportunity to receive training as freight rate specialists. Twelve employees completed this program in fiscal year 1975 and were assigned as freight rate specialists.

Staff Reassignments

The increasing diversity and complexity of GAO's work places increased importance on the need for our professional staff members to have supervisory capability, versatility, and well-rounded backgrounds. Staff members with wide experience in assignments characteristic of our operations enhance our flexibility to carry out our duties.

We reassign professional staff members between and within our divisions and offices to provide opportunities for a large number of supervisors to observe employees in the course of their developing careers and to provide an opportunity for employees to work with numerous supervisors. Under this policy of rotation, the experience gained gives greater assurance, to both management and employees, that employee capabilities are recognized, developed, and

used. It also provides greater assurance that strengths in employee performance and capabilities are fully recognized so that we can continue to furnish a quality level of service. This principle is generally recognized in the more progressive governmental and private organizations, and our aim is to apply it effectively within GAO.

During fiscal year 1975, we made approximately 300 assignments and reassignments of professional staff members. Assignments are intended to match the needs of the individual with the requirements of the Office to the extent practicable.

Office of Controller

The Office of Controller was established on August 16, 1974, to be responsible for budgeting, accounting, and management information systems. The Controller is Jack L. Green. His office is divided into five branches:

- Accounting Operations.
- Accounting Systems Development.
- Budget and Financial Planning.
- Management Information Systems.
- Reports Management and Analysis.

The Accounting Systems Development Branch continued work on a fully automated financial management information system to replace the current manual and interim ADP systems. Installation will be during the early part of fiscal year 1976. Greater use of ADP techniques is expected to improve the timeliness and usefulness of financial reports by providing information pertinent to current management decisions. Also, we expect to combine financial data with data from other subsystems to provide useful information related to productivity and unit cost.

Office of Administrative Services

This office provides many of the services which enable GAO to operate efficiently. During the year, we continued to improve the working environment of GAO staff members. More than 75,000 square feet of space were renovated and occupied by over 200 staff members in the headquarters building. Several moves and renovation projects were also completed in field offices.

During the year, the Supply and Services Section entered into nearly 5,700 purchasing actions to satisfy the agency's nationwide needs and nearly 150

purchasing transactions for the Office of Technology Assessment and the Cost Accounting Standards Board. This section also monitors the receipt of purchases, maintains accountability records, and performs property management and disposal activities. The contracts group processed 165 contract transactions.

The Travel Unit in this section performs local, national, and international travel functions. It also provides for storage, transport, and warehouse handling of personal effects and household goods of GAO staff members who change duty stations.

Progress has been made in converting the Comptroller General's Orders and other policy and procedure issuances to the new directives system. When completely installed, all internal administrative instructions will be found in one source—the GAO Operations Manual.

The Records Information Section answered 806 requests from Government agencies and private individuals for information from and copies of Government records. The section receives and files confidential financial statements of Senators and certain officers and employees of the Senate as required by Senate Rule 44. It furnished a report to the Senate Select Committee on Standards and Conduct on the 1,681 statements received during the year. The section also monitors an employee locator information system. During the last 10 months of the fiscal year, it received and processed 3,193 changes in employee location information.

The Mail and Messenger Service provides mail delivery and special services throughout the GAO building and to some 75 audit sites in the Washington metropolitan area. An office appliance repair staff and a carpenter staff also provide necessary services for the Washington offices. The workload of the Distribution Section continued to increase during the year, due to a growing number of requests for copies of GAO reports and other publications.

Several important improvements were made in managing GAO records in other agencies and within GAO itself.

Late in 1974, the statute of limitations on claims to be submitted to GAO was reduced from 10 years, 3 months, to 6 years, 3 months. The Archivist of the United States then approved a parallel reduction in the retention of site audit records to 6 years, 3 months, after the period of the account. These

shorter retention periods will eventually make about 400,000 cubic feet of the 1 million cubic feet of GAO records in the Federal Records Centers eligible for destruction. However, actual destruction is temporarily frozen pending an antitrust suit.

In another improvement, the 81-year-old requirement that a GAO copy of contracts be set aside for use by GAO auditors was eliminated, and a 6-year retention period was placed on collections of these contracts currently on hand. GAO auditors will now use the agency's contracting office's copy of contracts when they need documents or data relating to the contracts.

When fully installed in all agencies, the new retention standards for accountable officers' accounts and copies of contracts are expected to result in over \$1.3 million in savings.

During the year GAO eased some restrictions on agencies holding GAO records. Accountable officers' accounts may now be transferred to the Federal Records Centers when they are 1 year old, regardless of whether they have been audited by GAO. In the past, transferring any unaudited records required special permission from GAO.

Title 8 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies (Records Management and Services) is being revised to incorporate these changes.

The first formal GAO-wide paperwork management program was formally announced by a directive which designated the Director of the Office of Administrative Services as the GAO Records Management Officer. It placed under his authority all aspects of paperwork management, thus making GAO the first Federal agency to concentrate all phases of internal agency paperwork management in a single organizational unit.

Office of Publishing and Graphic Services

The Office of Publishing and Graphic Services processes GAO's printed material by:

- Editing and proofing GAO reports, *The GAO Review*, the *Comptroller General's Annual Report*, manuscripts, speeches, testimony, and other GAO publications and documents. Typing GAO audit reports, the *GAO Monthly List of Reports*, the semiannual *List of GAO*

Publications, special publications, manuals, and other products.

- Illustrating GAO audit reports and other projects with vu-graphs, maps, charts, designs, and/or photographs. Identification plates, signs, and forms are also prepared.
- Printing GAO audit reports, Comptroller General decisions, special publications, memorandums, audit programs, and press releases.
- Microfiling (filming) GAO audit reports—a new, spacesaving way to store reports while allowing ready access to and security of reports.

As an additional service, OPGS determines the need for, purchases, and maintains the copying machines throughout GAO. The several copy centers quickly reproduce materials as requested.

Editors from this office assist in GAO training programs that involve writing skills.

Office of the Librarian

The GAO library serves all GAO divisions and offices, including audit sites. Many reference services are also provided to the regional offices.

Types of service include: telephone reference, bibliographic searching, preparing annotated bibliographies, performing substantive research, and arranging interlibrary loans. Beginning in fiscal year 1975, the library performed 115 literature searches. During the year, the library borrowed 3,492 books and periodicals from other libraries through the interlibrary loan service.

Staff members continued to use the Congressional Research Service Selective Dissemination of Information System. The library assists by handling staff requests for hard copies of such materials. Over 3,305 such requests were filled during the year.

In January 1975 the library was designated a partial depository for Government Printing Office publications. This means the library receives, at no cost, selected GPO publications as soon as they are issued.

Equal Employment Opportunity

We made good progress in our Equal Employment Opportunity Program during the year and our overall employment profile continued to improve. During the year the general schedule work force grew by 281 persons, of which 30.3 percent were

minority men and women, and 33.5 percent white women. At June 30, 1975, minority employees constituted 17.9 percent of all personnel, up 0.7 percent over 1974. The number of white women increased to 16.6 percent, up 1 percent. The percentage of all women was 28.4, an increase of 1.3 percent.

Total personnel in grades GS-9 and above increased by 203 during the year. Eighty, or 39.4 percent, were members of minority groups, and 54, or 26.6 percent, were white women. For all women, the increase was 85, or 41.9 percent.

A principal thrust of our equal opportunity program during the year was to work toward affirmative action objectives by drawing more heavily upon GAO's total managerial and staff resources.

For example, the Office of Program Planning, aided by the Office of Staff Development, developed a procedure for establishing numerical goals and timetables for the employment of minority persons and women in professional positions.

The Manpower and Welfare Division and the Office of Personnel Management each developed and tested separate EEO training programs—one on racism and sexism awareness, the other on reducing discriminatory behavior. About 200 persons participated in this training, and we have now developed a composite 3-day workshop which, in 1976, will be required training for about 500 managers and supervisors.

Administration of this program was improved with its elevation to office status. Besides giving EEO a concrete organizational existence within the GAO structure, the Comptroller General broadened the Director's position from a part-time to a full-time post. Alexander A. Silva, former program deputy director, was appointed to the position.

Program Planning

The Office of Program Planning advises and assists the Comptroller General on GAO-wide program planning matters. The office was directed by William N. Conrardy until June 21, when he left to become San Francisco regional manager. John D. Heller, formerly Deputy Director, General Government Division, became the new Director.

The office advises the Comptroller General on long-range objectives, budget formulation, resource requirements, and overall direction-of-effort planning. It also assists the Program Planning Commit-

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tee, monitors and evaluates the operational plans and performance of GAO divisions and offices, and promotes effective planning throughout GAO by guiding and counseling individual divisions and offices in developing their plans.

Internal Review

The Office of Internal Review, directed by Lloyd G. Smith, reviews the operations and performance of all divisions and offices in GAO. Examinations are conducted at headquarters and at field and overseas locations as appropriate. Reports resulting from its activities are submitted directly to the Comptroller General and the Deputy Comptroller General.

Policy

The Office of Policy, supervised by Donald J. Horan, Director, advises and assists the Comptroller General on policy formulation, guidance, and review with respect to all GAO functions.

It (1) develops auditing and reporting policies, standards, and procedures for guiding the operating divisions, (2) conducts or sponsors research in auditing theory, objectives, practices, and techniques, (3) furnishes policy advice on accounting and auditing problems, and (4) reviews proposed reports for the Comptroller General's signature. It also advises and assists in developing operating policies and guidance for GAO's legislative, legal, claims, career development, and administrative activities.

NUMBER OF AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975 ¹

Subject	Addressee				
	Total	Congress ²	Committees ³	Members	Agency officials ⁴
Agriculture and Rural Development.....	15	7	1	6	1
Automatic Data Processing.....	7	4	1	1	1
Commerce and Transportation.....	73	13	18	19	23
Community Development and Housing.....	29	12	3	8	6
Education and Manpower.....	44	8	12	14	10
Energy-related Activities.....	83	7	10	11	55
Financial Management and Information Systems.....	40	7	1	1	31
General Government.....	157	36	38	39	44
General Science, Space, and Technology.....	4	1	1	-	2
Health.....	55	15	7	16	17
Income Security.....	20	5	7	3	5
International Affairs and Finance.....	65	21	17	14	13
National Defense.....	371	44	42	98	187
Natural Resources and Environment.....	48	13	10	16	9
Veterans Benefits and Services.....	21	2	7	6	6
Multiagency.....	11	4	3	3	1
	1,043	199	178	255	411
Office of Federal Elections reports.....	134				
Total.....	1,177				

¹ A detailed list of these reports is contained in appendix 2. Substantially identical reports have been counted as one report.

² Reports submitted to the Congress are addressed to the President of the Senate and the Speaker of the House of Representatives. Copies are sent to the Director, Office of Management and Budget; the Senate and House Committees on Appropriations and Government Operations; the appropriate legislative committees in the Senate and the House; Members of Congress from the districts in which the activities reported on are located;

others in the Congress, as requested; the President of the United States, as appropriate; the agencies reported on; and others directly affected.

³ Includes reports addressed to officers of the Congress.

⁴ Comprises reports addressed to heads of departments or agencies, to other officials at department or agency headquarters, to department or agency officials at regional or other local offices, or to commanding officers at military installations.

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975

Reference	Addressee and date issued			
	Congress	Committees	Members	Agency officials
AGRICULTURE AND RURAL DEVELOPMENT				
Agriculture Land and Water Resources:				
Action needed to discourage removal of trees that shelter cropland in the Great Plains. Department of Agriculture.	RED-75-375		6-20-75	
Farm Income Stabilization:				
Reduction in Federal expenditures possible through Commodity Credit Corporation's assumption of insured warehousing risks. Department of Agriculture.	RED-75-320		1-10-75	
Audit of Federal Crop Insurance Corporation, fiscal year 1974. Department of Agriculture.	FOD-75-7		1-20-75	
Audit of Commodity Credit Corporation, fiscal year 1974. Department of Agriculture.	RED-75-311		2- 3-75	
Information on Commodity Credit Corporation grain sales. Department of Agriculture (request of Senator James G. Abourezk).	RED-75-266			9-11-74
The Department of Agriculture's decision to combine North Carolina and Utah aerial photography laboratories in Utah (request of Congressmen Roy A. Taylor, Earl B. Ruth, L. H. Fountain, Walter B. Jones, Ike Andrews, James G. Martin, and Gillespi V. Montgomery and Senators Sam J. Ervin, Jr., Herman E. Talmadge, Frank E. Moss, and Ernest F. Hollings).	RED-75-297 through RED-75-307			12- 2-74
Agriculture's proposed interim consolidation of North Carolina and Utah aerial photography laboratories. Agricultural Stabilization and Conservation Service, Department of Agriculture (request of Congressman Roy A. Taylor and Senator Jesse Helms).	RED-75-378 RED-75-379			6-10-75
Value of Government's equity in the Agricultural Credit Insurance Fund. Farmers Home Administration, Department of Agriculture.	RED-75-345			4- 7-75
Research and Other Agricultural Services:				
Improvements needed in regulation of commodity futures trading. Department of Agriculture.	RED-75-370		6-24-75	
Administration of marketing orders for fresh fruits and vegetables. Agricultural Marketing Service, Department of Agriculture (request of Chairman, Subcommittee for Consumers, Senate Committee on Commerce).	RED-75-273		12-11-74	
Information concerning reports of a possible wheat shortage. Agricultural Stabilization and Conservation Service, Department of Agriculture (request of Congressman Charles A. Vanik).	RED-75-252			7-30-74

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975—Continued

	References	Addressee and date issued			
		Congress	Committees	Members	Agency officials
AGRICULTURE AND RURAL DEVELOPMENT—Con.					
Rural Economic and Community Development:					
National rural development efforts and the impact of Federal programs on a 12-county rural area in South Dakota. Department of Agriculture	RED-75-288	1- 8-75			
Department of Labor's practice of obtaining Labor union comments in making certifications required by the consolidated Farm and Rural Development Act. Farmers Home Administration, Department of Agriculture (request of Senator Clifford P. Hansen).	RED-75-292	.....		12-16-74	
Rural Housing and Public Facilities:					
Examination of the Rural Telephone Bank's financial statements for the fiscal year ended June 30, 1974. Department of Agriculture.	FOD-75-5	1-23-75			
The Farmers Home Administration's practice in obtaining credit reports for housing and agricultural loans. Department of Agriculture (request of Senator William Proxmire).	RED-75-314	.....		12-24-74	
AUTOMATIC DATA PROCESSING					
ADP Installation Management:					
Opportunities to improve the utilization and management of automatic data processing resources. Government Printing Office (request of Chairman, Joint Committee on Printing).	FGMSD-75-12	.....	2-26-75		
Automated System Review:					
Need for improvements in the automated payroll system at the Department of Housing and Urban Development.	FGMSD-75-31	.....			6-18-75
Computer-Output-Microfilm:					
Increased use of computer-output-microfilm by Federal agencies could result in savings. General Services Administration.	FGMSD-75-11	11-26-74			
Computer Utilization:					
Opportunities for improving computer use in the Bureau of the Mint. Department of the Treasury.	FGMSD-75-19	3-20-75			
Department of Agriculture:					
Improved planning—a must before a department-wide automatic data processing system is acquired for the Department of Agriculture.	LCD-75-108	6- 3-75			
Inquiry into possible computer processing problems in school lunch programs (request of Congressman Charles A. Vanik).	LCD-75-114	.....		6- 3-75	
Standards:					
Improvement needed in documenting computer systems. General Services Administration.	FGMSD-75-3	10- 8-74			

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975—Continued

Reference	Addressee and date issued			
	Congress	Committees	Members	Agency officials
COMMERCE AND TRANSPORTATION				
Advancement of Business:				
Audit of Federal Deposit Insurance Corporation for the year ended June 30, 1974, limited by agency restriction on access to bank examination records.	FOD-75-9	6-11-75		
Improving federally assisted business development on Indian reservations. Bureau of Indian Affairs, Department of the Interior.	RED-75-371	6-27-75		
Management study of the U.S. International Trade Commission (request of the Chairman, Senate Committee on Finance).	GGD-75-89	6-23-75		
Report to the Controller, Federal Deposit Insurance Corporation, on certain accounting matters.				4-10-75
Suggestions for strengthening the internal audit function at the Federal Deposit Insurance Corporation.				4-10-75
Air Transportation:				
Aircraft midair collisions: A continuing problem. Department of Transportation.	PSAD-75-15	10-23-74		
Costly requirements for certain control towers, navigation aids, and airport lights. Federal Aviation Administration, Department of Transportation (request of Congressmen H. R. Gross, Charles S. Gubser, and Glenn R. Davis and Senators William Proxmire and Alan Cranston).	RED-75-289		12-10-74 12-11-74	
Improved procedures needed for implementing safety recommendations. Federal Aviation Administration, Department of Transportation (request of Congressman Ralph H. Metcalf).	RED-75-334		3- 6-75	
Aircraft noise and air pollution; meetings between FAA and the public. Environmental Protection Agency, and Federal Aviation Administration, Department of Transportation (request of Congressman Joseph P. Addabbo).	RED-75-384		6-19-75	
More emphasis needed on improvements to increase survivability in airplane crashes. Department of Transportation.	PSAD-75-17			10-15-74
Need for improvements in the Federal Aviation Administration's regulation and surveillance of alterations to light aircraft. Department of Transportation.				4-11-75
Federal-Aid Highway Program:				
Modification of California's highways to specifications below Federal Highway Administration standards. Department of Transportation.				8- 9-74
Funding:				
Improper use of appropriated funds for transportation of foreign-made liquor. Department of Defense.	TCD-74-8			9- 3-74
Ground Transportation:				
Grants to improve bus transit systems—progress and problems. Urban Mass Transportation Administration, Department of Transportation.	RED-75-275	11-25-74		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975—Continued

	Reference	Addressee and date issued		
		Congress	Committees	Members	Agency officials
COMMERCE AND TRANSPORTATION—Continued				
Ground Transportation—Continued				
Public involvement in planning public works projects should be increased. Federal Aviation Administration and Federal Highway Administration, Department of Transportation, and Corps of Engineers, Department of the Army.	RED-75-282	12-	6-74	
Audit of U.S. Railway Association, February 1 through June 30, 1974. Department of Transportation.	RED-75-341	3-21-	75	
Need to improve benefit-cost analyses in setting motor vehicle safety standards. National Highway Traffic Safety Administration, Department of Transportation (request of Chairman, Senate Committee on Commerce).	RED-74-251	.....	7-22-	74
Improvements needed in planning and using motor vehicle safety research. National Highway Traffic Safety Administration, Department of Transportation (request of Chairman, Senate Committee on Commerce).	RED-75-265	.....	9-16-	74
Department of Transportation's cargo security programs (request of Chairman, Senate Select Committee on Small Business).	RED-75-263	.....	9-18-	74
Contributions of advisory groups to Federal motor vehicle and traffic safety programs. National Highway Traffic Safety Administration, Department of Transportation (request of Chairman, Senate Committee on Commerce).	RED-75-315	.....	2- 4-	75
The auto safety program: identifying defects and recalling defective vehicles. National Highway Traffic Safety Administration, Department of Transportation (request of Chairman, Senate Commerce Committee).	RED-75-324	.....	2-11-	75
Information on loan guarantee programs under the Rail Passenger Service Act and the Regional Rail Reorganization Act. Federal Railroad Administration, Department of Transportation (request of Chairman, Subcommittee on Transportation Appropriations, House Committee on Appropriations).	RED-75-329	.....	2-26-	75
Review of adequacy of proposed additional Federal assistance to Metro. Washington Metropolitan Area Transit Authority (request of Chairman, Subcommittee on Fiscal Affairs, House Committee on the District of Columbia and Chairman, Subcommittee on Housing, Commerce and Transportation, House Committee on the District of Columbia).	{PSAD-75-107} {PSAD-75-108}	.....	6-27-	75
Propriety of grants for purchase of bus stop benches by city of Long Beach. Urban Mass Transportation Administration, Department of Transportation (request of Senator Alan Cranston).	RED-75-260	.....	8- 6-	74

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975—Continued

Reference	Addressed and date issued			
	Congress	Committees	Members	Agency officials
COMMERCE AND TRANSPORTATION—Continued				
Ground Transportation—Continued				
Information on expenditures for air travel by AMTRAK personnel. National Railroad Passenger Corporation, Department of Transportation (request of Congressman Les Aspin).	RED-75-268	.....	8-26-74	
Possible misuse of Federal funds by the Northern Virginia Transportation Commission. Urban Mass Transportation Administration, Department of Transportation (request of Congressman Joel T. Broyhill).	RED-75-269	.....	9-5-74	
Inquiry into alleged discriminations and concessions in the allocation of rail cars to grain shippers. Interstate Commerce Commission (request of Congressman John Melcher).	GGD-75-24	.....	12-30-74	
Review of the use of rates available under section 22 of the Interstate Commerce Act (motor). Department of Defense (request of Senator Philip A. Hart).	TCD-75-3	.....	3-13-75	
Delays in establishing a uniform quality grading system for motor vehicle tires. National Highway Traffic Safety Administration, Department of Transportation (request of Senator Gaylord Nelson).	RED-75-344	.....	3-28-75	
Evaluation of the capital cost estimate for the Metro rapid rail transit system. Washington Metropolitan Area Transit Authority (request of Senator Harry F. Byrd, Jr.).	PSAD-75-85	.....	5-8-75	
Matters relating to the audit of financial statements, U.S. Railway Association, Department of Transportation.	.....	.....	.....	3-21-75
Safety-related activities under the Railroad Safety Act of 1970. Federal Railroad Administration, Department of Transportation.	RED-75-348	.....	.....	4-11-75
Observations on the State participation program under the Railroad Safety Act of 1970, Federal Railroad Administration, Department of Transportation.	.....	.....	.....	5-30-75
Postal Service:				
Missent mail—a contributing factor to mail delay and increased costs. U.S. Postal Service.	GGD-75-2	10-22-74		
Observations and questions on the development of the new national bulk mail system. U.S. Postal Service.	GGD-75-31	11-1-74		
Opportunities to economize postal operations in rural America. U.S. Postal Service.	GGD-75-87	6-4-75		
Observations on procurement of equipment for St. Louis Postal Data Center. U.S. Postal Service (request of Chairman, House Committee on Post Office and Civil Service).	GGD-74-98	.....	7-17-74	
Observations on procurement of equipment for New York Postal Data Center. U.S. Postal Service (request of Chairman, House Committee on Post Office and Civil Service).	GGD-74-99	.....	7-19-74	

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975—Continued

	Reference	Addressed and date issued			
		Congress	Committees	Members	Agency officials
COMMERCE AND TRANSPORTATION—Continued					
Postal Service—Continued					
Review of the Capitol Investment Committee. U.S. Postal Service (request of Chairman, House Committee on Post Office and Civil Service).	GGD-75-17	.....	8-22-74		
Profitability of the Postal Service sales of printed return address envelopes. U.S. Postal Service (request of Chairman, House Subcommittee on Environmental Problems Affecting Small Business).	GGD-75-62	.....	2-13-75		
Forecast of Postal Service's self-sufficiency potential. U.S. Postal Service (request of Chairman, House Committee on Post Office and Civil Service).	GGD-75-58	.....	2-20-75		
Change in Postal Service procedures for billing DOD for mail service. U.S. Postal Service (request of Chairman, Senate Committee on Appropriations).	GGD-75-71	.....	2-20-75		
Observations on sole source procurement and overruns. U.S. Postal Service (request of Chairman, House Committee on Post Office and Civil Service).	GGD-75-81	.....	5- 9-75		
Use of 2d- and 3d-class mail for advertising. U.S. Postal Service (request of Senator Alan Cranston).	GGD-74-97	.....		7-17-74	
Review of site acquisition procedures for Kansas City bulk mail facility. U.S. Postal Service (request of Congressman Larry Winn).	GGD-74-102	.....		7-17-74	
Review of mail processing, New Haven, Conn., U.S. Postal Service (request of Congressman Robert Giaino).	GGD-75-20	.....		9- 4-74	
Analysis of postal service's public service cost. U.S. Postal Service (request of Congressman Edward J. Derwinski).	GGD-75-25	.....		10- 9-74	
Observations on sales of postal-related products and photocopy services. U.S. Postal Service (request of Senator Alan Cranston).	GGD-75-29	.....		10-10-74	
Certain costs associated with the implementation of the national bulk mail system. U.S. Postal Service (request of Congressman H. R. Gross).	GGD-75-42	.....		11-12-74	
Review of airmail and first-class delivery times. U.S. Postal Service (request of Senator Eagleton).	GGD-75-47	.....		12-17-74	
Review of program of providing free collection and delivery boxes to apartment and housing developers. U.S. Postal Service (request of Senator Alan Cranston).	GGD-75-92	.....		6- 9-75	
Survey of highway carriers contracted to transport mail. U.S. Postal Service.	GGD-74-105	.....			7- 3-74
Observation at Oakland and San Francisco post offices on procedures for processing customs duty and collection of such duties. U.S. Postal Service.		.....			7-26-74
Survey of air taxi operations. U.S. Postal Service.		.....			8-14-74
Survey of new services offered by postal service. U.S. Postal Service.		.....			8-23-74
Improved mail service December 1973 through January 1974. U.S. Postal Service.	GGD-75-41	.....			10-23-74
Problems affecting operations at the St. Louis postal data center. U.S. Postal Service.	GGD-75-33	.....			12-10-74
Review of working conditions improvement program. U.S. Postal Service.	GGD-75-48	.....			12-16-74

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975—Continued

	Reference	Addressee and date issued			
		Congress	Committees	Members	Agency officials
COMMERCE AND TRANSPORTATION—Continued					
Postal Service—Continued					
Survey of postal service procurement and material management. U.S. Postal Service.					1- 9-75
Assessment and collection of fourth-class mail revenues. U.S. Postal Service.					5-19-75
Regulation of Business:					
Status of FTC's progress in improving line-of-business report. Federal Trade Commission (request of Chairman, House Committee on Appropriations).	OSP-75-9		3- 5-75		
First Home Investment Corporation: possible oversight or unreasonable delay in settling the case. Securities and Exchange Commission (request of Senator Bob Dole).	GGD-75-19			8-28-74	
Review of Federal Trade Commission enforcement of Flammable Fabrics Act.					9-11-74
Efforts to implement the National Environmental Policy Act of 1969. Federal Communications Commission.					2-12-75
Small Business Advancement:					
Questionable effectiveness of the 8(a) procurement program. Small Business Administration.	GGD-75-57	4-16-75			
Circumstances surrounding award of an 8(a) contract to Western Technical Associates. Small Business Administration (request of Chairman, House Committee on Small Business).	GGD-75-78		5- 5-75		
Traffic Management:					
Review of rate and management considerations in the international shipment of household goods. Department of Defense.	TCD-75-7				7-29-74
Excessive seaman detention charges being incurred at the Kaiserslautern Cold Stores in Germany. Department of Defense.	TCD-75-2				2-10-75
Water Transportation:					
Audit of financial statements of Saint Lawrence Seaway Development Corporation, calendar year 1973. Department of Transportation.	FOD-74-19	7- 9-74			
Vessel traffic systems—what is needed to prevent and reduce vessel accidents. U.S. Coast Guard, Department of Transportation.	RED-75-319	1-21-75			
Government support of the shipbuilding industrial base. Maritime Administration and Department of Defense.	PSAD-75-44	2-12-75			
Alleged cost overruns experienced by builders of class I oceanographic ships. National Oceanic and Atmospheric Administration, Department of Commerce (request of Chairmen, Senate Committee on Commerce and House Committee on Merchant Marine and Fisheries).	{GGD-75-22 {GGD-75-23		10- 4-74		
Coast Guard's purchases of communications and surveillance systems for vessel traffic control systems and a microwave link for a radio station. Department of Transportation:	RED-74-210				7-10-74

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975—Continued

Reference	Addressee and date issued			Agency officials
	Congress	Committees	Members	
COMMUNITY DEVELOPMENT AND HOUSING				
Community Planning, Management, and Development:				
Getting the new communities program started: progress and problems. Department of Housing and Urban Development.	RED-75-284	11-15-74		
Greater benefits can be derived from improved HUD audits of program participants. Department of Housing and Urban Development.	RED-75-279	11-25-74		
The Federal crime insurance program: how it can be made more effective. Department of Housing and Urban Development.	RED-75-333	4-11-75		
National standards needed for residential energy conservation. Department of Housing and Urban Development.	RED-75-377	6-20-75		
Review of the Model Cities Program in East St. Louis, Illinois. Department of Housing and Urban Development (request of Senator Adlai E. Stevenson, III).	RED-75-255	.....	7-30-74	
Review of the Model Cities Program in Lansing, Michigan. Department of Housing and Urban Development (request of Congressman Charles G. Chamberlain).	RED-75-290	.....	11-22-74	
Review of the Model Cities Program in Dayton, Ohio. Department of Housing and Urban Development (request of Congressman Charles W. Whalen, Jr.).	RED-75-317	.....	12-23-74	
Review of certain aspects of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. Department of Housing and Urban Development (request of Senator Robert Packwood).	RED-75-318	.....	1- 7-75	
Review of the Model Cities Planning Council of the Dayton Model Cities program. Department of Housing and Urban Development (request of Congressman Charles W. Whalen, Jr.).	RED-75-355	.....	4-24-75	
Need for HUD to prepare an environmental impact statement on town of Leesburg, Va., Potomac River Water Supply Project. Department of Housing and Urban Development.	RED-75-261	.....		8- 7-74
Followup review of the administration of the rehabilitation loan and grant programs in Atlanta, Georgia. Department of Housing and Urban Development.	.....	.....		2- 7-75
Low and Moderate Income Housing Aids:				
Housing for elderly—factors which should be evaluated before deciding on low or high-rise construction. Department of Housing and Urban Development.	RED-75-308	1- 9-75		
Local housing authorities can improve their operations and reduce dependence on operating subsidies. Department of Housing and Urban Development.	RED-75-321	2-11-75		

AUDIT REPORTS ISSUED DURING FISCAL YEAR 1975—Continued

	Reference	Addressee and date issued			
		Congress	Committees	Members	Agency officials
COMMUNITY DEVELOPMENT AND HOUSING—Con.					
Low and Moderate Income Housing Aids—Con.					
Comparative costs of the Department of Housing and Urban Development's Sections 8 Leasing and 236 Rental Housing Programs. Department of Housing and Urban Development (request of Chairman, Subcommittee on HUD—Independent agencies, Committee on Appropriations, House of Representatives, and Congressman Burt L. Talcott).	RED-75-349 RED-75-350	4-	1-75	
Construction of housing projects built under HUD-sponsored programs on the Blackfeet Indian Reservation. Department of Housing and Urban Development (request of Congressman Richard G. Shoup).	RED-75-316			12-27-74
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Critical need for a better system for adjusting top executive, legislative, and judicial salaries. Civil Service Commission, Office of Management and Budget.	FPCD-75-140	2-25-75		
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Catalog pricing on GSA multiple award schedule contracts. United States Customs Service.				6-24-75
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Audit of payments from special bank account to Lockheed Aircraft Corporation for the C-5A aircraft program during the quarter ended September 30, 1974. Department of Defense.	PSAD-75-31	11-19-74		
The military commissary store: its justification and role in today's military environment. Department of Defense (request of Representative Les Aspin).	FPCD-75-88	5-21-75		
Current status of the Loan Guarantee Act with regard to Lockheed and the status of the \$100 million obligation by Lockheed to the Air Force as a result of the C-5A settlement of a few years ago (request of Vice Chairman, Joint Economic Committee).	PSAD-75-67	.....	3-10-75	
Information on commissary store operations. Department of Defense (request of Chairman, Senate Armed Services Committee).	FPCD-75-132	.....	3-19-75	
Department of Defense's current patent and licensing policies and practices (request of Representative Les Aspin).	PSAD-75-2	.....		8- 8-74
Review of support provided by armed services for recreation and wildlife management on Matagorda Island. Department of Defense (request of Representative Les Aspin).	FPCD-74-109	.....		1- 6-75
Cost of operating military recreation camps in Alaska. Department of Defense (request of Senator William Proxmire).	FPCD-75-138	.....		5-22-75
Review of contract award for sporting goods by the Army and Air Force exchange service (request of Representative Clarence D. Long).	FPCD-75-116	.....		5-23-75
Marine Corps alcoholic beverage retail sales operations. Department of the Navy.	FPCD-75-144	.....		1-8-75
Weapon Systems:				
Life cycle cost estimating—its status and potential use in major weapon system acquisitions. Department of Defense.	PSAD-75-23	12-30-74		
Status of selected major weapon systems. Department of Defense.	PSAD-75-53	2- 5-75		
Improvements needed in cost-effectiveness studies for major weapon systems. Department of the Army.	PSAD-75-54	2- 2-75		
How to improve the selected acquisition reporting system. Department of Defense.	PSAD-75-63	3-27-75		
Review of the effectiveness of the P-3 weapon system (Classified). Department of the Navy.	PSAD-75-60	4-18-75		
Inefficient management of F-14 spare parts. Department of the Navy.	PSAD-75-70	5- 2-75		

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Review of the effectiveness of testing of selected major weapon systems (Classified). Department of Defense.	PSAD-75-74	6- 4-75		
Application of design-to-cost concept to major weapon system acquisitions. Department of Defense.	PSAD-75-91	6-23-75		
Review of selected Atomic Energy Commission weapons programs (Classified) (request of Chairman, Subcommittee on Public Works, House Committee on Appropriations).	PSAD-75-57	.....	1- 7-75	
Studies concerning the need for cruise missiles and the state of their technology. Department of Defense (Classified) (request of Chairman, Subcommittee on Research and Development, Senate Committee on Armed Services).	PSAD-75-66	.....	3-21-75	
Review of the management surveillance system and identification of cost increases in the Harpoon program. Department of the Navy (request of Chairman, Senate Committee on Armed Services).	PSAD-75-68	.....	4- 2-75	
Letter report on our surveillance of the B-1 aircraft program. Department of the Air Force.	B-163058	.....	4-22-75	
Letter report on GAO comments regarding possible NATO purchase of the AWACS. Department of the Air Force.	B-163058	.....	4-25-75	
Department of Defense mission requirements for helicopters (Classified) (request of Chairman, House Committee on Appropriations).	PSAD-75-86	.....	6- 9-75	
Review of the Patrol Frigate and other surface combatant programs. Department of the Navy.	PSAD-75-89	.....	6-10-75	
Report on status of testing of the PHALANX weapon system. Department of the Navy (Classified) (request of Chairman, House Committee on Appropriations).	PSAD-75-87	.....	6-30-75	
Evaluation of the SABER SCAN II study. Department of the Air Force (Classified) (request of Senator Thomas F. Eagleton).	B-163058	.....	7-16-74	
Cost impact of schedule delays and technical problems on the Heavy Lift Helicopter programs. Department of the Army (request of Representative Les Aspin).	B-163058	.....	9- 6-74	
Evaluation of the Navy's MK-30 mobile antisubmarine warfare target (request of Representative Les Aspin).	PSAD-75-18	.....	11- 5-74	
Appraisal of selected acquisition reports. Department of Defense (request of Representative Sidney R. Yates).	PSAD-75-26	.....	11-13-74	
Review of the causes for the \$1.4 billion increase in F-15 aircraft program costs (Classified). Department of the Air Force (request of Representative Les Aspin).	PSAD-75-20	11-15-74	

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Review of production schedules for SSN-688 and Trident submarines at Electric Boat Division, General Dynamics Corporation, Groton, Connecticut. Department of the Navy (request of Representative Les Aspin).	PSAD-75-47			1-21-75
Airborne Warning and Control System: factors impacting on a production decision (Classified). Department of the Air Force (request of Senator Thomas F. Eagleton).	PSAD-75-65			2-20-75
Cost and performance data on candidate aircraft for the air combat fighter mission (Classified). Department of Defense (request of Senator Strom Thurmond).	PSAD-75-88			5- 5-75
Need to reassess working relationship in designing, developing, and stockpiling nuclear weapons and components. Department of Defense and Atomic Energy Commission.	PSAD-75-46			12-19-74
NATURAL RESOURCES AND ENVIRONMENT				
Land Management:				
National attempts to reduce losses from floods by planning for and controlling the uses of flood-prone lands. Multiagency.	RED-75-327	3- 7-75		
Need to direct cooperative forestry programs toward increasing softwood sawtimber supplies. Forest Service, Department of Agriculture (request of Chairman, Subcommittee on Conservation and Natural Resources, House Committee on Government Operations).	RED-75-258		10- 8-74	
The native enrollment and village eligibility provisions of the Alaska Native Claims Settlement Act. Bureau of Indian Affairs, Department of the Interior (request of Chairman, Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries).	RED-75-20		12-13-74	
Bureau of Indian Affairs' use of band analysis in determining the amount of Johnson O'Malley (JOM) funds distributed to Indian Tribes in Arizona. Department of the Interior (request of Senator Paul J. Fannin).	RED-75-353			4-25-75
Land management activities on three Indian reservations in South Dakota. Bureau of Indian Affairs, Department of the Interior (request of Senator George McGovern).	RED-75-360			6- 4-75

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Other Natural Resource Programs:				
Federal coal research—status and problems to be resolved. Department of the Interior.	RED-75-322		2-18-75	
Need for improving the regulation of the natural gas industry and management of internal operations of the Federal Power Commission (request of Congressman John E. Moss).	GGD-74-106			9-13-74
Pollution Control and Abatement:				
Using solid waste to conserve resources and to create energy. Environmental Protection Agency.	RED-75-326		2-27-75	
Cleaning up the Great Lakes: U.S. and Canada are making progress in controlling pollution from cities and towns. Environmental Protection Agency.	RED-75-338		3-21-75	
Potential of value analysis for reducing waste treatment plant costs. Environmental Protection Agency.	RED-75-367		5- 8-75	
Review of the automobile fuel economy testing and labeling program. Environmental Protection Agency (request of Chairman, Conservation and Natural Resources Subcommittee, House Committee on Government Operations).	RED-75-256			8-15-74
Federal environmental data systems. Environmental Protection Agency (request of Chairman, Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries).	RED-75-281			11-22-74
Implementation of Federal Water Pollution Control Act Amendments of 1972 is slow. Environmental Protection Agency (request of Chairman, Subcommittee on Environmental Pollution, Senate Committee on Public Works).	RED-75-291			12-20-74
EPA's comments to congressional committees concerning GAO's evaluation of the Delaware Resource Recovery Project. Environmental Protection Agency (issued only to Chairmen, Senate and House Committees on Government Operations).	RED-75-369			6- 5-75
Review of the Lancaster, Pennsylvania, water pollution research and development project. Environmental Protection Agency (request of Congressman Edwin D. Eshleman).	RED-75-259			8-13-74
Pollution of the San Francisco Bay by Federal activities. Environmental Protection Agency (request of Congressman Don Edwards).	RED-75-262			9- 9-74

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Review of Appalachian Regional Commission's Rehabilitation Environmental Action Program (request of Congressman Robert H. Mollohan).	GGD-75-59		4-30-75	
Followup review of activities of the Office of Audit. Environmental Protection Agency.	RED-75-337	.....			2-14-75
Review of the operation and maintenance of municipal wastewater treatment plants. Environmental Protection Agency.		.....			6- 6-75
Review of the boll weevil eradication experiment. Environmental Protection Agency.	RED-75-381	.....			6-23-75
Recreational Resources:					
Managing recreation facilities at Bureau of Reclamation Reservoirs. Department of the Interior (request of Chairman, Subcommittee on Conservation and Natural Resources, House Committee on Government Operations).	RED-74-235	.....	7-29-74		
Water Resources and Power:					
Improvements needed in making benefit-cost analyses for Federal water resources projects. Department of Agriculture, Department of the Army, Department of the Interior, and Tennessee Valley Authority.	RED-75-264		9-20-74		
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Federal agencies administering programs related to marine science activities and oceanic affairs. Multiagency.	GGD-75-61		2-25-75		
Examination of financial statements of the Southeastern Federal Power Program, fiscal year 1974. Department of the Interior.	RED-75-335		3- 6-75		
Examination of financial statements of the Tennessee Valley Authority for fiscal year 1974.	FOD-75-11		3-28-75		
U.S. fishing industry can be strengthened by developing underutilized fish resources. National Oceanic and Atmospheric Administration, Department of Commerce.	GGD-75-68		5-30-75		
National efforts to preserve the Nation's beaches and shorelines—a continuing problem. Corps of Engineers, Department of the Army.	RED-75-364		6-11-75		
Evaluation of testimony on the Central Valley Project. Bureau of Reclamation, Department of the Interior (request of Chairman, Conservation and Natural Resources Subcommittee, House Committee on Government Operations).	RED-74-254	8- 1-74		

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Information on the California anchovy. National Oceanic and Atmospheric Administration, Department of Commerce (request of Chairman, Senate Committee on Commerce).	GGD-75-43	12-31-74	
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Review of geological conditions at the Gathright Dam and Lake Project in Virginia. Corps of Engineers, Department of the Army (request of Congressman M. Caldwell Butler).	RED-75-287		11-14-74
Acquisition of Minisink Island by the Corps of Engineers at the Tocks Island Lake Project in Pennsylvania and New Jersey. Department of the Army (request of Senators Clifford P. Case and Harrison A. Williams).	RED-75-331		2-19-75
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Economic and environmental aspects of the proposed William L. Springer Project, Illinois, Corps of Engineers, Department of the Army (request of Senator Charles H. Percy).	RED-75-363		4-18-75
Review of recreation benefits, dry dam alternative, and other matters on the Corps of Engineers Lake LaFarge Project in Wisconsin. Department of the Army (request of Senator Gaylord Nelson).	RED-75-351	.....		4-22-75
Information on selected aspects of the power operations of Tennessee Valley Authority (request of Senator Bill Brock).	RED-75-368	.....		4-29-75
Review of selected land acquisition practices by the Corps of Engineers at the Tocks Island Lake Project in New Jersey and Pennsylvania. Department of the Army (request of Congressman Joseph J. Maraziti).	RED-75-362	.....		5- 1-75
Economic benefits and costs of the Dickey-Lincoln hydroelectric project in Maine. Corps of Engineers, Department of the Army (request of Congressmen Silvio Conte and Michael Harrington).	RED-75-387	.....		6-19-75
Policies and practices for acquiring land at three Missouri water resources projects. Corps of Engineers, Department of the Army (request of Senators Stuart Symington and Thomas F. Eagleton, and Congressman William J. Randall).	RED-75-386	.....		6-26-75
Need to revise Office of Saline Water's restrictive patent policy. Department of the Interior.	.....	.....		8-13-74
Need to establish fees for processing permit applications. Corps of Engineers, Department of the Army.	RED-75-274		9-25-74

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Fiscal year 1974 financial audit of procedures and controls. Bureau of Reclamation, Pacific Northwest Region. Federal Columbia River Power System. Department of the Interior.					1- 7-75
Fiscal year 1974 financial audit of procedures and controls, Bonneville Power Administration, Columbia River Power System, Department of the Interior.					1- 7-75
More effective procedures are needed for establishing payment terms and development periods for irrigation projects. Bureau of Reclamation, Department of the Interior.	RED-75-372				5-23-75
VETERANS BENEFITS AND SERVICES					
Hospital and Medical Care for Veterans:					
Controls on use of psychotherapeutic drugs and improved psychiatrist staffing are needed in Veterans Administration hospitals.	MWD-75-47	4-18-75			
Monitoring of demographic study of geographic area to be served by a new VA hospital in Loma Linda, California. Veterans Administration (request of Chairman, Subcommittee on Veterans' Affairs).	MWD-74-183		7-19-74		
Condition of Veterans Memorial Hospital, Republic of the Philippines. Veterans Administration (request of Chairman, Subcommittee on HUD, Space, Science, and Veterans, Senate Committee on Appropriations).	MWD-75-58		2-11-75		
Comparing cost and time overruns on selected hospital construction and air-conditioning contracts. Veterans Administration (request of Chairman, Subcommittee on Health, Senate Committee on Veterans Affairs).	MWD-75-50		4-28-75		
Information on problems the Veterans Administration is having in recruiting and retaining qualified professional medical staff for its hospitals (request of Chairman, Subcommittee on Hospitals, House Committee on Veterans' Affairs).	MWD-75-83		5-15-75		
Information on Veterans Administration's Drug Treatment Program and specific data on Veterans Administration's drug dependents treatment centers in New York State (request of Congressman Charles B. Rangel).	MWD-75-27			10-16-74	
Review of VA Iowa City hospital allegations. Veterans Administration (request of Congressman Edward Mezvinsky).	MWD-75-59			2-19-75	
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Other Veterans Benefits and Services:				
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Responsibility of architect-engineer firms in their contracts with the Veterans Administration (request of the Chairman, Subcommittee on Housing and Urban Development, Space, Science, and Veterans, Committee on Appropriations).	MWD-75-100	6-20-75	
Examination of financial statements of Disabled American Veterans National Headquarters, Service Foundation, and Life Membership Fund for year ended December 31, 1973 (to the National Commander).	FOD-75-3		8-23-74
Report to the Director, Veterans Canteen Service, on the audit of financial statements for fiscal year 1974.			11-14-74
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Agency printing and duplicating operations need management improvements (request of Chairman, Joint Committee on Printing).	LCD-74-438	11-	1-74	
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Date

Date

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¹ Referred to the Attorney General.

LEGISLATION ENACTED DURING FISCAL YEAR 1975 RELATING TO THE WORK OF THE GENERAL ACCOUNTING OFFICE

Audits

Legal Services Corporation

Public Law 93-355, July 25, 1974, 88 Stat. 378, the Legal Services Corporation Act of 1974, adds a new title X to the Economic Opportunity Act of 1964, providing for the transfer of the legal services program from the Office of Economic Opportunity to a newly established Legal Services Corporation.

The financial transactions of the Legal Services Corporation for any fiscal year during which Federal funds are available to finance any portion of its operations may be audited by the *General Accounting Office* in accordance with rules and regulations prescribed by the *Comptroller General*. The results of such audits are made available to the Congress and to the President of the United States.

General Accounting Office representatives are provided (1) access to records necessary to facilitate the audit and (2) full facilities for verifying transactions with the balances and securities held by depositories, fiscal agents, and custodians.

The Corporation must file with the *Comptroller General* the report of an annual audit of the Corporation accounts, to be conducted in accordance with generally accepted auditing standards by independent certified public accountants.

The Corporation must also make annual financial audits of those receiving financial assistance and submit copies of such reports to the *Comptroller General*, who may inspect records pertaining to the disposition or use of funds received from the Corporation.

The Corporation and the *Comptroller General* may not look at any reports or records subject to the attorney-client privilege (88 Stat. 387-388).

Housing and Community Development

Public Law 93-383, August 22, 1974, 88 Stat. 633, Housing and Community Development Act of

1974, establishes a program of community development block grants.

The financial transactions of fund recipients, insofar as they relate to the community development grants, may be audited by the *General Accounting Office* under rules and regulations prescribed by the *Comptroller General*, who may see pertinent records necessary to facilitate the audit (88 Stat. 640).

Title II of the law revises and restates the United States Housing Act of 1937.

Under the act, the Secretary of Housing and Urban Development must (1) prepare annually and submit a budget program for wholly owned Government corporations, as provided by the Government Corporation Control Act, as amended, and (2) maintain an integral set of accounts to be audited annually by the *General Accounting Office* in accordance with the principles and procedures applicable to commercial transactions, as provided by the Government Corporation Control Act, as amended. No other audit is required (88 Stat. 666).

Small Business Administration

Public Law 93-386, August 23, 1974, 88 Stat. 742, Small Business Amendments of 1974, requires the *General Accounting Office* to conduct a full-scale audit of the Small Business Administration, including all field offices, and submit the results of the audit to the Congress not later than 6 months from the date of the act (88 Stat. 750).

Pacific Island Trust Territory

Public Law 93-404, August 31, 1974, 88 Stat. 803, Department of the Interior and Related Agencies Appropriation Act, 1975, contains a proviso for audit by the *General Accounting Office* of all financial transactions of the Trust Territory, including transactions of all agencies or instrumentalities established or used by the Trust Territory. The pro-

viso states that the audit be made according to the provisions of the Budget and Accounting Act of 1921 and the Accounting and Auditing Act of 1950 (88 Stat. 813).

Pension Benefit Guaranty Corporation

Public Law 93-406, September 2, 1974, 88 Stat. 829, Employee Retirement Income Security Act of 1974, establishes the Pension Benefit Guaranty Corporation as a wholly owned Government corporation within the Department of Labor.

The financial transactions of the Corporation are subject to audit under the provisions of the Government Corporation Control Act by the *General Accounting Office* (88 Stat. 1005).

For use by the Corporation in carrying out its duties, four revolving funds are established in the Treasury of the United States in connection with (1) plans other than multiemployer plans and (2) multiemployer plans and nonbasic benefits for both types of plans. Each fund is available, among other things, to pay the operational and administrative expenses of the Corporation, including reimbursement of the expenses incurred by the Department of the Treasury in maintaining the funds and by the *Comptroller General* in auditing the Corporation (88 Stat. 1010).

Energy Research and Development Administration and Nuclear Regulatory Commission

Public Law 93-438, October 11, 1974, 88 Stat. 1233, Energy Reorganization Act of 1974, abolishes the Atomic Energy Commission and establishes an independent executive agency, the Energy Research and Development Administration, and an independent regulatory commission to be known as the Nuclear Regulatory Commission.

The *Comptroller General* audit provision contained in section 166 of the Atomic Energy Act of 1954, as amended, is deemed applicable, respectively, to the nuclear and nonnuclear activities under title I, which establishes the Administration, and to the activities under title II, which establishes the Commission (88 Stat. 1251).

The *Comptroller General* must audit, review, and evaluate, not later than 60 months after the effective

date of the act, how title II provisions are implemented. The report on the audit, to be prepared and submitted to the Congress, is to contain, but not be limited to, (1) an evaluation of the effectiveness of the licensing and related regulatory activities of the Commission and the operations of the Office of Nuclear Safety Research and the Bureau of Nuclear Materials Security, (2) an evaluation of the effect of such Commission activities on the efficiency, effectiveness, and safety with which the activities licensed under the Atomic Energy Act of 1954, as amended, are carried out, and (3) recommendations concerning any legislation deemed necessary for improving the implementation of title II (88 Stat. 1251).

Bonneville Power Administration

Public Law 93-454, October 18, 1974, 88 Stat. 1376, Federal Columbia River Transmission System Act, provides that the provisions of the Government Corporation Control Act be applicable to the Bonneville Power Administration in the same manner as they are applicable to wholly owned Government corporations.

The financial transactions of the Administration are to be audited by the *Comptroller General* at such times and to such extent as the *Comptroller General* deems necessary, thus exempting him from an annual audit requirement. The results of each audit are to be reported to the Congress within 6½ months following the end of the fiscal year covered by the audit (88 Stat. 1380).

Commodity Futures Trading Commission

Public Law 93-463, October 23, 1974, 88 Stat. 1392, Commodity Futures Trading Commission Act of 1974, establishes a Commodity Futures Trading Commission to strengthen the regulation of futures trading.

The *Comptroller General* is to review and audit the Commission and, for this purpose, have access to information he requires regarding the powers, duties, organizations, transactions, operations, and activities of the Commission.

The reports are not to include data and information that would separately disclose the business transactions of any person or trade secrets or names of customers, although such data may be provided

upon request by any committee of either House of Congress acting within the scope of its jurisdiction (88 Stat. 1352).

National Railroad Passenger Corporation

Public Law 93-496, October 28, 1974, 88 Stat. 1526, Amtrak Improvement Act of 1974, provides financial assistance to the National Railroad Passenger Corporation.

Section 805(2)(A) of the Rail Passenger Service Act of 1970 is amended to require the *Comptroller General* to annually make a performance audit of the activities and transactions of the National Railroad Passenger Corporation, in accordance with generally accepted management principles and under rules and regulations prescribed by the *Comptroller General* (88 Stat. 1531).

The *General Accounting Office* may also see pertinent records of financial assistance recipients (88 Stat. 1530).

Non-Appropriated-Fund Activities

Public Law 93-516, December 7, 1974, 88 Stat. 1617, Rehabilitation Act Amendments of 1974, contains at section 211 a requirement that the *Comptroller General* regularly and periodically audit all non-appropriated-fund activities that receive income from vending machines on Federal property.

The *Comptroller General* is to prescribe rules and regulations for making the audit and have access to relevant records he deems necessary (88 Stat. 1630).

Harry S Truman Scholarship Foundation

Public Law 93-642, January 4, 1975, 88 Stat. 2276, Harry S Truman Memorial Scholarship Act, establishes as an independent part of the executive branch the Harry S Truman Scholarship Foundation, for the purpose of awarding scholarships to persons who demonstrate outstanding potential for and who plan to pursue a career in public service.

The *Comptroller General* must audit the Foundation, under such rules and regulations as he may prescribe, and may see Foundation records necessary to facilitate the audit (88 Stat. 2279).

Access to Records

Office of Federal Procurement Policy

Public Law 93-400, August 30, 1974, 88 Stat. 796, Office of Federal Procurement Policy Act, establishes within the Office of Management and Budget an Office of Federal Procurement Policy to be headed by an Administrator appointed by the President of the United States with the advice and consent of the Senate.

The Administrator and personnel in his office must furnish such information as the *Comptroller General* may require for the discharge of his responsibilities. For this purpose, the *Comptroller General* is provided access to Office records (88 Stat. 800).

Section 206(a)(4) of the Federal Property and Administrative Services Act of 1949 is amended to transfer from the General Services Administration to the Federal Procurement Policy Administrator authority to prescribe standardized forms and procedures, except those the *Comptroller General* is authorized by law to prescribe, and standard purchase specifications (88 Stat. 800).

Grants to States

Public Law 93-415, September 7, 1974, 88 Stat. 1109, Juvenile Justice and Delinquency Prevention Act of 1974, adds a new chapter 319 to title 18 of the United States Code which establishes within the Bureau of Prisons a National Institute of Corrections.

The Institute, among other powers, is authorized to make grants and enter into contracts with Federal, State, and general units of local government, public and private agencies, educational institutions, organizations, and individuals. Recipients of assistance must keep any records the Institute prescribes; the Institute and the *Comptroller General* may see recipients' records that are pertinent to the grants received (88 Stat. 1141).

Alcohol and Drug Abuse Education

Public Law 93-422, September 21, 1974, 88 Stat. 1154, Alcohol and Drug Abuse Education Act Amendments of 1974, extends for 3 years the Drug Abuse Education Act of 1970 and changes its name to the Alcohol and Drug Abuse Education Act.

Section 4 of the act is amended to require that recipients of Federal assistance keep records that show the amount and disposition by the recipients of the proceeds of the assistance, the total cost of the project or undertaking in connection with the assistance given or used, the amount of that portion of the cost of the project or undertaking supplied by other sources, and such other records as will facilitate an effective audit.

The *Comptroller General* is provided access, until 3 years expire after completion of the project or undertaking, to relevant records of the recipients (88 Stat. 1157).

Conservation Programs on Public Lands

Public Law 93-452, October 18, 1974, 88 Stat. 1369, extends and expands the authority for carrying out conservation and rehabilitation programs on military reservations and authorizes the implementation of such programs on certain public lands.

The Secretary of the Interior and the Secretary of Agriculture in cooperation with the State agencies must plan, develop, maintain, and coordinate programs for the conservation of wildlife, fish, and game.

The States may enter into cooperative agreements with the Secretaries and, under the terms of each agreement, the *General Accounting Office* may see the records for purposes of audit and examination (88 Stat. 1371).

Fire Prevention and Control

Public Law 93-498, October 29, 1974, 88 Stat. 1535, the Federal Fire Prevention Act of 1974, provides the Secretary of Commerce and the *Comptroller General* access to the records of recipients of contracts, grants, and other forms of assistance that are pertinent to activities under the act, for the purpose of audit or to determine if a proposed activity is in the public interest (88 Stat. 1548).

Joint Funding Simplification

Public Law 93-510, December 5, 1974, 88 Stat. 1604, Joint Funding Simplification Act of 1974, provides authority to expedite procedures for considering and approving projects drawing upon more than one Federal assistance program and to simplify requirements for operating those projects.

Section 8 provides for establishing joint management funds, to more effectively administer funds drawn from more than one Federal program or appropriation in support of projects under the act.

The *Comptroller General* and the head of the Federal agency responsible for administering the joint management fund may see the pertinent records of the recipients of money from the fund (88 Stat. 1607).

Public Water Systems Safety

Public Law 93-523, December 16, 1974, 88 Stat. 1660, Safe Drinking Water Act, adds a new title XIV to the Public Health Service Act concerning safety of public water systems.

Recordkeeping and inspection requirements for suppliers of water, those subject to primary drinking water regulation or an underground injection control program, those who are subject to permit or order requirements, or grantees are delineated by a new section 1445 of the act.

The Administrator of the Environmental Protection Agency and the *Comptroller General* are provided access for audit purposes to pertinent records of grant recipients.

A fine of not more than \$5,000 may be levied for failure to comply with recordkeeping or records access requirements (88 Stat. 1687).

Hoover Institution on War, Revolution, and Peace

Public Law 93-585, January 2, 1975, 88 Stat. 1918, provides for grants to the Hoover Institution on War, Revolution, and Peace, Stanford University, California, as a memorial to the late President Herbert Hoover.

Grants may be used for constructing a new educational building to be used by the Hoover Institution and for equipping the building. The *Comptroller General* may see the records of the Institution that are pertinent to the grant (88 Stat. 1919).

Indian Self-Determination and Education Assistance

Public Law 93-638, January 4, 1975, 88 Stat. 2203, Indian Self-Determination and Education Assistance Act, requires that each recipient of Federal financial assistance from the Secretaries of the In-

terior or Health, Education, and Welfare must keep prescribed records, including records which fully show the amount and disposition by the recipient of the proceeds of assistance, the cost of the project or undertaking, and other records, to facilitate an effective audit.

The *Comptroller General* and appropriate Secretary may see pertinent records until the expiration of 3 years after completion of the project or undertaking (88 Stat. 2205).

Health Planning and Resources Development

Public Law 93-641, January 4, 1975, 88 Stat. 2225, National Health Planning and Resources Development Act of 1974, amends the Public Health Service Act to assure the development of a national health policy and of effective State and area health planning and resources development programs.

The new title XV of the act includes three separate provisions authorizing the *Comptroller General* access to records for audit purposes (1) incident to the disposition of amounts received from the Secretary of Health, Education, and Welfare under the title and under section 1640, regarding development grants for area health services development funds (88 Stat. 2235), (2) respecting State agencies pertinent to the disposition of amounts received from the Secretary under the title (88 Stat. 2245), and (3) relative to entities receiving Federal assistance (88 Stat. 2273).

Headstart and Native American Programs

Public Law 93-644, January 4, 1975, 88 Stat. 2291, Headstart, Economic Opportunity, and Community Partnership Act of 1974, extends certain programs under the Economic Opportunity Act of 1964 and provides for increased involvement of State and local governments in antipoverty efforts.

The Headstart Follow-Through Act, which constitutes title V of the 1964 Act, gives the *General Accounting Office* access to pertinent records of recipients of financial assistance for the planning, conduct, administration, and evaluation of a Headstart program for children from low-income families who have not reached the age of compulsory school attendance (88 Stat. 2305).

A new title VIII, Native American Programs Act

of 1974, is added to the Economic Opportunity Act of 1964 to promote economic and social self-sufficiency for American Indians, Hawaiian Natives, and Alaskan Natives.

Recipients of financial assistance for Native American projects must let the *Comptroller General* see pertinent records (88 Stat. 2326).

Foreign Aid Programs

Public Law 94-11, March 26, 1975, 89 Stat. 17, Foreign Assistance and Related Programs Appropriations Act, 1975, contains a provision for the *General Accounting Office* to have access to records of the Inspector General, Foreign Assistance, unless the President certifies that he has forbidden the Inspector General to furnish the records and the reason for doing so (89 Stat. 24).

Community Services Administration

Public Law 94-32, June 12, 1975, 89 Stat. 173, Second Supplemental Appropriations Act, 1975, which appropriates \$492,400,000 for the operations of the Community Services Administration (established by Public Law 93-644, Headstart, Economic Opportunity, and Community Partnership Act of 1974), contains (1) a proviso limiting the availability of funds for any grant until the Director has determined that the grantee is qualified to administer the funds and programs involved in the proposed grant and (2) a further proviso that all grant agreements provide that the *General Accounting Office* have access to grantee records which bear exclusively upon the Federal grant (89 Stat. 181).

Congressional Budget and Impoundment Control Act of 1974

Public Law 93-344, July 12, 1974, 88 Stat. 297, Congressional Budget and Impoundment Control Act of 1974, establishes a new congressional budget process; Committees on the Budget in each House; a Congressional Budget Office; and a procedure providing congressional control over the impoundment of funds by the executive branch.

The Director of the Congressional Budget Office is authorized to obtain information, data, estimates,

and statistics developed by the *General Accounting Office*, the Library of Congress, and the Office of Technology Assessment and, upon agreement with them, to use their services, facilities, and personnel with or without reimbursement (88 Stat. 303).

The *Comptroller General's* authority to review and evaluate the results of Government programs and activities carried on under existing law is revised and restated in an amendment to section 204 of the Legislative Reorganization Act of 1970.

The act requires GAO to develop and recommend to the Congress methods for reviewing and evaluating Government programs and activities and authorizes establishing, within the *General Accounting Office*, an Office of Program Review and Evaluation that may employ experts and consultants as stipulated (88 Stat. 326).

Title VIII of the law pertaining to Fiscal and Budgetary Information and Controls revises sections 201–203 of the Legislative Reorganization Act.

The *Comptroller General*, singly or in cooperation with others, must perform certain functions with respect to collecting and disseminating fiscal, budgetary, and program-related information, briefly delineated as follows:

- Develop standardized data processing and information systems.
- Develop standard terminology, definitions, classifications, and codes.
- Conduct a continuing program to identify needs of committees and Members of Congress for information, assist congressional committees in developing their information needs, and monitor recurring reporting requirements of the Congress.
- Develop an up-to-date inventory and directory of sources and information systems.
- Assist committees and members in obtaining, appraising, and analyzing information.
- Develop a central file of data and information to meet recurring requirements of the Congress.
- Participate in a cooperative effort to provide State and local governments information so that accurate and timely determinations of the impact of Federal assistance can be made (88 Stat. 327–329).

Title X of the law, which is separately titled the Impoundment Control Act of 1974, delineates the *Comptroller General's* role with respect to congres-

sional consideration of proposed rescissions, reservations, and deferrals of budget authority.

Among other responsibilities, the *Comptroller General* is empowered, through attorneys of his own selection, to bring civil action in the United States District Court for the District of Columbia to require that budget authority be made available for obligation. The *Comptroller General* must first submit to the Speaker of the House and the President of the Senate an explanatory statement of the circumstances giving rise to the action contemplated (88 Stat. 333, 335–337).

General Accounting Office Act of 1974

Public Law 93–604, January 2, 1975, 88 Stat. 1959, General Accounting Office Act of 1974, revises and restates certain functions of the *Comptroller General of the United States*.

The law has eight titles: Title I—Statistical Sampling Procedures in the Examination of Vouchers, Title II—Audit of Transportation Payments, Title III—Audit of Nonappropriated Fund Activities, Title IV—Employment of Experts and Consultants, Title V—General Accounting Office Building, Title VI—Audits of Government Corporations, Title VII—Revision of Annual Audit Requirements, and Title VIII—Limitation of Time of Claims and Demands (88 Stat. 1959–1965).

Trade Reform Adjustment Assistance

Public Law 93–618, January 3, 1975, 88 Stat. 1978, Trade Act of 1974, provides in title II, Relief from Injury Caused by Import Competition, for establishing several types of adjustment assistance programs and requires at section 280 that the *Comptroller General* make a study of the newly established programs and report the results of the study to the Congress no later than January 31, 1980.

The report is to include an evaluation of (1) the effectiveness of the programs in aiding workers, firms, and communities to adjust to changed economic conditions resulting from changes in the patterns of international trade and (2) the coordination of the administration of the programs and other

Government programs that provide unemployment compensation and relief to depressed areas.

In carrying out his responsibilities, the *Comptroller General*, to the extent practical, is to avail himself of the assistance of the Departments of Labor and Commerce. The Secretaries of Labor and Commerce are to make available to the *Comptroller General* any assistance necessary for an effective evaluation of the adjustment assistance programs (88 Stat. 2040).

The *Comptroller General* may also see those records of recipients of adjustment assistance necessary to facilitate an effective audit (88 Stat. 2033).

One type of assistance established by the law is adjustment assistance for workers. The Secretary of Labor must, from time to time, certify to the Secretary of the Treasury, for payment to each co-operating State, the sums necessary to enable the State, as agent of the United States, to make payments.

The Secretary of the Treasury, before audit or settlement by the *General Accounting Office*, is to pay the State in accordance with the certification from a new trust fund, to be known as the Adjustment Assistance Trust Fund (88 Stat. 2025).

Waiver of Claims

Public Law 93-359, July 25, 1974, 88 Stat. 393, authorizes the waiver of claims of the United States arising out of erroneous payments of pay and allowances to certain officers and employees of the legislative branch.

An amendment to section 5584 of title 5 of the United States Code extends to the Government Printing Office, the Library of Congress, the Office of the Architect of the Capitol, and the Botanic Garden the same authority vested in the head of an executive agency and allows the *Comptroller General*, in amounts aggregating more than \$500, to waive collection of erroneous payments of pay and allowances, other than transportation expenses and relocation benefits, where collection would be against equity and good conscience and not in the best interest of the Government (88 Stat. 393).

The Secretary of the Senate is authorized to waive collection of such payments made to the Vice President, a Senator, or an officer or employee whose pay is disbursed by the Secretary of the Senate, if the claim is not the subject of an exception made by the

Comptroller General in an accountable officer's account.

An application for waiver is to be investigated by the Financial Clerk of the Senate and the *Comptroller General*, if the claim is for more than \$500 (88 Stat. 394).

The Speaker of the House of Representatives may waive collection of an erroneous payment made to an officer or employee whose pay is disbursed by the Clerk of the House, if the claim is not the subject of an exception made by the *Comptroller General* in the account of any accountable officer or official (88 Stat. 395).

Accountable Officers— Relief From Liability

Public Law 93-459, October 20, 1974, 88 Stat. 1384, revises 44 U.S.C. 308, relating to the functions of the disbursing and certifying officers of the Government Printing Office.

The *Comptroller General* is authorized to relieve the certifying officer of liability for any payment where he based his certification on official records; where he did not know, or could not reasonably have ascertained, the actual facts; or where the obligation was incurred in good faith, payment was not specifically contrary to a statute, and the United States received value for the payment.

The *Comptroller General* also is authorized to relieve liability for overpayment for transportation services where the overpayment occurred because administrative examination made before payment did not include verification of transportation rates, freight classifications, or land grant deductions.

The certifying officers and employees may apply for and obtain a decision by the *Comptroller General* on any question of law involved in a payment on any voucher presented to them for certification (88 Stat. 1385).

Election Reform— Federal Election Commission

Public Law 93-443, October 15, 1974, 88 Stat. 1263, Federal Election Campaign Act Amendments of 1974, establishes a Federal Election Commission to which is transferred the responsibilities vested in

the *Comptroller General* under title I and title III of the Federal Election Campaign Act of 1971.

The *Comptroller General* must continue to carry out his responsibilities under the act until all of the members of the Commission and its general counsel are appointed and qualified. The *Comptroller General*, the Secretary of the Senate, and the Clerk of the House will then meet with the Commission and arrange for the transfer, within 30 days, of copies of appropriate records, documents, memorandums, and other papers associated with carrying out their responsibilities under titles I and III of the Federal Election Campaign Act of 1971 and chapter 95 of the Internal Revenue Code of 1954 (88 Stat. 1286).

Election Reform—District of Columbia Campaign Finance

Public Law 93-376, August 14, 1974, 88 Stat. 446, District of Columbia Campaign Finance Reform and Conflict of Interest Act, establishes within the District of Columbia Board of Elections and Ethics the office of Director of Campaign Finance.

The Board and the Director may request assistance from the *Comptroller General*, including audits and investigations determined to be necessary. The *Comptroller General* will assist with or without reimbursement, as agreed by the Board, the Director, and the *Comptroller General* (88 Stat. 456).

Renegotiation Act Evaluation

Public Law 93-368, August 7, 1974, 88 Stat. 420, exempts from duty certain equipment and repairs for vessels operated by or for any agency of the United States where the entries were made in connection with vessels arriving before January 5, 1971. The law also requires that the staff of the Joint Committee on Internal Revenue Taxation—in consultation with the staffs of the Renegotiation Board, the *General Accounting Office*, the Cost Accounting Standards Board, and the Joint Economic Committee—comprehensively study and investigate the operation and effect of the Renegotiation Act of 1951, as amended, to determine whether the act should be extended beyond December 31, 1975, and, if so, how the administration of the act can be improved (88 Stat. 423).

Railroad Retirement Payments

Public Law 93-445, October 16, 1974, 88 Stat. 1305, amends the Railroad Retirement Act of 1937 to revise the retirement system for employees of employers covered under it.

The Railroad Retirement Board, under the provisions of section 7(b)(4) of the Railroad Retirement Act of 1937, as amended, from time to time must certify to the Secretary of the Treasury the name and address of each individual entitled to receive a payment, the amount of such payment, and the time at which it should be made. The Secretary of the Treasury, through the Division of Disbursements of the Treasury Department and before the audit by the *General Accounting Office*, shall make payment in accordance with the certification by the Board (88 Stat. 1339).

National Commission on Electronic Fund Transfers

Public Law 93-495, October 28, 1974, 88 Stat. 1500, increases deposit insurance from \$20,000 to \$40,000, provides full insurance for public unit deposits of \$100,000 per account, and establishes a National Commission on Electronic Fund Transfers.

The National Electronic Fund Transfers Commission, composed of 26 members, including the *Comptroller General* or his delegate, must make a study and investigation and recommend appropriate administrative action and legislation necessary in connection with the possible development of public or private electronic fund transfer systems (88 Stat. 1508).

Additionally, the *Comptroller General* is authorized to make detailed audits of the books and records of the Commission and report the results of any audit to the Commission and the Congress (88 Stat. 1510).

Federal Paperwork Commission

Public Law 93-556, December 27, 1974, 88 Stat. 1789, establishes a Commission on Federal Paperwork to study and investigate statutes, policies, rules, regulations, procedures, and practices of the Federal Government relating to information gathering, processing, and dissemination, and managing and controlling these information activities.

The Commission is to be composed of 14 members, including the *Comptroller General* of the United States (88 Stat. 1790).

Unemployment Assistance

Public Law 93-567, December 31, 1974, 88 Stat. 1845, Emergency Jobs and Unemployment Assistance Act of 1974, establishes by title II a temporary Federal program of special unemployment assistance for workers who are unemployed during a period of aggravated unemployment and who are not otherwise eligible for unemployment allowance under any other law.

Each State entering an agreement with the Secretary of Labor, pursuant to which it makes payments of special unemployment assistance, shall be paid by the United States from time to time, before audit or settlement by the *General Accounting Office*, such amounts as the Secretary of Labor deems necessary to carry out the provisions of title II in the State (88 Stat. 1850).

Public Law 93-572, December 31, 1974, 88 Stat. 1869, Emergency Unemployment Compensation Act of 1974, provides that any State whose unemployment compensation law is approved by the Secretary of Labor may enter into an agreement with the Secretary for the payment of emergency unemployment compensation.

The Secretary of Labor must certify to the Secretary of the Treasury the sums payable to each State. The Secretary of the Treasury, before audit or settlement by the *General Accounting Office*, is to pay the State, in accordance with such certification, by transfers from the extended unemployment compensation account to the account of the State in the Unemployment Trust Fund (88 Stat. 1871).

Transportation of Government-Financed Passengers and Property

Public Law 93-623, January 3, 1975, 88 Stat. 2102, International Air Transportation Fair Competition Practices Act of 1974, amends the Federal Aviation Act of 1958 by adding a new section 1117 requiring that preference be given to U.S. carriers when the U.S. Government arranges for transport-

ing by air personnel or property to or between foreign ports.

The *Comptroller General* is to disallow any expenditure from appropriated funds, for payment for such personnel or cargo transportation, to an air carrier not holding a certificate under section 401 of the Federal Aviation Act of 1958, unless satisfactory proof of necessity is shown (88 Stat. 2104).

Federal Government Travel Costs

Public Law 94-22, May 19, 1975, 89 Stat. 84, Travel Expense Amendments Act of 1975, requires that the Administrator of General Services, in consultation with the *Comptroller General*, the Secretaries of Transportation and Defense, and representatives of organizations of Government employees, periodically investigate the cost to employees of travel and operation of privately owned vehicles while on official business and report the results of the investigations to the Congress at least once a year.

In conducting the investigations, the Administrator is to review and analyze, among other factors, depreciation of original vehicle cost; gasoline and oil (excluding taxes); maintenance, accessories, parts, and tires; insurance; and State and Federal taxes (89 Stat. 85).

Securities Information Regulation

Public Law 94-29, June 4, 1975, 89 Stat. 97, Securities Acts Amendments of 1975, would, among other things, facilitate the collection and public dissemination of information concerning the holdings of and transactions in securities by institutional investment managers.

The Securities Exchange Act of 1934 is amended by adding a new subsection 13(f), requiring the Securities and Exchange Commission to consult with the *Comptroller General*, the Office of Management and Budget, the appropriate regulatory agencies, and Federal and State authorities that directly or indirectly require reports from institutional investment managers of information, national securities exchanges, and registered securities associations (1) to achieve uniform, centralized reporting of information concerning the securities holdings of and

transactions by or for the accounts over which institutional investment managers exercise investment discretion and (2) to avoid unnecessarily duplicative reporting by, and minimize the compliance burden on, institutional investment managers (89 Stat. 120).

Education Statistics and Information

Public Law 93-380, August 21, 1974, 88 Stat. 484, Education Amendments of 1974, adds a new section 406 to the General Education Provisions Act which establishes a National Center for Education Statistics to collect and disseminate statistics and other data related to education in the United States and in other nations.

The Center is to participate, with other Federal agencies having a need for educational data, in forming a consortium to provide direct joint access to all educational data received by the Center through automated data processing.

The Library of Congress, the *General Accounting Office*, Senate Committees on Labor and Public Welfare and Appropriations, and House Committees on Education and Labor and Appropriations shall be considered Federal agencies for this purpose (88 Stat. 558).

The Family Educational Rights and Privacy Act of 1974 is added to the General Education Provisions Act by a new section 438.

This section provides that no funds be made available under any applicable program to any State or local educational agency, any institution of higher education, any community college, any school, agency offering a preschool program, or any other education institution that has a policy of permitting the release of personally identifiable student records or files without written parental consent.

However, the *Comptroller General*, the Secretary of Health, Education, and Welfare, an administrative head of an education agency, or State educational authority may look at student or other records that may be necessary in connection with the audit and evaluation of federally supported education programs or the enforcement of Federal legal requirements relating to such programs.

When the collection of personally identifiable data is specifically authorized by Federal law, any data collected with respect to individual students shall not

include information (including Social Security numbers) that would permit personal identification of such students or their parents after the data obtained has been collected (88 Stat. 572-573).

The General Education Provisions Act is amended at section 434(a) to provide the *General Accounting Office*, until 5 years after the project or undertaking is completed, access to records of recipients of Federal funds under any applicable program that pertains to the grant, subgrant, contract, subcontract, loan, or other arrangement (88 Stat. 568).

Budget Rescission

Public Law 94-14, April 8, 1975, 89 Stat. 70, rescinds certain budget authority recommended in the message of the President of November 26, 1974 (H. Doc. 93-398). Those rescissions are modified by the message of the President of January 30, 1975 (H. Doc. 94-39), and by the communication of the *Comptroller General* of November 6, 1974 (H. Doc. 93-391), transmitted pursuant to the Impoundment Control Act of 1974 (89 Stat. 70).

Public Law 94-15, April 8, 1975, 89 Stat. 75, rescinds certain budget authority recommended in the message of the President of January 30, 1975 (H. Doc. 94-39), and in the communications of the *Comptroller General* of February 7, 1975 (H. Doc. 94-46) and of February 14, 1975 (H. Doc. 94-50), transmitted pursuant to the Impoundment Control Act of 1974 (89 Stat. 75).

Appropriations for the General Accounting Office

Public Law 93-371, August 13, 1974, 88 Stat. 424, Legislative Branch Appropriation Act, 1975, provides an appropriation of \$121,376,000 for the *General Accounting Office* for salaries and expenses for fiscal year 1975, including but not to exceed \$4,000 for special studies of governmental financial practices and procedures on certification of the *Comptroller General*; services of experts and consultants authorized under 5 U.S.C. 3109 at rates not to exceed a per diem rate equivalent to the rate for grade GS-18; hire of one passenger motor vehicle; advance payments in foreign countries; rental of living quarters in foreign countries; and travel benefits comparable with those granted to single Agency for International Development employees.

A proviso stipulates that this appropriation and appropriations for administrative expenses of any other department or agency which is a member of the Joint Financial Management Improvement Program (JFMIP) and the National Intergovernmental Audit Forum be available to finance an appropriate share of costs, including but not limited to the salary of the Executive Secretary, secretarial support of JFMIP, and necessary travel expenses of non-Federal participants in the Forum. Payments to either the Forum or JFMIP may be credited as reimbursements to any appropriation from which costs involved are initially financed (88 Stat. 443).

Public Law 94-32, June 12, 1975, 89 Stat. 173,

Second Supplemental Appropriations Act, 1975, provides the *General Accounting Office* an additional appropriation of \$3,613,000 for fiscal year 1975 to cover increased pay costs authorized by or pursuant to law (89 Stat. 195).

Public Law 94-41, June 27, 1975, 89 Stat. 225, makes continuing appropriations for the fiscal year 1976 and provides the *General Accounting Office* with amounts necessary for continuing projects or activities that were conducted in fiscal year 1975 and for which appropriations, funds, or other authority would be available in the Legislative Branch Appropriation Act for fiscal year 1976 (89 Stat. 225).

SUMMARY OF ASSIGNMENTS OF PERSONNEL TO CONGRESSIONAL COMMITTEES DURING FISCAL YEAR 1975

Committee	Length of assignment		Salary	Travel expenses	Other expenses ¹	Total cost
	From	To				
Senate						
Appropriations:						
Subcommittee on HUD, Space, Science and Veterans						
Jenkins, Woodliff L.	12- 9-74	5- 9-75	\$ 7,814	\$ 120	\$664	\$8,598
Trescavage, Bernard J.	12- 9-74	5- 9-75	\$ 9,539	\$ 116	811	10,466
Government Operations:						
Ad Hoc Subcommittee on Federal Procurement:						
Murray, Loren	10-23-73	10-24-74	\$ 9,938	-	845	10,783
Permanent Subcommittee on Investigations:						
Catrett, Waylon L.	4-22-74	7-26-74	\$ 2,161	-	184	2,345
Mitchell, Arthur T., Jr.	4-22-74	7-26-74	\$ 2,788	-	237	3,025
Noel, G. William, Jr.	6-10-74	7-12-74	\$ 1,194	-	101	1,295
Pearson, Dana M.	5-23-74	7-12-74	\$ 409	-	35	444
Pugh, Danny F.	6- 7-74	7-12-74	\$ 1,190	-	101	1,291
Weinstein, Harold A.	5-23-74	7-12-74	\$ 848	-	72	920
Labor and Public Welfare:						
Feay, Herbert L.	3- 1-74	12-31-74	\$ 9,797	\$ 105	833	10,735
Guido, Frank M.	4-28-75	(?)	\$ 2,678	-	228	2,906
Scott, Jay L.	4-28-75	(?)	\$ 3,901	-	332	4,233
Rules and Administration:						
Kuchinski, Clifton	12- 4-74	12- 5-74	\$ 223	-	19	242
Louderback, Allen L.	10-29-74	11-19-74	\$ 1,107	\$ 336	94	1,537
Mattox, Charles W.	10-17-74	11-19-74	\$ 2,679	\$ 306	228	3,213
McCloskey, Michael D.	9-19-74	9-30-74	\$ 339	\$ 75	29	443
Roemer, Gary	9-16-74	9-30-74	\$ 765	-	65	830
Thibeau, Philip	12- 5-74	12-24-74	\$ 1,515	-	129	1,644
Office of the Secretary:						
Bresky, Robert John, Jr.	7-29-74	(?)	\$ 13,958	-	1,186	15,144
Hamn, Robert	8-13-74	(?)	\$ 13,792	-	1,172	14,964
Stoltz, Joseph F.	5-15-74	(?)	\$ 14,142	-	1,202	15,344
Wiggins, James E.	12-10-73	7-29-74	\$ 966	-	82	1,048
House of Representatives						
Appropriations:						
Moore, Denise F.	12- 9-74	1-31-75	1,309	-	111	1,420
Subcommittee on Transportation:						
Olson, David R.	1-20-75	(?)	\$ 4,442	-	378	4,820
Subcommittee on Defense:						
Ward, Shirley C.	5-26-74	8-16-74	2,876	-	244	3,120
Surveys and Investigations Staff:						
Benone, James O.	9-10-73	9- 3-74	3,862	\$ 678	328	4,868
Byers, Ronald M.	9-13-74	(?)	22,999	\$ 1,962	1,955	26,916
Castro, Sebastino J.	3- 4-74	3-14-75				
	5- 8-75	5-16-75	22,265	\$ 2,808	1,893	26,966

See footnotes at end of table.

SUMMARY OF ASSIGNMENTS OF PERSONNEL TO CONGRESSIONAL COMMITTEES DURING FISCAL YEAR 1975—Continued

Committee	Length of assignment		Salary	Travel expenses	Other expenses ¹	Total cost
	From	To				
House of Representatives—Continued						
Appropriations—Continued						
Cofer, Williston B.	11- 5-73	11- 1-74	\$8,518	\$2,819	\$724	\$12,061
Cullen, Martin F.	10-15-74	(?)	13,427	2,661	1,141	17,229
Grosch, Warren	8-26-74	3-21-75	17,496	2,707	1,487	21,690
Hesler, Charles	11-18-74	(?)	9,559	3,007	813	13,379
Koval, Paul J.	1-14-74	1-14-75	16,361	1,035	1,391	18,787
Mann, Kenneth A.	11- 5-73	11- 1-74	7,463	650	634	8,747
Maring, Douglas	9-30-74	(?)	17,367	2,371	1,476	21,214
Newman, Richard	9- 3-74	(?)	19,828	968	1,685	22,481
Reynolds, Paul	9- 3-74	(?)	10,952	1,799	931	13,682
Rhodes, James R.	8-19-74	(?)	24,178	4,979	2,055	31,212
Rieger, James H.	7-15-74	6-13-75	25,660	1,570	2,181	29,411
Schmidt, Carroll, J.	1-26-75	(?)	13,219	1,228	1,124	15,571
Seelinger, Robert E.	12- 9-74	5-12-75	13,070	264	1,111	14,445
Stancukas, Stanley J.	12- 3-74	4-16-75	9,227	4,381	784	14,392
Stoner, Merle	2- 3-75	(?)	12,398	-	1,054	13,452
Vignali, Joseph A.	5-29-74	(?)	37,370	3,022	3,176	43,568
Zarrilli, Michael A.	11- 5-73	11- 4-75	8,716	1,297	741	10,754
Zeunges, Theodore F.	9-16-74	6-13-75	17,456	1,976	1,484	20,916
Armed Services:						
Subcommittee for Armed Services Investigations:						
Cory, Gerald A.	6-24-74	8-30-74	4,057	-	345	4,402
Warren, David P.	4- 8-74	8- 6-74	-	-	-	-
	9-11-74	9-13-74	3,700	-	315	4,015
Banking and Currency:						
Dec, George W.	6-17-74	8-12-74	2,877	-	245	3,122
Peak, Robert A.	9-10-73	9-13-74	2,798	-	238	3,036
Tucker, Larry A.	11-20-74	12- 9-74	691	-	59	750
Commerce:						
Subcommittee on Investigations:						
Ramsay, Ronald	9- 9-74	(?)	17,561	-	1,493	19,054
Government Operations:						
Subcommittee on Government Activities:						
Sheridan, Claude L.	2-11-74	9-11-74	4,918	-	418	5,336
Subcommittee on Commerce, Consumer and Monetary Affairs:						
Gordon, Theodore G.	5- 5-75	(?)	4,015	-	341	4,356
Subcommittee on Government Information:						
MacNevin, William H.	9-16-74	3-11-75	16,463	365	1,399	18,227
Stettner, Max	4-15-74	4-11-75	27,738	-	2,358	30,096
Subcommittee on Intergovernmental Relations:						
Davies, Thomas C., Jr.	7-19-74	8-16-74	2,624	-	223	2,847
Lively, Roger L.	9-12-74	9-27-74	700	-	60	760
Sapp, David G.	4-28-75	(?)	3,014	-	256	3,270
Subcommittee on Manpower and Housing:						
Cronin, Robert E.	3- 5-75	3-11-75	330	-	28	358
House Committee On House Administration:						
Anderson, William J., Jr.	12- 2-74	12-20-74	686	259	58	1,003
Christiansen, Victor J., Jr.	12- 2-74	12- 6-74	216	244	18	478
Dentinger, Carlton P.	12- 2-74	12-17-74	694	524	59	1,277
Dino, Michael	12- 2-74	12-17-74	518	454	44	1,016
Doyle, Daniel	12- 2-74	12-11-74	346	232	29	607

See footnotes at end of table.

SUMMARY OF ASSIGNMENTS OF PERSONNEL TO CONGRESSIONAL COMMITTEES DURING FISCAL YEAR 1975—Continued

Committee	Length of assignment		Salary	Travel expenses	Other expenses ¹	Total cost
	From	To				
House of Representatives—Continued						
House Committee on House Administration—Continued						
Fitzhugh, Cary G.	12- 2-74	12- 6-74	\$247	³ \$237	\$21	\$505
Fleener, Allen.	12- 2-74	12-11-74	406	³ 239	35	680
Handy, Richard.	12- 2-74	12-17-74	583	³ 343	50	976
Hogberg, Roy J.	12- 2-74	12-11-74	379	³ 237	32	648
Lee, Jeffrey A.	12- 2-74	12-11-74	399	³ 233	34	666
McClyde, James O.	12- 2-74	12- 6-74	216	³ 263	18	497
Salvatierra, George.	12- 2-74	12- 6-74	302	³ 237	26	565
Schaefer, John M.	12- 2-74	12-11-74	358	³ 243	30	631
Stulginsky, Edward M.	12- 2-74	12-17-74	624	³ 469	53	1,146
Tavares, John J., Jr.	12- 2-74	12-20-74	740	³ 301	63	1,104
Interstate and Foreign Commerce:						
Special Subcommittee on Investigations:						
Janik, Chester.	11- 4-74	4-10-75	9,106	-	774	9,880
Kelley, Corenthis.	11- 4-74	3-31-75	6,686	-	568	7,254
Subcommittee on Oversight and Investigations:						
Stettner, Max.	4-14-75	(*)	7,706	-	655	8,361
Committee on the Judiciary (Full):						
Johnson, Robert.	8-26-74	12-20-74	9,099	-	773	9,872
Lawson, Gary V.	11-27-73	8-30-74	³ 3,028	-	257	3,285
Murphy, Robert P.	12- 3-73	8-23-74	³ 3,067	-	261	3,328
Wyrsh, Raymond.	8-26-74	12-23-74	7,133	-	606	7,739
Subcommittee on Immigrations and Nationality:						
Chunta, John A.	8-20-73	8-16-74	3,280	-	279	3,559
Subcommittee on Crime:						
Motorney, Theodore.	2-18-75	(*)	8,308	-	706	9,014
House Office Building Commission:						
Medoff, Mamie.	10-29-69	(*)	12,167	-	1,034	13,201
Post Office and Civil Service:						
Subcommittee on Manpower and Civil Service:						
Goodin, Paul R.	7- 8-74	(*)	27,414	-	2,330	29,744
Stoner, Merle.	1- 7-74	1- 7-75	15,770	-	1,340	17,110
Subcommittee on Postal Facilities Mail and Labor Management:						
Black, James.	8- 5-74	12-20-74	6,711	-	570	7,281
Select Committee on Small Business:						
Subcommittee on Special Small Business Problems:						
Sutton, William K.	6-18-74	10- 4-74	4,725	-	402	5,127
Science and Technology Committee:						
Subcommittee on Energy Research Dev. and Demonstration (Fossil Fuels):						
McDowell, William D., Jr.	4-28-75	(*)	3,197	-	272	3,469
Committee on Standards of Official Conduct:						
Faulkner, Douglas A.	11-21-74	12-13-74	1,427	-	121	1,548
Ways and Means Committee:						
Moore, Patricia Diane.	5-19-75	(*)	2,200	-	187	2,387
Subcommittee on Oversight:						
Zlamal, Charles E.	5- 7-75	(*)	3,508	-	298	3,806

See footnotes at end of table.

SUMMARY OF ASSIGNMENTS OF PERSONNEL TO CONGRESSIONAL COMMITTEES DURING FISCAL YEAR 1975—Continued

Committee	Length of assignment		Salary	Travel expenses	Other expenses ¹	Total cost
	From	To				
Joint						
Joint Committee on Atomic Energy:						
Cronin, Robert E.....	3-11-75	(²)	\$ 5,759	-	\$490	\$6,249
Zenker, Larry.....	1- 8-74	8- 2-74	\$ 3,817	-	324	4,141
	9-11-74	10-11-74	-	-	-	-
Joint Committee on Internal Revenue Taxation:						
Allen, Walter.....	8-12-74	11- 2-74	\$ 3,660	-	311	3,971
Wagner, Raymond J., Jr.....	5- 5-75	6- 5-75	1,169	-	99	1,268
Joint Economic Committee:						
Bowen, Frank.....	11-25-74	1-31-75	-	-	-	-
	2-24-75	3- 4-75	\$ 3,393	-	288	3,681
Total.....			692,291	\$48,120	58,843	799,254
Total Reimbursed.....			128,909	48,120	-	177,029

¹ These amounts which are 8.5% of the salary costs, include the Government's estimated share for personnel benefits payable to the Civil Service Commission for (1) Life Insurance Fund, (2) Retirement Fund, and (3) Health Benefits Program.

² This individual's assignment continued after June 30, 1975.
³ This cost was/will be reimbursed by the Committee or Subcommittee concerned.

TRANSPORTATION AND CLAIMS STATISTICS

Transportation Audit and Collections During Fiscal Years 1966-75

Fiscal year	Bills of lading and transportation requests audited	Amount paid	Notices of overcharge issued		Total collections ¹
			Number	Amount	
1966.....	7,555,366	\$ 1,474,220,901	86,970	\$ 10,694,257	\$ 8,494,453
1967.....	8,574,043	1,898,670,184	113,010	14,043,159	12,963,744
1968.....	7,892,789	2,075,358,128	112,306	15,474,645	14,681,476
1969.....	9,562,242	2,543,376,957	100,968	16,160,947	14,167,126
1970.....	9,282,062	2,374,913,448	108,499	17,708,324	16,314,622
1971.....	8,194,208	1,951,280,594	102,326	16,011,173	14,847,643
1972.....	7,061,543	1,698,483,402	84,445	14,822,726	14,165,142
1973.....	6,090,429	1,417,634,221	74,586	11,884,987	12,842,124
1974.....	6,148,250	1,519,753,642	70,082	11,256,984	9,484,638
1975.....	6,873,863	1,680,588,002	65,488	10,675,138	10,090,488
Total.....	77,234,795	\$18,634,279,469	918,680	\$138,732,340	\$128,051,456

¹ Includes amounts collected in our adjudication of claims reported by other Government agencies.

Transportation Claims Settled During Fiscal Years 1966-75

Fiscal year	Number of claims	Amount claimed	Amount allowed
1966.....	29,413	\$ 37,130,274	\$ 33,440,430
1967.....	26,133	86,982,712	83,893,435
1968.....	22,829	11,335,870	9,317,118
1969.....	13,902	18,879,201	16,336,715
1970.....	13,725	14,764,352	13,053,245
1971.....	15,957	20,723,867	18,865,840
1972.....	20,440	10,242,515	6,859,440
1973.....	16,505	5,268,667	2,987,140
1974.....	9,838	3,815,902	2,138,565
1975.....	11,166	3,590,618	1,901,826
Total.....	179,908	\$212,733,978	\$188,793,754

Transportation and Claims Division Settlements and Collections During Fiscal Years 1966-75

Fiscal year	Claims against the United States		Claims by the United States	
	Number of claims	Amount allowed	Number of claims	Amount collected ¹
1966.....	8,274	\$ 52,596,937	33,977	\$ 4,128,554
1967.....	9,705	46,483,888	32,208	3,626,693
1968.....	13,812	60,988,960	16,282	2,938,681
1969.....	18,690	70,140,076	9,750	2,819,450
1970.....	14,943	55,909,237	13,201	2,626,961
1971.....	8,686	117,782,204	20,394	2,878,940
1972.....	7,819	69,977,376	22,211	4,612,775
1973.....	6,563	130,635,566	25,615	4,068,344
1974.....	8,157	142,396,002	26,580	4,852,914
1975.....	9,980	194,909,301	28,926	5,305,606
Total.....	106,629	\$941,819,547	229,144	\$37,858,918

¹ Includes amount collected by the Department of Justice on claims reported to that agency by OAO for possible suit.

² This figure does not include 887 barred claims that have been handled under an improved procedure that keeps them out of the adjudication workload. It is anticipated that this figure will diminish in future years due to constant efforts on the part of OAO to discourage the filing of this type of claim.

FINANCIAL STATEMENTS OF THE GENERAL ACCOUNTING OFFICE FISCAL YEAR 1975

Schedule 1

U.S. General Accounting Office Statement of Assets, Liabilities, and Investment June 30, 1975

ASSETS		
Cash on hand:		
Undeposited receipts	\$704, 900	
Checks being held for cause ¹	193, 400	\$898, 300
Funds in U.S. Treasury:		
Appropriated funds	6, 358, 000	
Deposit funds ²	1, 040, 600	7, 398, 600
Employees' travel advances		630, 400
Accounts receivable		496, 400
Supplies		154, 500
Furniture, fixtures, and equipment	2, 397, 900	
Less: Accumulated depreciation	1, 129, 800	1, 268, 100
Library books (estimated)		165, 700
Total assets		11, 012, 000
 LIABILITIES AND INVESTMENT		
Accounts payable		\$2, 333, 400
Accrued liabilities		3, 568, 500
Funds held for others		1, 938, 900
Liability for accrued annual leave of employees	\$7, 810, 989	
Less: Amount to be financed from future appropriations	7, 810, 989	
Total liabilities		7, 840, 800
Investment of U.S. Government (schedule II)		3, 171, 200
Total liabilities and investment		11, 012, 000

¹ Checks held for cause include checks received in compromise offers not yet accepted and duplicate payments which will be returned to carriers.

² Deposit funds arise principally from employees' taxes and other payroll deductions.

Schedule 2

U.S. General Accounting Office
Summary of Changes in Investment of U.S. Government
Fiscal Year Ended June 30, 1975

Balance, July 1, 1974, as revised		\$3,608,200	
Add:			
Appropriation for salaries and expenses, 1975	\$124,989,000		
Reimbursements	478,400		
Additional prior year funds required to finance increases in cost of prior year orders	329,700	125,797,100	
Total			129,405,300
Deduct:			
Operating expenses, 1975 (schedule III)	125,792,900		
Less: Amount of annual leave earned by employees and included in operating expenses, which will be financed by future appropriations	-650,000		
Adjustment due to change in record classification of certain assets	870,900		
Unobligated balance of 1975 appropriation lapsed	220,300	126,234,100	
Balance, June 30, 1975			3,171,200
Composition of balances:			
		June 30, 1974	June 30, 1975
Investment in:			
Inventories of supplies		74,300	154,500
Furniture, fixtures, and equipment		2,221,200	1,268,100
Library books		165,700	165,700
Funds reserved for payment of unfilled orders		1,147,000	1,582,900
Total		3,608,200	3,171,200

Schedule 3

U.S. General Accounting Office
Summary of Operating Expenses for the Fiscal Year Ended
June 30, 1975

	Total	Salaries	Employee benefits	Travel
Office of the Comptroller General.....	\$371,400	\$312,600	\$24,400	\$34,400
Special Staff Services.....	401,100	368,700	32,300	100
Office of Assistant Comptroller General for Management Services.....	9,551,100	8,297,200	923,900	330,000
Joint Financial Management Improvement Program.....	226,600	198,400	16,900	11,300
Office of the General Counsel.....	4,361,600	3,998,300	348,400	14,900
Office of Assistant Comptroller General for Policy and Program Planning.....	63,100	56,600	4,600	1,900
Office of Policy.....	320,500	294,300	25,400	800
Office of Program Planning.....	197,000	178,100	15,400	3,500
Office of Internal Review.....	294,800	268,000	23,200	3,600
Financial and General Management Studies Division.....	5,977,800	5,373,200	471,800	132,800
Logistics and Communications Division.....	3,936,300	3,506,800	312,100	117,400
Procurement and Systems Acquisition Division.....	4,377,300	3,885,400	341,800	150,100
Federal Personnel and Compensation Division.....	1,978,400	1,762,500	155,100	60,800
General Government Division.....	4,620,300	4,111,500	371,500	137,300
Resources and Economic Development Division.....	5,540,100	4,905,200	440,100	194,800
Manpower and Welfare Division.....	5,635,100	4,995,600	448,900	190,600
Office of Assistant Comptroller General for Energy and Special Programs.....	244,000	223,300	19,400	1,300
Office of Energy and Special Projects.....	1,044,400	935,900	79,800	28,700
Office of Federal Elections.....	201,500	179,000	18,000	4,500
Office of Program and Budget Analysis.....	448,000	406,400	34,400	7,200
International Division:				
Washington, D.C.....	3,958,300	3,338,100	395,800	224,400
European Branch.....	1,342,900	930,600	134,600	277,700
Far East Branch.....	1,964,700	1,270,400	303,300	391,000
Field Operations Division.....	44,263,800	36,676,200	3,312,000	4,275,600
Transportation and Claims Division.....	9,491,300	8,699,700	752,000	39,600
Total distributed expenses.....	110,811,400	95,172,000	9,005,100	6,634,300
Undistributed other expenses.....	14,981,500			
Total.....	125,792,900			
Reconciliation of accrued expenditures for year with total expenses:				
Accrued expenditures.....	125,140,900			
Add:				
Increase in accrued annual leave liability.....	650,000			
Depreciation of furniture, fixtures, and equipment.....	256,500			
Deduct:				
Increase in inventory of supplies.....	-80,200			
Purchase of furniture, fixtures, and equipment.....	-174,300			
Operating expenses.....	125,792,900			

Schedule 4

U.S. General Accounting Office
Summary of Sources and Application of Funds
Fiscal Year Ended June 30, 1975

Source of funds:

Appropriation for salaries and expenses, 1975.....		\$124,989,000
Reimbursements.....		478,400
Funds carried over from preceding year to pay for orders placed in that year but filled in the current year.....		1,147,000
Additional prior year funds required to finance increase in cost of prior year orders.....		329,700
Receipts for audit services.....		388,200
Other receipts.....		476,800
Total.....		127,809,100

Application of funds:

Accrued expenditures:		
Expenses.....	\$124,966,600	
Purchase of furniture, fixtures, and equipment.....	174,300	125,140,900
Funds reserved at the year end for payment of unfilled orders.....		1,582,900
Unobligated balance of 1975 appropriation lapsed.....		220,300
Receipts deposited in U.S. Treasury.....		865,000
Total.....		127,809,100

DIRECTORY OF GAO REGIONAL OFFICES AND FOREIGN BRANCHES SEPTEMBER 1975

HEADQUARTERS—FIELD OPERATIONS DIVISION

Director, John E. Thornton 202-275-5495
 Deputy Director, Stewart D. McElyea
 Assistant Director, Howard L. Dehnbostel
 Room 7800
 U.S. General Accounting Office Building
 441 G Street, NW.
 Washington, D.C. 20548

REGIONAL OFFICES

Atlanta
 Regional Manager, Marvin Colbs 404-526-4616
 Assistant Regional Managers:
 James E. Ballou
 Solon P. Darnell
 Kyle E. Hamm
 Archibald L. Patterson, Jr.
 221 Courtland St., NE.
 Atlanta, Ga. 30303

Boston
 Regional Manager, Joseph Eder 617-223-6536
 Assistant Regional Managers:
 Nicholas Carbone
 Paul M. Foley
 Louis Lucas
 Room 1903, John F. Kennedy Federal Building
 Government Center
 Boston, Mass. 02203

Chicago
 Regional Manager, Gilbert F. Stromvall 312-353-6174
 Assistant Regional Managers:
 Fred E. Lyons
 William J. Schad
 Daniel C. White
 Room 403, Custom House Building
 610 South Canal Street
 Chicago, Ill. 60607
St. Paul-Minneapolis Suboffice 612-725-4420
 Auditor in Charge, Donley E. Johnson
 260 Federal Building, Fort Snelling
 Twin Cities, Minn. 55111

Cincinnati
 Regional Manager, Robert W. Hanlon 513-684-2107
 Assistant Regional Managers:
 Harold R. Fine
 Elmer Taylor, Jr.
 David P. Wilton
 Room 8112, Federal Office Building
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