

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

9012



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

This is a summary of GAO's conclusions and recommendations resulting from its audits and other review work in the Operations of Civil Departments and Agencies, compiled to assist congressional committees in their review of budget requests for fiscal year 1980. Previous GAO reports brought these matters to the attention of the congressional and departmental officials.

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WASHINGTON, D.C. 20548

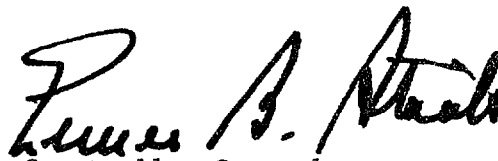
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Chairman, Senate Committee on Appropriations
Chairman, House Committee on Appropriations

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in Federal civil departments and agencies which we believe will be of interest to your Committees in their review of budget requests for fiscal year 1980. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriation hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Department of Defense is being submitted separately.

We are sending copies of this report to the Federal civil departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations hearings.


Comptroller General
of the United States

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

Accounting for Automatic Data Processing Costs Needs Improvement

Budget Function: Miscellaneous: Automatic Data Processing (1001).

Legislative Authority: Brooks Act (P.L. 89-306). Budget and Accounting Procedures Act of 1950, as amended. OMB Circular A-83. OMB Circular A-76. OMB Circular A-11. Federal Management Circular 74-2. CG Decision B-136318 (1977 and 1978).

Automatic data processing is used extensively throughout the Government, but many problems have been encountered in accounting for related costs.

Findings/Conclusions: Of 26 Federal data processing organizations reviewed, none had adequate cost information on their automatic data processing assets and operations. Major cost elements such as utilities, space rental, data transmission costs, and military salaries were frequently omitted from reports of total costs. Only about half of the organizations spread the costs of long-lived hardware over its useful life and only a few did so for software. Earlier GAO reviews noted examples of savings that could have resulted if proper cost data were available. GAO and the Office of Management and Budget offered guidance in this area, but it was not effectively followed. Some factors accounting for this were: changes in computer systems which can now serve many users, financing of data processing operation by several different appropriations in some cases, and the fact that data processing costs are only a portion of program costs and thus have not been separately identified. It is essential to have reliable cost data in order to make sound decisions on needs for procurement, to distribute costs properly when multiple users are involved, and to make proper charges for services.

Recommendations: Federal agencies should: establish automatic data processing activities as cost centers, control such activities through operating budgets, keep cost accounts for these centers in such detail that charges can be made to major end users, and render reports that show actual costs compared with operating budget estimates and provide full disclosure of all significant data-processing-related expenses.

Agencies commenting on the report agreed with its conclusions and recommendations. OMB agreed to collect and consolidate all agency statements of actions taken on our recommendations. This has not been done. (FGMSD-78-14, 2-7-78)

Appropriations

Appropriations for ADP systems and activities (various agencies).

Appropriations Committee Issues

In view of the importance of the Appropriations and Oversight Committees' interests in obtaining visibility and accountability for expenditures estimated at as high as \$15 billion annually, the Committees may wish to emphasize their interest in seeing appropriate actions taken by various agencies.

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

Administrative Law Process: Better Management Is Needed

Budget Function: General Government: Central Personnel Management (805).

Legislative Authority: (P.L. 95-251; 92 Stat. 183). (P.L. 95-164; 91 Stat. 1290; 91 Stat. 1314). Administrative Procedure Act of 1946 (5 U.S.C. 3105). Regulatory Procedures Reform Act; S. 2490 (95th Cong.). Social Security Act. Classification Act of 1923. Executive Order 11222. Executive Order 10939 H.R. 14688 (91st Cong.). *Ramspeck v. Federal Trial Examiners Conference* (345 U.S. 128).

More than 1,000 Administrative Law Judges (ALJs) serve in 28 Federal agencies as quasi-judicial officers presiding at formal administrative hearings to resolve disputes. The Federal executive departments and agencies collectively process a larger case load than U.S. courts, affect the rights of more citizens, and employ more than twice as many ALJs as there are active judges in Federal trial courts. The Administrative Procedure Act sought to insure the ALJ's judicial capability and objectivity by precluding agencies from evaluating their performance and by assigning responsibility for determining their qualifications, compensation, and tenure to the Civil Service Commission.

Findings/Conclusions: Although the adjudicative process was established to resolve conflicts promptly and fairly, timely decisions are not being made because the process is burdened with extensive agency review of ALJ decisions and, in many instances, overformalization. These factors also increased costs and raised questions concerning the impartiality of agency decisions and the need for a highly formalized mechanism to resolve relatively simple disputes. The Administrative Procedure Act is not specific regarding responsibility for ALJ personnel management functions; as a result, little is done to monitor ALJ performance. Agencies are reluctant to attempt to manage ALJs for fear it will be interpreted as an infringement on ALJ independence. The Civil Service Commission similarly has been reluctant to become actively involved in ALJ personnel management. The results have been costly delays in the administrative adjudicatory

process and less than desirable performance by an undetermined number of ALJs.

Recommendations: The Congress should amend the Administrative Procedure Act to: assign responsibility for periodic evaluation of ALJ performance to a specific organization; clarify the extent to which the Civil Service Commission can perform its normal personnel management functions in the case of ALJs; and establish an initial probationary period of up to 3 years and thereby eliminate immediate, virtually guaranteed, appointment and tenure. The Congress should also: establish criteria for deciding what degree of formality is required to provide fair decisions and amend legislation to clarify the agencies' power to adopt streamlined adjudication procedures; amend other legislation as necessary to provide for standards of review; and see that each agency employing ALJs has taken steps to establish performance standards before additional ALJs are given to agencies. The Civil Service Commission should: encourage and assist the Administrative Conference in efforts to develop an ALJ caseload accounting system; and reexamine the need for selective certification at agencies where it is used and evaluate future requests for its use on a case-by-case basis.

No substantive actions have been taken on the report's recommendations. (FPCD-78-25, 5-15-78)

Appropriations

Various appropriation of those agencies which employ Administrative Law Judges (28).

Appropriations Committee Issues

Evaluation of and standards for Administrative Law Judges, performance; as well as simplified agency administrative adjudication pro-

cedures, are needed to ensure efficient and cost effective dispute settlement. Agencies which employ ALJs should take steps to establish Administrative Law Judge performance standards before assigning additional ALJs.

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

Changes Needed in the Relocation Act to Achieve More Uniform Treatment of Persons Displaced by Federal Programs

Budget Function: General Government: Executive Direction and Management (802).

Legislative Authority: Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. 4601). OMB Circular A-103. Demonstration Cities and Metropolitan Development Act of 1966. Housing and Community Development Act of 1974. Housing Act of 1949.

The relocation act is intended to provide for uniform and equitable treatment of persons displaced from their homes, businesses, or farms by Federal and federally assisted programs.

Findings/Conclusions: Some displaced persons are receiving little or no relocation assistance because the coverage provided by the act is limited. When Federal financial assistance is provided to organizations other than State agencies, few relocation benefits are provided because of the belief that the act does not apply under these conditions. Businesses may suffer because the benefits are not provided to pay for increased costs at a replacement site. The Housing and Community Development Act of 1974 decreased coverage under the relocation act because of agency and court interpretations that the benefits are not required to be paid to displaced persons when there is no acquisition of property. Although the act calls for coordination among agencies, each issues its own regulations with the result that benefits have differed under comparable conditions. The Relocation Assistance Implementation Committee has been unable to bring about the uniformity prescribed by the act because it lacks authority to rule on differences in agencies' positions

Recommendations: The Congress should: consider whether the act should cover all dis-

placements caused by Federal or federally assisted acquisition and nonacquisition projects; consider providing additional benefits to displaced businesses; and amend the act to require the President to issue a single set of relocation regulations and to designate a central organization to direct and oversee uniform procedures governmentwide.

OMB stated in June 1978 that the recommendations contained in the report were under active consideration. Also, OMB will resolve the conflicting views concerning the most appropriate agency to have responsibility for administering the act. (GGD-78-6, 3-8-78)

Appropriations

All Federal agencies—civil and defense.

Appropriations Committee Issues

1. The coverage of the Uniform Relocation Act should be reconsidered.
2. The benefits provided to relocated businesses should be reconsidered.
3. One set of relocation regulations should be issued and one central organization should be designated to oversee the act.

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

Computer Auditing in the Executive Departments: Not Enough Is Being Done

Budget Function: Miscellaneous: Automatic Data Processing (1001).

Legislative Authority: FMC 73-2, P.L. 89-306, OMB Circular A-71.

Four major areas are of audit interest in automatic data processing, in addition to the usual task of verifying data. These are: systems design and development, equipment acquisition, specific applications, and installation management. Benefits to be accrued from better controlled computer-based information systems include: savings, improved efficiency, and cost avoidance.

Recommendations: The head of each Federal agency should require internal audit organizations to: (1) study the effect of automatic data processing on agency operations, expenditures, and program accomplishments; (2) determine the extent to which computer activities need to be audited (both ongoing systems reviews and audits of specific aspects); (3) determine whether enough audit resources are available and, if not, get needed resources by training existing audit staff or hiring people with the necessary skills; (4) develop and carry out audits that will provide enough coverage to determine that resources are used efficiently,

economically, and effectively; and (5) periodically review the internal audit coverage of computer-based information systems and adjust resource allocations accordingly. The Office of Management and Budget should monitor the progress of the agencies in these matters. (FGMSD-77-82, 9-28-77)

Appropriations

Various appropriations that include funds for internal audits.

Appropriations Committee Issues

The Committees should ascertain whether agency requests indicate appropriate internal audit attention is being devoted to this area, as exemplified by past work, present assignments, and future plans for developing and maintaining the requisite level of technical proficiency on the part of agency audit staffs.

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

Development of a National Make-or-Buy Strategy: Progress and Problems

Budget Function: General Government: Executive Direction and Management (802).

Legislative Authority: Department of Defense Appropriation Authorization Act [of] 1978 (P.L. 95-79). Department of Defense Appropriation Act [of] 1978 (P.L. 95-111). Monroney Amendment (P.L. 90-560; 5 U.S.C. 5341). Service Contract Act of 1965, as amended (P.L. 89-286; 79 Stat. 1034). Economy Act. Intergovernmental Cooperation Act. Department of Defense Appropriation Act [of] 1956. Department of Defense Appropriation Authorization Act [of] 1975. P.L. 93-400. P.L. 83-108. P.L. 95-269. P.L. 93-365. P.L. 84-157. 25 Stat. 423. 40 Stat. 1290. 10 U.S.C. 4532. 10 U.S.C. 9532. 31 U.S.C. 686. 42 U.S.C. 4222. 44 U.S.C. 501. 10 U.S.C. 138(c). 33 U.S.C. 622. 33 U.S.C. 624. 31 U.S.C. 686. 15 U.S.C. 631(1). 5 U.S.C. 2105(a). Executive Order 11491. OMB Circular A-76.

There has been much controversy regarding the question of whether the Government should provide its own needed goods and services or contract for them with private enterprise. The Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) provides overall procurement policy direction for executive agencies. OMB Circular A-76 states that no executive agency will start or continue the operation of a Government commercial or industrial activity except as specifically required by law or as provided for in the Circular. During 1976 and 1977, there has been increased emphasis on contracting.

Findings/Conclusions: The stated policy has not been perceived as a national policy with full executive and legislative branch approval and support. Policy pronouncements and applications have been controversial; implementation has been inconsistent and relatively ineffective; and make-or-buy decisions have not necessarily been based on sound management principles. Management of the A-76 program needs acceptable management control systems, clarification of basic policy and regulations, clear identification of types of activities subject to the policy, consistent execution of the policy, and development of review and appraisal systems. Implementation has been hampered by confusion, lack of understanding, reluctance to carry out the program which was not integrated with agencies' main decision-

making processes, and budgetary and accounting systems which did not always support the program. Agencies seldom prepared cost comparisons because of such difficulties as when and how to prepare them, determining Government's and contractors' costs, and comparability of pay rates. Agency make-or-buy decisions were significantly influenced by such factors as personnel ceilings, contract issues, labor-management policies, other procurement policies, personnel assignment policies, legislation, and Federal printing policy.

Recommendations: The Administrator of the OFPP should: require agency heads to develop a plan for integrating the policies into the mainstream of agencies' management and decisionmaking processes, undertake studies to establish the extent to which budgetary and accounting systems will support the make-or-buy program, and develop the overall policy and requirements for agency heads to institute an independent review process of the A-76 program within each agency. The Director, OMB, should assess the feasibility of incorporating the objectives of the program into the budget review process and develop a method to review how agencies carry out the program. The House Committee on Government Operations and Senate Committee on Governmental Affairs should consider GAO findings and recommendations of the Commission on Government Procurement during their deliberations

on the revised A-76 policy. The Congress should: endorse a national policy of reliance on private enterprise for the Government's needs to the maximum extent feasible and consistent with the national interest and procurement at reasonable prices, require executive agencies to report on their progress in supporting that policy, and direct reviews of existing related legislation to identify and eliminate sources of conflicts and inequities.

Agency comments have not yet been sent to the appropriate congressional committees concerning the report's recommendations to OMB and OFPP. In addition, no significant

events have occurred since the report was issued. (PSAD-78-118, 9-25-78)

Appropriations

All Federal agencies—defense and civil

Appropriations Committee Issues

The Committees should determine whether agency requests indicate that appropriate management attention is being given to the A-76 program because of its potential for more economical and effective Government.

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

Federally Assisted Areawide Planning: Need to Simplify Policies and Practices

Budget Function: General Government: Executive Direction and Management (802).

Legislative Authority: Intergovernmental Cooperation Act of 1968 (42 U.S.C. 4231). Demonstration Cities and Metropolitan Development Act of 1966 (42 U.S.C. 3334). OMB Circular A-95. OMB Circular A-82.

The Intergovernmental Cooperation Act of 1968 recognized the interrelated nature of most Federal planning programs and the need to coordinate them. Twenty federally assisted areawide planning programs, principally in the districts surrounding Sacramento, California, Atlanta, Georgia, and Seattle, Washington, were reviewed to determine whether the procedures of Circular A-95 of the Office of Management and Budget (OMB) adequately carry out the purposes of the Intergovernmental Cooperation Act of 1968.

Findings/Conclusions: OMB's encouragement of the use of a single areawide organization to plan or to coordinate planning has not been effective because: (1) programs were initiated haphazardly to satisfy particular demands and each program built its own constituency at the State, areawide, and local level, which made it difficult for State and local governments to form a coordinated planning effort; (2) Federal agencies often ignored the designated comprehensive planning agency; (3) the States sometimes disregarded their own planning subdivisions in implementing Federal programs; and (4) Federal agencies had varying requirements which created impediments to coordinated planning and made it difficult for one planning organization to satisfy all Federal requirements.

Recommendations: Congress should establish a national policy on areawide planning and

provide a basis for strengthening planning focal points at the areawide level. OMB should: require Federal agencies and federally funded state agencies to use the designated areawide comprehensive planning agencies to carry out and coordinate areawide planning, and to use, to the extent possible, the planning boundaries designated by the States.

Hearings were held in February 1978 on H. R. 4406, a bill to establish a national policy on areawide planning. In August 1978, OMB and the Federal agencies began a year long implementation program of Federal planning requirements reform which had been approved by the President on June 21, 1978. Several reform actions address matters disclosed in our report, such as substrate planning boundaries. (GGD-77-24, 3-28-77)

Appropriations

Various agency appropriations

Appropriations Committee Issues

1. A reduction in the number of planning programs is needed to achieve better planning and to fix planning responsibility.
2. Enactment of a national policy on areawide planning would reduce the number of planning organizations.

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

Mission Budgeting: Discussion and Illustration of the Concept in Research and Development Programs

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (051).

Legislative Authority: Energy Reorganization Act of 1974 (P.L. 93-438). National Aeronautics and Space Act of 1958 (P.L. 85-568). Congressional Budget Act of 1974 (88 Stat. 297). Sunshine Act of 1977; S. 2 (95th Cong.). Budget and Accounting Procedures Act of 1950. H. Rept. 94-1231. S. Rept. 95-164. S. Rept., 95-129. OMB Circular A-109. DOD Directive 5000.2.

The mission budget concept offers significant potential for alleviating problems with the way the Federal budget is currently presented and the limitations it imposes on congressional review. The common complaint with the present system is that Congress gets a great mass of detail but not a coherent picture of what the money is for and why it is needed. A mission budget structure links an agency's basic responsibilities, or "missions," to its activities and their proposed funding. Descending levels of the structure then focus more sharply on specific purposes, needs, and programs to satisfy them.

Recommendations: Congress should begin to experiment with mission budgeting in carrying out its budget review, authorization, and appropriation functions because the concept has significant potential for: helping the President and Federal agencies formulate budgets according to end purposes, needs, and priorities; strengthening congressional policy review and program oversight; achieving greater public accountability in the use of Federal funds; providing one budget system oriented to both executive and congressional needs; clarifying mission responsibilities of the Federal agencies and keeping them relevant to national policies and needs; and serving as a structural foundation for "zero-base" and "sunset" reviews as well as for governmental reorganization.

Congressional Action to Date

The Congress has taken an initial step of requiring a mission informational display in the

President's budget but has yet to fund budget requests of the agencies on that basis. A few authorization committees are beginning to experiment with the concept. However, only the appropriations committees can mandate how executive agency budget requests are formulated, reviewed and funded.

Department of Defense Actions to Date

In its FY 1978 budget, Defense took a first step by reclassifying its Research and Development (R&D) budget structure from product orientation to broad strategic and tactical programs. At lower tiers, however, product classification still exists, so that sub-missions or mission areas are not discernible. Neither are individual mission needs evident or traceable to the top categories, and programs are not tied to mission needs.

Last summer Defense achieved a breakthrough agreement with the military services on defense-wide mission areas for R & D and Defense plans to start using it in its own budget process this year. Also, the House Armed Services Committee's R & D Subcommittee intends to conduct portions of its FY 1980 budget review on a mission basis with a view, perhaps, toward expanding application of the concept in future years. (PSAD-77-124, 7-27-77).

Appropriations

All Federal agencies — defense and civil

Appropriations Committee Issues

1. How should the appropriations committees set up a joint program with the executive branch to more fully test and evaluate the mission concept? (In a recent followup report, *GAO illustrates one approach to such an executive/congressional program.)
2. To what extent should the Appropriations Committee monitor or participate in next year's experiments with the House Armed Services Committee?
3. Appropriation subcommittees get only "slices" of agency missions and are not aware of mission funding aggregates from year to year nor of what mission results are achieved with this money. How should budget requests be modified or subcommittee jurisdictions realigned to deal with these matters?
4. Mission budgeting clarifies the end purposes of tax dollars to the Congress and the general public. Questionable mission purposes and priorities can be revised and funding levels can be raised or lowered rather easily with congressional guidance provided in specific areas. On the other hand, it is difficult for the Congress to absorb great masses of input activities and adjust up or down (or cancel out) the "right kinds" of activities in any precise way. Since congressional members are not technical specialists, would it not be better for them to focus more on regular mission reviews and key program decisions than on input data?

**Legislative Recommendations of the Commission on Government Procurement: 5 Years Later, OSAD-78-100, July 31, 1978, p. 26.*

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

Status, Progress, and Problems in Federal Agency Accounting during Fiscal year 1977

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Legislative Authority: Accounting and Auditing Act of 1950 (31 U.S.C. 66a).

The head of each executive agency is responsible for establishing and maintaining accounting systems that conform to principles and standards prescribed by the Comptroller General. A tentative statement of principles and standards was issued in 1952, and GAO started granting formal approval of accounting systems that conformed to it. Approval is granted in two phases—first of principles and standards adopted by agencies, then of system designs.

Findings/Conclusions: At September 30, 1977, principles and standards were approved for 98% of the 330 systems that were subject to approval, and 60% of system designs had been approved. At that time, 132 system designs in 34 agencies remained unapproved. Reports of serious deficiencies in Government accounting usually involved unapproved systems. Reasons that some agencies have not completed accounting efforts include: frequent changes in top management, inability of accountants to convince agency management that better accounting is worthwhile, failure to design systems that comply with approved principles and standards, and the lack of Office of Management and Budget (OMB) support in the past for improvements in accounting systems. Recently, OMB required updates of fund control regulations. In spite of GAO's objective of having all agency accounting systems approved by the end of fiscal year 1980, as of September 30, 1977, about one-fourth of the unapproved systems were not scheduled for approval before

the end of 1980. Progress has been made recently in approvals but some departments have significant problems which must be resolved before all their accounting systems can be approved.

Recommendations: The Director, OMB, and the Congress should make sure that the resources the executive departments and agencies are devoting to their accounting systems are sufficient to qualify the systems for approval.

In a letter dated July 11, 1978, OMB asked its staff to consider the adequacy of funding levels in order for agencies to qualify their systems for approval. In addition, the Director of OMB, in letters approving their administrative control of funds regulations, asked several heads of departments and agencies to commit themselves to getting GAO approval of their accounting systems. (FGMSD-78-24, 5-26-78)

Appropriations

All Federal Agencies

Appropriations Committee Issues

After 27 years, more than a fourth of the Civil Departments and agencies accounting systems are not yet approved.

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

The Federal Government Should but Doesn't Know the Cost of Administering Its Assistance Programs

Budget Function: General Government: Executive Direction and Management (802).

Federal programs of assistance to State and local governments have grown in number during the past two decades, and costs have increased from an estimated \$6.7 billion in fiscal year 1959 to an estimated \$70 billion in 1977. Because of the growth and complexity of Federal assistance, legislative and executive officials have expressed a need for a better understanding of the program administration.

Findings/Conclusions: The Federal Government lacks a systematic method of determining what it costs to administer its numerous domestic assistance programs. Attempts to analyze and compare the efficiency of the various administrative methods used have had limited success, largely because of the lack of systems for reporting information on financial and staff resources used in administering individual programs. The percentage of available funds spent for administration under 72 programs studied ranged from 0.3% to 28.5%. Use of dollar and staff resources varied considerably for programs of similar size, distribution method, administrative network, service provided, and even within the same program from State to State. These variances reflect differences in methods and efficiency of program administration and demonstrate the need for systematic information collection and analysis. This information could be used to identify programs in which the following administrative improvements could be made: consolidation of small, inefficient programs; reduction of the number of levels involved in administering some programs; elimination of inefficient prac-

tices; and application of proven practices to new and existing programs.

Recommendations: The Director, Office of Management and Budget, in cooperation with Federal, State, and local agencies administering assistance programs, should take the leadership role in an effort to implement a Government-wide approach for accumulating, analyzing, and disseminating data on the financial and staff resources used in administering Federal Assistance Programs.

OMB agreed with our conclusion that better data is needed on the costs to administer Federal domestic assistance programs. We agreed to work with OMB through the Joint Financial Management Improvement Program (JFMIP). A JFMIP official advised that plans to do a pilot test have been approved but a starting date has not been selected. (GGD-77-87, 2-14-78)

Appropriations

Various agencies.

Appropriations Committee Issues

1. Information on the costs of administering Federal programs is needed to determine the efficiency of their administration and to find less costly ways to provide assistance.
2. Administration cost information would also strengthen "sunset" reviews by Congress.

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

The Federal Information Processing Standards Program: Many Potential Benefits, Little Progress, and Many Problems

Budget Function: Miscellaneous: Automatic Data Processing (1001).

Legislative Authority: Brooks Act (P.L. 89-306).

The Brooks Act called for a Federal automatic data processing (ADP) standards program that would permit the interchange of computer equipment, software, and data. It was also intended to stimulate competition by permitting Federal agencies to procure their ADP requirements from numerous vendors offering low-cost compatible products.

Findings/Conclusions: Some standards have been developed, but agencies are not fully using them, and some standards do not yet exist. As a result, many Federal agencies have become locked into suppliers of computers and related services. The Government has depended too much on the commercial sector to develop standards, and manufacturers sometimes delay the development of commercial standards. The Department of Commerce's budget requests do not provide meaningful information on the scope and direction of the program. Standards development has suffered from a lack of funds allocated for this purpose, inadequate resource management, and lack of an effective staff devoted to the program. Weaknesses in the program also result from vague enforcement policies and lack of procedures to verify compliance.

Recommendations: The President should give one agency the central authority for insuring compliance with ADP standards: The Director of the Office of Management and Budget (OMB) should issue policy guidance to this and other agencies citing the importance and relative priority of standards, requiring establishment of policies and procedures for implementing standards, insuring Federal participation in developing standards, and citing cir-

cumstances in which the Department should develop standards independently. Guidance to the single agency should give direction on approving requests to waive compliance, providing information on compliance, determining if federal standards are met by vendors, and insuring that agencies acquire products which comply with standards. Using OMB's guidance, the Secretary of Commerce should establish procedures for justifying, setting priorities for, and monitoring the development of standards; commit more resources to their development; coordinate agency participation; and unilaterally develop and issue standards when the commercial process is not timely. He should also establish a budget and cost-reporting system that gives information on its efforts in the program and submit to GAO for approval an updated design of an accounting system which identifies funds spent on these efforts. (FGMSD-78-23, 4-19-78)

Appropriations

National Bureau of Standards Appropriations for its P.L. 89-306 (Brooks Act) responsibilities and Appropriations for ADP systems (various agencies).

Appropriations Committee Issues

The Committees should determine (1) whether NBS has committed existing resources to developing ADP standards before approving additional funds (2) that ADP systems acquired by various agencies comply with Federal Standards.

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

The Payroll Allotment Program Needs a Second Look

Budget Function: General Government: Central Fiscal Operations (803)

Legislative Authority: User Charge Act of 1952 (31 U.S.C. 483a). (P.L. 87-304; 5 U.S.C. 5525). (P.L. 89-145; 31 U.S.C. 492b). Independent Appropriations Act of 1952 (31 U.S.C. 483a). P.L. 90-365. 37 U.S.C. 701. 37 U.S.C. 708. OMB Circular A-25. S. Rept. 90-1228. H. Rept. 90-893. Treasury Circular 1076.

The Federal Government's voluntary payroll deduction or allotment program permits military and civilian personnel to take care of personal and financial responsibilities by authorizing the Government to withhold money from their pay and send it directly to designated recipients, including dependents, charitable organizations, financial institutions, and insurance companies.

Findings/Conclusions: The Government charges financial institutions for handling the allotments of civilian employees who work in the United States, but it does not charge them for military allotments or for allotments of civilians who work overseas even though the benefits to the institutions are identical. Under the present system, the Government does not recover from financial institutions the full costs of processing allotments of civilians, as intended by law, because the rates are outdated. As a result, the Government does not recover any portion of the \$5.6 million spent annually to process military and overseas allotments and recovers only about half of the \$2.6 million for allotments of U.S. civilians. There is a basic disagreement among the Office of Management and Budget, the Department of Defense, and the Department of the Treasury on the need to charge financial institutions for the administrative costs of handling payroll allotments for military personnel and overseas civilians.

Recommendations: The Congress should consider whether the allotment program, as

presently administered, is meeting its expectations and could consider the following options when deciding what, if any, changes need to be made: drop the existing options when deciding what, if any, changes need to be made: drop the existing charges for civilian allotments, charge financial institutions for the current costs of all allotments, distribute the current costs for all allotments between the Government and financial institutions and insurance companies, or make no change in existing legislation.

OMB, Treasury, and DOD have basic disagreements as to whether the Government can and should charge financial institutions for the administrative costs of handling military allotments. Also, whether the Government should continue to charge those institutions for processing civilian allotments has been questioned. Congress has not taken action on this report. (FGMSD-78-52, 9-29-78)

Appropriations

Civilian and Military pay and allowances.

Appropriations Committee Issues

The issue of recovering the costs of processing payroll allotments is unresolved.

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

Use of Discount Airline Fares and Teleticketing Would Help Save on Government Travel Expenses

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Legislative Authority: Federal Property and Administrative Services Act of 1949 (40 U.S.C. 471). P.L. 93-604. OMB Bulletin 76-9. F.T.R. (FPMR 101-7). Joint Military Traffic Management Regulations, ch. 306. FPMR Temp. Reg. A-11.

A major portion of Federal travel costs involves Federal employees' travel on commercial airlines. In fiscal year 1976, for example, the Federal Government spent at least \$470 million on airline fares alone and incurred high administrative costs for travels as well. The methods used to make airline reservations, obtain tickets, and pay for them vary by department and agency. Such discounts as excursion, group, and off-peak air fares, which are readily available and would not interfere with agency business, frequently are not used.

Findings/Conclusions: Although Federal travel regulations require use of lowest available air fares, most employees who qualify for discount fares generally do not obtain them. Most Federal agencies do not keep accounting records of discounts taken, analyze reasons why discounts are not taken, or regularly monitor travel expenditures to make sure that discount fares are used. Greater group fare use would be possible if the General Services Administration (GSA) would make and pay for, on a reimbursable basis, Federal group reservations for routine flights. The proper use of teleticket machines, which electronically produce airline tickets would reduce the Government's cost of procuring airline tickets, processing unused tickets for refunds, and auditing travel expenditures. The Federal Government could save at least \$145,000 annually if agencies would purchase rather than lease the 172 teleticket machines now in use. Many agencies waited months before requesting refunds for unused tickets and could not determine whether the amount of refunds received was correct.

Recommendations: The heads of departments and agencies should: review the use of airline discount fares and inform employees of the potential for savings, establish adequate accounting for savings on discounts taken and procedures for analyzing explanations for not taking discounts, and evaluate audit priorities and staff resources to determine the need for periodic internal audits of the use of discount fares. The administrator of GSA should: regularly inform Federal agencies of discount air fares available, determine the feasibility of establishing a system for consolidating Federal travel reservations, evaluate the feasibility of providing assistance to agencies sponsoring multiagency conferences by making group fare reservations, amend guidelines and bulletins to include information on sharing teleticket machines, and direct each regional office to survey machine use in its region and work to increase the use of teleticket machines.

The Office of Management and Budget, Departments of Defense and Transportation, and GSA generally agreed that substantial benefits could be derived with greater use of discount air fares and more effective administrative controls over Federal employee airline travel. These agencies also agreed that administrative costs associated with airline travel can be reduced. The Departments of Defense and Transportation and GSA plan to take action to reduce direct and indirect Federal air travel costs. (FGMSD-78-46, 7-21-78)

Appropriations

All Federal Agencies Appropriations Covering Travel.

Appropriations Committee Issues

The Committees should require agencies to demonstrate the economies achieved through

greater use of discount airline fares. The Committees should also require GSA to discuss the progress of efforts to consolidate reservations of all Federal employees flying from the same location in order to obtain group discount airline fares.

DEPARTMENT OF AGRICULTURE

Actions Needed to Make the Farmers Home Administration's Emergency Disaster and Emergency Livestock Credit Loan Programs More Equitable and Efficient

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453).

Legislative Authority: Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1961). Emergency Livestock Credit Act of 1974, as amended (7 U.S.C. 1961). P.L. 95-89.

A review of the operation and administration of the Farmers Home Administration's (FmHA's) emergency disaster and emergency livestock credit loan programs in South Dakota showed that, although the programs helped eligible farmers and ranchers continue operations after physical disasters and during adverse economic conditions, FmHA needs to make the programs more equitable and efficient.

Recommendations: The Secretary of Agriculture should direct the FmHA Administrator to adequately consider the borrowers' repayment ability in establishing repayment terms for emergency disaster loans and to reevaluate the agency's practice of providing loan guarantees only at the maximum legal limit for the emergency livestock credit program when these loans are made to refinance existing debts with participating lenders.

Agriculture agreed with our recommendations and informed us that revised regulations are being finalized and will be distributed to the field. (CED-78-136, 8-18-78)

Appropriations

Department of Agriculture, Farmers Home Administration—Agricultural Credit Insurance Fund.

Appropriations Committee Issues

The Committee may wish to ascertain whether FmHA has reevaluated its practice for guaranteeing loans used to refinance existing debts.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

The Department of Agriculture Should Be Authorized to Charge for Cotton Classing and Tobacco Grading Services

Budget Function: Agriculture: Agricultural Research and Services (352).

Legislative Authority: Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.). United States Grain Act, as amended (7 U.S.C. 71 et seq.). United States Cotton Futures Act (7 U.S.C. 15b). United States Cotton Standards Act, as amended (7 U.S.C. 471-476). Federal Property and Administrative Services Act of 1949. Tobacco Inspection Act. United States Grain Standards Act of 1976. Smith-Doxey Amendment. Cotton Statistics and Estimates Act. P.L. 94-582. 90 Stat. 2867. (7 U.S.C. 51)

The provision of free cotton classing and tobacco grading to producers is inconsistent with the Government's policy of charging fees for special services and with the practice of charging for grading other commodities.

Findings/Conclusions: Most agricultural commodities, other than cotton and tobacco, are graded by the Department of Agriculture on a reimbursable basis. In fiscal year 1976, the Department spent \$66.2 million grading commodities. Of this, \$48.5 million was recovered, primarily through charges to those using the services. Of the \$17.7 million not recovered, \$11.2 million represented cotton classing and tobacco grading services provided without charge to producers. The original reasons for providing free tobacco grading and cotton classing services are no longer applicable. Cotton classing and tobacco grading do provide special benefits to the producers because the producers are now paid on the basis of grades assigned to the commodities.

Recommendations: The Congress should amend the Cotton Statistics and Estimates Act and the Tobacco Inspection Act to authorize the Secretary of Agriculture to charge produ-

cers for cotton classing and tobacco grading services furnished by the Department.

The Department of Agriculture had not taken a position on GAO's recommendation at the time of the report. However, in hearings before the Senate Appropriations Subcommittee on fiscal year 1979 appropriations, the Department said it had some reservations about charging users for cotton classing and tobacco grading services. (CED-77-105, 8-2-77)

Appropriations

Department of Agriculture,
Agricultural Marketing Service—marketing services and miscellaneous trust funds

Appropriations Committee Issues

Continued Federal funding of cotton classing and tobacco grading services is inconsistent with the Government's general policy of charging fees for special services and with the Department's practice of charging for grading other commodities.

DEPARTMENT OF AGRICULTURE

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE SOIL CONSERVATION SERVICE

To Protect Tomorrow's Food Supply, Soil Conservation Needs Priority Attention

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).

Legislative Authority: 16 U.S.C. 590 et seq.

There are three major Department of Agriculture programs to assist farmers in establishing enduring soil conservation practices to control erosion and preserve the topsoil necessary for crop production. The Conservation Operations Program provides technical assistance to help farmers develop conservation plans and apply conservation measures. The Agricultural Conservation Program channels Federal money to farmers and ranchers to share the costs of carrying out conservation practices on their land. The Great Plains program is a special Federal effort to help combat the unique climatic hazards in the Great Plains by technically and financially helping farmers and ranchers to change crop systems and land uses to conserve soil and water.

Findings/Conclusions: Much of the money is not being spent on critically needed soil conservation practices having the best payoffs for reducing erosion. In addition, the programs tend to be oriented to individual farmers who seek advice or volunteer to participate in programs.

Recommendations: The Department of Agriculture should seek out and offer assistance to farmers who have the most severe erosion problems, and should give assistance priority to erosion control measures that provide critically needed, enduring soil conservation benefits.

The Food and Agriculture Act of 1977 amended the law authorizing the Agricultural Conservation Program to place more emphasis on the funding of enduring conservation and environmental enhancement projects. Also, the Soil Conservation Service and Agricultural Stabilization and Conservation Service have incorporated GAO's recommendations in their regulations and procedures. (CED-77-30, 2-14-78)

Appropriations

Department of Agriculture, Agricultural Stabilization and Conservation Service,—Agricultural Conservation Program

Soil Conservation Service,—Conservation Operations Program and Great Plains Conservation Program

Appropriations Committee Issues

To assure that the intent of the 1977 change in the Agricultural Conservation Program's authorizing legislation is properly carried out, the Committees should specifically limit or prohibit Federal spending for less needed conservation practices.

DEPARTMENT OF AGRICULTURE

FARMERS HOME ADMINISTRATION

Management of Farmers Home Administration's Water and Waste Disposal Program Needs to Be Strengthened

Budget Function: Community and Regional Development: (451)

Legislative Authority: Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1926), 7 U.S.C. 1981(d).

During 1977, the Farmers Home Administration (FmHA) was authorized \$750 million in grants to finance the construction and/or improvement of water and waste disposal systems in rural areas. FmHA allocates these funds to States on the basis of population and per capita income which necessitates many adjustments.

Findings/Conclusions: FmHA's present method of allocating the funds does not consider each State's individual needs. Some projects cannot be funded until the agency reallocates its moneys at the end of the fiscal year; moneys reserved for other States remain idle throughout the year until they are subsequently transferred to more needy States. There has not been enough information readily available for FmHA to effectively manage and evaluate its water and waste disposal program. Although certain priorities have been established for selecting projects, it is not known whether these priorities have been met. Also, there are no followup procedures to insure the timely receipt and review of borrowers' management reports. From the program's inception through June 30, 1976, FmHA reamortized 186 loans, of which 77 extended beyond the maximum 40-year period stipulated under section 307 (a) of the Consolidated Farm and Rural Development Act. The agency contends that these actions are authorized under section 331 (a) of the act. The scope and relationship of these sections need clarification.

Recommendations: The Secretary of Agriculture should direct the Administrator of FmHA

to: determine the need for water and waste disposal systems in rural areas on a State-by-State basis, modify the formula for allocating water and waste disposal funds to require that the need for funds in the various States be considered, develop followup procedures to insure the timely receipt of borrowers' management reports, and establish procedures requiring the timely review of borrowers' management reports. The Secretary should ask the Congress to clarify the agency's policy of extending the repayment period of reamortized loans for periods exceeding 40 years and, if necessary, to amend section 307 (a) of the Consolidated Farm and Rural Development Act.

FmHA officials advised GAO in June 1978, that the water and waste needs assessment being prepared will provide useful tools which can be used to analyze funding needs and also evaluate what modification in the formula for allocating water and waste disposal funds to the various States could be made. (CED-78-61, 3-13-78)

Appropriations

Department of Agriculture, FmHA—Rural Water and Waste Disposal Grants.

Appropriations Committee Issues

Assure that the formula for allocating water and waste funds be modified to consider the need for funds by the various States.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Food Stamp Receipts: Who's Watching the Money?

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.). Emergency Food Stamp Vendor Accountability Act of 1976.

Misuses and mishandling of over \$34 million in food stamp receipts went undetected for extended periods because neither the Food and Nutrition Service nor the States were effectively monitoring the agents who sold food stamps.

Findings/Conclusions: Known major weaknesses in the monitoring system at both the Federal and State levels were allowed to continue for years without adequate efforts to correct them. Reported deposits were not verified; agents' depositing patterns were not monitored; and there was no followup when agents failed to submit required reports. The Service's computer-produced management reports, designed to identify problem agents, were not usable because they listed too many agents without problems, as well as agents with problems. Although some improvements have been made, much more needs to be done.

Recommendations: Several changes should be made in the present accountability system in order to reduce the number of invalid exceptions on cash reconciliation and other reports and to improve the reports' reliability and usefulness for monitoring agent accountability. Regardless of the changes made in the accountability system, the Secretary of Agriculture should require the Service to provide the States and its regional offices with their respective sections of any management reports

and other accountability-related reports prepared by the Service or others; disseminate regulations on the respective responsibilities of the States and the Service; and provide special help to States having the most serious problems in monitoring agent accountability.

The Department generally agreed with the recommendations. However, since the report was issued, the Food Stamp Act of 1977 was enacted which contained a provision eliminating the cash purchase of food coupons. Implementation of this provision is scheduled for early 1979. With full implementation, several of the recommendations dealing with cash accountability will no longer be applicable. The recommendations on coupon inventory control are still applicable. (CED-77-76, 6-15-77)

Appropriations

Department of Agriculture, Food and Nutrition Service—food stamp program and food program administration

Appropriations Committee Issues

Because of the potential for fraud and misuse, the Committees should see to it that procedures for monitoring food coupon inventories and improved.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

How Good Are School Lunches?

Budget Function: Agriculture (350).

Legislative Authority: National School Lunch Act (42 U.S.C. 1458).

The National School Lunch Act provides that lunches served by participating schools must meet standards prescribed by the Secretary of Agriculture. The type of lunch required by the Secretary, called the Type A lunch, contains specific quantities of various food types. The goal in requiring Type A lunches is to provide students, over time, with one-third of the recommended dietary allowances published by the National Academy of Sciences.

Findings/Conclusions: Independent laboratory tests showed that compliance with Type A requirements did not insure the achievement of one-third of recommended dietary allowances. Sample lunches from New York, Cleveland, and Los Angeles were significantly short in as many as 8 of the 13 nutrients tested. Although microbiological tests showed that the lunches were safe to eat, testing and standards used by local authorities varied considerably, and there were no Federal procedures or standards for microbiological testing in the program other than for milk. At least 40% of a random sample of lunches served in New York City during a 6-week test period did not comply with Type A requirements. The Department of Agriculture has acknowledged that compliance with Type A requirements is a nationwide problem and plans to make changes in its regulations. The Department should modify the requirements for school lunches beyond the changes recently proposed.

Recommendations: The Department of Agriculture should give consideration to alternative

requirements for the school lunch program. It should develop explicit instructions on how and when Federal, State, and local monitoring of compliance is to be performed, check to see that instructions are being followed and determine if Federal requirements are being met, and stop Federal reimbursement in cases where noncompliance with Federal requirements is not promptly corrected. The Department should consider the possibility and feasibility of publishing uniform standards and procedures for localities conducting microbiological testing in the school lunch program.

The Department generally agreed with the findings and recommendations. It has issued regulations which provide for testing of alternative meal patterns, encourage greater student participation, and revise procedures to achieve compliance with meal standards. However, these compliance procedures may be insufficient. (CED-78-22, 2-3-78)

Appropriations

Department of Agriculture, Food and Nutrition Service—child nutrition programs

Appropriations Committee Issues

The Committees should inquire into the Department's efforts to reduce food waste and to ensure that meals receiving Federal reimbursement comply with program requirements.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Problems Persist in the Puerto Rico Food Stamp Program, the Nation's Largest

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Food Stamp Act of 1964, as amended (7 U.S.C. 2011). Food Stamp Act of 1977 (P.L. 95-113, title XIII: 91 Stat. 913; 91 Stat. 958). P.L. 91-671 (84 Stat. 2048).

In 1971, legislation was enacted which authorized the Commonwealth of Puerto Rico to participate in the food stamp program; today the Puerto Rico program is the largest food stamp operation in the Nation in terms of both the percentage of population participating and the total value of stamps issued monthly.

Findings/Conclusions: Problems have existed in the Puerto Rico program since it began, but little was done in the past by the Commonwealth or the Food and Nutrition Service to solve the problems. Auditors found accountability deficiencies, resulting from problems reported in 1974, and other problems such as lack of documentation supporting retroactive benefit issuances, inadequate monitoring of Commonwealth personnel who both participated in the program and administered it, and failure to identify questionable authorization card redemptions. Corrective action by the Commonwealth was delayed without adequate explanation. Recently, more substantial actions have been taken to improve program performance. There is a need, however, for improvement in computer system operations in order to correct problems in program service and accountability.

Recommendations: The Secretary of Agriculture should have the Administrator, Food and Nutrition Service: direct that the Service steering committee formed to help resolve Puerto Rico food stamp management problems address the program management deficiencies

outlined; form a technical assistance group responsible for the long-term improvement of the Commonwealth's food stamp computer system; and require the Commonwealth, with technical assistance from the computer group, to undertake a series of corrective actions for improving the computer system.

On August 7, 1978, the Department issued a statement to the Senate Committee on Governmental Affairs and the House Committee on Government Operations on proposed actions to implement the report recommendations. The Department's statement was not fully responsive to the recommendations and GAO is making inquiries to obtain additional information on the proposed actions. (CED-78-84, 4-27-78)

Appropriations

Department of Agriculture, Food and Nutrition Service,—food stamp program

Appropriations Committee Issues

Puerto Rico, the Nation's largest food stamp operation, has been experiencing serious program management deficiencies. By improving its program service and accountability, Puerto Rico would be able to serve its 1.5 million program participants more effectively and efficiently.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Food Stamp Program: Overissued Benefits Not Recovered and Fraud Not Punished

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Food Stamp Act of 1964, as amended (7 U.S.C. 2011 et seq.).

The Government is losing over half a billion dollars annually because of overissued food stamp benefits caused by errors, misrepresentation, and suspected fraud by recipients and by errors of local food stamp offices.

Findings/Conclusions: For every \$100 of the more than \$5 billion annual benefits issued nationally, overissuances account for about \$12; only about 12 cents of that \$12 have been recovered. The eight local projects reviewed were doing little to identify and recover the value of these overissuances. At five of the eight projects, about half of the dollar value of the claims established for food stamp overissuances was classified as involving suspected fraud by recipients, but very few recipients were prosecuted or otherwise penalized.

Recommendations: The Congress should authorize the Secretary of Agriculture to allow the States to keep some portion of the money recovered from recipients of overissued benefits and to increase from 50% to 75% the Federal share of the administrative costs associated with processing the suspected fraud cases. The Congress should also authorize Agriculture, in consultation with the Department of Justice, to handle most suspected recipient fraud cases administratively rather than refer-

ring them for criminal prosecution. The Department of Agriculture should take a number of steps to make sure that States adequately identify and recover overissued food stamp benefits and punish people who engage in food stamp fraud.

The Department said that additional action on its part was not warranted for many of the recommendations, but it described a few measures it planned to take in connection with implementing the Food Stamp Act of 1977. This legislation is to be implemented in early 1979 and the effectiveness of the Department's actions cannot be adequately evaluated until after that time. (CED-77-112, 7-18-77)

Appropriations

Department of Agriculture, Food and Nutrition Service—food stamp program

Appropriations Committee Issues

Because of the magnitude of food stamp overissuances, the Committees should evaluate the reasonableness of the Department's efforts to recover them.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The Summer Feeding Program for Children: Reforms Begun, Many More Urgently Needed

Budget Function: Agriculture (350).

Legislative Authority: National School Lunch Act, as amended (42 U.S.C. 1761). P.L. 95-166 (91 Stat. 1325).

The summer food service program for children is one of several child feeding programs created to safeguard the health of the Nation's children. It is an extension of the school feeding programs and is designed to feed, during the summer vacation, children from poor economic areas. Almost since its inception in 1971, the summer feeding program has had problems adversely affecting program operations and goals.

Findings/Conclusions: Although abuses noted in the 1977 program were less flagrant and serious, the following problems remain: insufficient quantities of food in the meals served, poor food quality, and inadequate food storage facilities. Factors contributing to program abuses were: the inflexible legislative limits on the amount of Federal funds for State administration, staffing shortages resulting from factors other than limits on State administrative costs, inadequate efforts to identify areas eligible for the program, inconsistent evaluations in approving sponsors and sites, insufficient State program monitoring, and inadequate State efforts to determine amounts of advance payments to sponsors. Department of Agriculture attention needs to be directed to: determining areas' eligibility for program benefits, clustered and overlapping feeding sites, keeping sponsors with poor previous performances out of the program, visiting proposed feeding sites before they are approved, monitoring program feeding operations, and taking action against

sponsors and sites violating program regulations.

Recommendations: The Congress should revise the summer feeding program legislation to provide the Secretary of Agriculture with more flexibility in providing administrative funds to meet the needs of the States. The Congress and the Department of Agriculture should consider various alternatives for dealing with problems resulting from inadequate facilities at feeding sites. The Secretary of Agriculture should strengthen some of the program regulations and better enforce them.

The Department generally concurred in GAO's findings and recommendations and has revised program regulations to better control program abuses. However, it appears that the regulations may not have been implemented properly, thus permitting program abuses to continue in some locations. (CED-78-90, 3-31-78)

Appropriations

Department of Agriculture, Food and Nutrition Service—child nutrition programs

Appropriations Committee Issues

The Committees should inquire as to the Department's progress in eliminating the identified program abuses.

DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND QUALITY SERVICE

A Better Way for the Department of Agriculture to Inspect Meat and Poultry Processing Plants

Budget Function: Agriculture: Agricultural Research and Services (352).

Legislative Authority: Federal Meat Inspection Act, as amended (21 U.S.C. 601 et seq.). Poultry Products Inspection Act, as amended (21 U.S.C. 451 et seq.). Federal Food, Drug, and Cosmetic Act, as amended (21 U.S.C. 301 et seq.). Agricultural Marketing Act of 1946 (7 U.S.C. 1621 et seq.). Fish and Wildlife Act of 1956. (16 U.S.C. 742a et seq.) P.L. 87-718 (70 Stat. 663. 7 U.S.C. 450). 50 C.F.R. 260.97 (d). 50 C.F.R. 260.103 (f). 9 C.F.R. 318.4a.

The Federal meat and poultry inspection program provides for inspection of meat and poultry products moving in interstate and foreign commerce. Inspection is essential to protect the health and welfare of consumers and is carried out at slaughter and processing plants. The total Federal meat and poultry inspection cost has increased rapidly in the last several years—from about \$135 million in 1970 to about \$242 million in 1976—an increase of 79%.

Findings/Conclusions: Under current procedures of the Department of Agriculture's Food Safety and Quality Service, most processing plants are inspected daily, even though an inspector may only spend a few hours each day at a plant. The Service's inspection resources could be used more efficiently and effectively if inspection frequency at processing plants was tailored to the inspection needs of individual plants. Periodic unannounced inspections would allow the Service to inspect more plants or inspect plants needing upgrading more frequently. Upgrading certain plants would provide greater assurance that consumers are getting wholesome, unadulterated, and properly branded products. Any system of periodic unannounced inspections should require an in-plant quality-control system. The authority to require plant managements to develop and carry out adequate, reliable quality-control systems should be coupled with authority to apply strong penalties or sanctions when plant managements fail to carry out their responsibilities under these systems.

Recommendations: Congress should amend

the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to: make periodic unannounced inspections of meat and poultry processing plants; require meat and poultry processing plants to develop and implement quality-control systems; and withdraw inspection or impose civil penalties of up to \$100,000 for processing plants failing to take appropriate action when the quality-control system identifies a deficiency or when plants fail to comply with inspection requirements. If Congress amends the acts, the Secretary should develop criteria for deciding the optimal inspection frequency for individual processing plants and for assessing penalties within the provisions of the acts. The Secretary should, in cooperation with industry, develop criteria for determining the quality-control systems needed at various types and sizes of processing plants.

On July 17, 1978, the Department issued a statement to the Senate Committee on Governmental Affairs and the House Committee on Government Operations on proposed actions to implement the report recommendations. The Department said it would draft a legislative proposal for the 1979 legislative session to amend the Federal Meat Inspection Act and the Poultry Products Inspection Act as recommended by GAO. In December 1978 Department officials said that the legislative proposal was being delayed for 1 year. During that time the Department plans to study voluntary quality-control programs at certain processing plants. (CED-78-11, 12-9-77)

Appropriations

Department of Agriculture, Food Safety and Quality Service—salaries and expenses and expenses and refunds, inspection and grading of farm products (trust fund)

Appropriations Committee Issues

Inflation and Federal takeover of State inspection programs have been and will continue to

be the major factors contributing to rising Federal inspection costs. These rising costs will continue unless Agriculture changes its basic approach to inspections. By tailoring inspection frequency to the inspection needs of individual processing plants, Agriculture could utilize its inspection resources not only more efficiently but also more effectively.

DEPARTMENT OF AGRICULTURE

FOOD SAFETY AND QUALITY SERVICE

Department of Agriculture's Beef Grading: Accuracy and Uniformity Need to Be Improved

Budget Function: Agriculture: Agricultural Research and Services (352).

Legislative Authority: Agricultural Marketing Act of 1946 (7 U.S.C. 1621). H.R. 12373 (95th Cong.). 7 C.F.R. 2853.

Beef grading provides a basis for price quotations among feeders, packers, suppliers, retailers, and others along the marketing chain and a system for consumers to show their preferences for different qualities of meat.

Findings/Conclusions: In 29 slaughter plants visited by GAO, 21% of 2,215 carcasses were misgraded, and most errors involved overgrading. Beef grading was not consistent from one section of the country to another. Instruments to more accurately measure beef carcass characteristics are needed to correct problems resulting from the subjective nature of grading. Grading inaccuracy has also resulted from management problems. For example: a standard for grading accuracy has not been established, stations varied in methods of improving grader performance, supervisors did not always follow grader monitoring procedures, grading took place under conditions which increased the likelihood of errors, and packers used an informal complaint system rather than a formal process for resolving disputed grades—this could result in harassment of graders. The current grade standards do not fully meet the needs of the beef industry or of consumers. Value differences are not always clear and, because beef sold at retail is not always marked with an official grade, beef can be represented as being of a better quality than it actually is.

Recommendations: The Secretary of Agriculture should: increase research efforts to develop instruments to accurately measure beef carcass characteristics, establish a grading accuracy standard and require graders to meet this standard before being placed in a plant to grade carcasses and require periodic retesting,

take steps to insure that graders do not grade carcasses when they cannot make an accurate determination because certain conditions have not been met, require packers to use the formal appeal system for redetermining grades and limit the use of informal appeals, establish criteria on when incorrect grade markings should be corrected and insure that they are uniformly applied, develop a public education program to increase consumer awareness concerning grades, and initiate research on factors not in current standards which may influence meat quality and revise standards if warranted.

Although Agriculture disagreed with some GAO observations, overall it agreed with the report and generally endorsed the recommendations. (CED-78-141, 7-21-78)

Appropriations

Department of Agriculture, Food Safety and Quality Service—salaries and expenses and expenses and refunds, inspection and grading of farm products (trust fund)

Appropriations Committee Issues

Although most costs of the beef grading program are financed through reimbursable fees, research efforts are financed with appropriated funds. Therefore, increased research efforts to develop instruments to accurately measure beef carcass characteristics and research on those factors not in the current standards would probably require an increase in appropriations.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Forest Service Efforts to Change Timber Sale Method

Budget Function: Natural Resources, Environment and Energy: Conservation and Land Management (302)

Legislative Authority: S. Rept. 93-1069, Committee on Appropriations, 93d Cong., 2d sess., Aug. 2, 1974.

The primary timber sale method used in the Forest Service's western regions has been log measurement. Under this method a purchaser agrees to pay for logs on the basis of a Forest Service or scaling bureau estimate of the marketable volume of wood in logs that have been cut. In recent years, the Service has been trying to increase its western regions' use of the tree measurement method of selling timber. Under this method the purchaser agrees to pay a specific amount for the timber in a sale area on the basis of a Forest Service estimate of the marketable volume of wood in the trees before they are cut down. Because of industry opposition to this method, the Service has attempted, through test sales, to obtain data to compare the two methods.

Findings/Conclusions: In a report to Senator Pete V. Domenici, GAO pointed out that, because the Service had not provided special funds and adequate guidelines and procedures for conducting test sales, (1) there had been inconsistencies among the regions in carrying out the test sales and (2) the relative accuracy and cost of the two methods had not been determined. The Service issued revised guidelines and procedures in March 1975 but had not established a test-sale program completion date or plans for special funding. Until the program is completed, the Service will not be able to provide well-documented evidence to settle the

questions of effectiveness and costs of the two methods.

Recommendations: GAO recommended that the Service:

- Set dates for completing test sales.
- Provide its regions with the funds needed to conduct adequate and timely test sales.
- Evaluate and report the results of such sales to appropriate congressional committees.

Forest Service officials advised GAO in September 1978 that no additional funds had been allocated to its regions for test sales. Although the Forest Service considers test sales and training for converting to the tree measurement method to be a priority effort, it is unlikely that much progress will be made unless funds and manpower are made available to complete a test sales program. (RED-75-396, 7-16-75)

Appropriations

Department of Agriculture, Forest Service—forest protection and utilization.

Appropriations Committee Issues

The Service needs to give its regions funds to conduct adequate and timely test sales to provide data sufficient to compare the accuracy and costs of the two sales methods.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Need to Concentrate Intensive Timber Management on High Productive Lands.

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).

Legislative Authority: Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1600), National Forest Management Act of 1976 (16 U.S.C. 1600). 86 Stat. 678.

A 1974 GAO report noted that the Forest Service had a reforestation backlog, including 13.4 million acres needing timber stand improvements (TSIs). The report found that the Service's land inventory data were inadequate because it did not show specifically the location and condition of the lands needing reforestation and TSI. Fund allocation procedures had not insured that appropriated funds were used where reforestation and TSI would result in the best possible timber growth and other multiple-use benefits such as improved recreation, watershed, and wildlife areas.

Findings/Conclusions: Since the report was issued in 1974, annual appropriations for reforestation and timber stand improvement work have increased from about \$33 million to about \$73 million, the Congress has enacted legislation to provide for obtaining the best possible benefits from reforestation and TSI investments, and new timber management plans for national forests have given more attention to reforestation and denuded lands and intensified management. However, many problems still exist. The Service has not: obtained adequate land inventory data, used economic analysis techniques to determine project priorities, stored all land inventory data in a central automated system for easy retrieval, or made or set target dates for using analyses required for investment decisions. Projects were still selected on the basis of individual forest managers' assessments of land condition, land topography, and site accessibility and may not have been cost effective. The basic problem may be the Service's management philosophy for its program.

Recommendations: The Secretary of Agriculture should direct the Forest Service to improve land inventory data, determine the benefits expected from intensive management investments, and use improved fund allocation techniques. The Secretary should monitor these activities and include in annual reports to the Congress information showing the Service's progress.

The Forest Service is attempting to reduce both the reforestation and timber stand improvement backlogs and is working to improve the land inventory data base. The Service still needs to develop a sound basis for making resource investment decisions. (CED-78-105, 5-11-78)

Appropriations

Department of Agriculture, Forest Service—forest protection and utilization, forest land management

Appropriations Committee Issues

In determining annual funding levels for intensive management, the Congress should insure that the Service is (1) improving its land inventory data and classifying timber lands by their productive capabilities and (2) using fund allocation procedures to make sure that the funds are used to obtain the best possible timber growth and other multiple-use benefits. The Congress also should insure that the Service has provided improved standards and guidance to its field managers.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Need to Direct Cooperative Forestry Programs toward Increasing Softwood Sawtimber Supplies

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).

Legislative Authority: Cooperative Forest Management Act of August 25, 1950, as amended (16 U.S.C. 568c and d). Clarke -McNary Act of June 7, 1924, as amended (16 U.S.C. 567). Title IV of the Agricultural Act of 1956 (16 U.S.C. 568e). Section I(28) of the Agriculture and Consumer Protection Act of 1973 (87 Stat. 245).

GAO reported to the Chairman, Subcommittee on Conservation and Natural Resources, House Committee on Government Operations, that the effectiveness of the Cooperative Forest Management and Forestry Incentives Programs in increasing the supply of softwood sawtimber could be increased by modifying planning, fund allocation, and reporting procedures. GAO recommended that the Forest Service and the Agricultural Stabilization and Conservation Service.

- Establish specific annual goals for increasing the supply of softwood sawtimber on private, nonindustrial forest land.
- Evaluate the effectiveness of the programs in accomplishing their goals.
- Report the results to the Congress.
- Base fund allocations on contributions toward meeting previously established goals and the capability to meet current goals.

Forest Service officials told GAO they generally agreed with the recommendations.

Forest Service officials advised GAO in September 1978 that they had drafted a report on their evaluations of regional field data that had been collected on the programs' effectiveness. They planned to submit the final report to the Congress by November 1978. (RED -75-258. 10-8-78)

Appropriations

Department of Agriculture, Forest Service—forest protection and utilization.

Appropriations Committee Issues

The Committees need to determine whether the Forest Service's evaluations of the results of meeting specific program objectives provide a better basis for considering budget requests.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

The National Forests—Better Planning Needed to Improve Resource Management

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).

Legislative Authority: Multiple Use and Sustained Yield Act of 1960 (16 U.S.C. 528). National Environmental Policy Act of 1969 (42 U.S.C. 4321). Forest and Rangeland Renewable Resources Planning Act of 1974, as amended by National Forest Management Act of 1976 (16 U.S.C. 1600).

The Department of Agriculture's Forest Service's planning efforts have evolved over many years from single resource plans to multiple resource management plans that consider all forest resources.

Findings/Conclusions: While some individual regions and forests have made considerable progress in multiple resource land use planning, overall progress has been slow and problems have been encountered. Recent legislation requires the Forest Service to develop and implement a comprehensive, integrated land management planning system by 1985. Regulations to implement the planning system must be issued by October 1978.

Recommendations: The Forest Service should identify specifically how many planning levels the new system will have and give priority to completing higher level plans first; specify the role of the various types of existing plans in the new planning system: standardize the terminology, format, and timeframe to be covered by land management plans and establish national standards to measure quality of plans; provide direction and guidance to field planners on how to obtain and utilize public input in the planning process and stress the need for early and extensive coordination with other Forest Service planning units and with State and local governments and other Federal agencies; establish minimum standards for data needed at each planning level; develop a system to monitor implementation of land man-

agement plans; establish fiscal and management control over planning by formalizing procedures for determining costs of and funding arrangements for planning; and adopt measures to provide incentives to facilitate recruitment and retention of qualified planning personnel.

The Forest Service has included some of GAO's suggestions in its regulations and in instructions to its field offices and is continuing to consider the remainder. (CED-78-133, 7-12-78)

Appropriations

Department of Agriculture, Forest Service—land management planning

Appropriations Committee Issues

Forest Service land management planning efforts should encourage better resource management decisions. Most past program decisions stemmed from sources other than land use plans and the traditional budget process—that is, basing programs and budgets on historical funding levels—tended to emphasize those activities emphasized in the past. If planning is integrated with the Service's programming and budgeting system, the new land management planning system should provide a better basis for credible program decisions.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Timber Harvest Levels for National Forests: How Good Are They?

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).

Legislative Authority: Multiple Use-Sustained Yield Act of 1960 (16 U.S.C. 528). Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1601). National Forest Management Act of 1976 (P.L. 94-588; 90 Stat. 2949).

Increasing concerns have been expressed by the Congress, the timber industry, environmentalists, and timber-dependent communities about the amount of timber being harvested from national forests. Some believe that the Forest Service should increase its level of cutting timber in order to reduce losses, increase supplies, and reduce unemployment. Others believe that timber cutting should be reduced in order to reduce the decline in recreational resources, reduce soil disturbances, and assure future timber supplies.

Findings/Conclusions: While the Forest Service recognized these concerns in developing its new timber management plans, it has not developed the plans with the uniformity and precision needed for assuring sustained timber harvests and coordinating them with other forest resource uses. Statistical reliability criteria were established for estimating national forest timber inventories but not for specific timber classifications used to determine allowable harvest levels. Uncertainties in determining harvest levels resulted from sampling errors, difficulties in determining statistical reliability of estimates, failure to identify areas requiring certain management practices, and questionable management assumptions and procedures used to determine harvest levels. All timber management practices that were being used or could be used to sustain harvest levels and achieve higher levels were not given adequate consideration in timber management planning. Conflicts between timber uses and other forest resource uses occurred in implementing some plans. Basing timber sales and

management decisions on harvest levels that are uncertain could lead to overcutting or undercutting which could influence lumber supplies and prices.

Recommendations: The Forest Service should: evaluate timber inventory methods and modify inventory procedures for national forests to assure that data developed are reasonably reliable for determining harvest levels, managing resources, and identifying areas that need specified measures; establish reliability criteria; establish validity of management assumptions and options; seek congressional guidance on whether future management practices should justify current harvest increases; assure that forest management officials maintain adequate records of progress; assure that all timber management practices are adequately considered; and take actions to minimize conflicts of interest between timber harvests and other forest resource uses. The Congress should provide guidance and direction to help the Forest Service resolve unsettled issues.

The Forest Service is revising its procedures for determining allowable timber cuts. These procedures will be tied to the Service's new land management planning process now under development. (CED-78-15, 1-24-78)

Appropriations

Department of Agriculture, Forest Service—forest protection and utilization.

Appropriations Committee Issues

To assure that all forest resources are considered, the Committees should monitor how the annual allowable timber cut is determined

and what effect this will have on the Nation's timber supply.

DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Opportunities for Improving Internal Auditing in the Department of Agriculture

Budget Function: Agriculture: Agricultural Research and Services (352).

Legislative Authority: Federal Management Circular 73-2.

The Department of Agriculture's (USDA's) audit requirements have increased sharply in recent years without a corresponding increase in the internal audit staff. To provide increased audit coverage and to make more effective use of available resources, the Office of Audit (OA) has: emphasized the use of advanced audit techniques, such as statistical sampling and computer packages; increased use of coordinated and program-type audits; attempted to increase the quantity and quality of State audits of USDA programs; and undertaken various management improvement projects intended to increase the efficiency and effectiveness of OA audit operations.

Findings/Conclusions: The number of staff-years initially programmed for internal audit in 1977 (379) was about the same as in 1962 (384) when the audit function was first centralized. OA has been able to provide improved audit coverage, but the size and complexity of the USDA programs have increased so greatly that a number of areas do not receive enough audit coverage. The main shortfall in coverage is in USDA programs administered by State and local governments and educational institutions. Overall, OA audit reports are accurate, fair, and objective; they include all significant deficiencies detected during the audit; and they give adequate consideration to auditee comments. However, management of audits and the timeliness and clarity of reports on major audits could be improved. OA has recognized the need to improve workpaper techniques, cross-referencing of reports to supporting workpapers, and the timeliness and clarity of reports.

Recommendations: The Secretary of Agriculture should require the Director of OA to: further increase the use of program audits while

continuing to perform a reasonable level of cycle-coordinated audits, maintain adequate staff to perform and implement management improvement projects promptly, and work with other agencies to increase the number and quality of audits of Department programs by external audit groups. The Director of the Office of Audit should: complete the audit universe by adding requirements for contract audits and complete arrangements to coordinate requirements and plans for audits of State welfare department indirect expense account reimbursements. He should also: take appropriate actions to insure that regional offices' report followup and closeout procedures are consistent and adequate, establish a system for periodic reports to OA and agency headquarters officials on the status of open recommendations, and consider establishing an Office-wide system to identify the more important recommendations for priority consideration.

The Department's Office of Inspector General (OIG) was reestablished while the review was in process but it did not become fully operational until after GAO's report was issued. In April 1978 the OIG advised GAO that actions were being taken to correct the deficiencies noted in the report. GAO's followup in December 1978 showed that most of the actions had either been completed or were well underway. However, the OIG still had not determined the universe of USDA contracts/procurements subject to audit. Because contracting operations are highly susceptible to fraud, as evidenced by the recent disclosures at GSA, it is important that the OIG be fully aware of all USDA contracts subject to audit and provide them adequate audit coverage. (CED-78-28, 2-9-78)

Appropriations

Department of Agriculture, Office of the Inspector General

contracts subject to audit and the adequacy of the OIG's audit coverage of USDA contracts to provide assurance that fraud, such as that at GSA, does not exist within USDA.

Appropriations Committee Issues

The Committee should review the OIG's progress in determining the "universe" of USDA

DEPARTMENT OF AGRICULTURE

SCIENCE AND EDUCATION ADMINISTRATION

Management of Agricultural Research: Need and Opportunities for Improvement

Budget Function: Agriculture: Agricultural Research and Services (352).

Legislative Authority: Organic Act of 1862 (7 U.S.C. 2201, et seq.). Hatch Act of 1887, as amended (7 U.S.C. 361a). McSweeney-McNary Forestry Research Act of 1928, as amended (16 U.S.C. 581). McIntire-Stennis Act of 1962 (16 U.S.C. 582a). 7 U.S.C. 450i. H.R. 78 (95th Cong.). H.R. 2223 (95th Cong.). H.R. 4863 (95th Cong.). H.R. 7171 (95th Cong.). S. 248 (95th Cong.).

Although the extremely complex and highly diversified agricultural research system in the United States has made notable contributions to the Nation's well-being, there is an increasing realization that an up-to-date national plan needs to be developed and maintained if the system is to be responsive to future critical problems and needs and if limited public dollars are to be wisely used. The Agricultural Research Service, the largest organization in the Federal-State research system, could improve its research through better planning, project selection, and review of ongoing work.

Findings/Conclusions: Until recently, the Service placed most of its emphasis on short-range planning. In fiscal year 1977, the Service recognized the need for long-range planning by categorizing research under national and special research programs and developing a long-range planning document for each program area. Much of the technical and administrative data needed for developing strategies was unavailable, inaccurate, or fragmented.

Recommendations: The Secretary of Agriculture should direct the Agricultural Research Service to: identify and document the relative priorities of each national research program and of each problem and research need within the program areas; develop agencywide criteria and peer review procedures for assessing the scientific and technical merits of all research proposals; and require that the annual unit reports and plans better document the technical aspects of active research projects and be reviewed by technical advisors. The Secretary

should also take the necessary steps to have a national agricultural research plan developed and maintained.

The Food and Agriculture Act of 1977 requires the Secretary to submit a report to the President and the Congress by February 1 of each year summarizing the Nation's agricultural research, extension, and teaching activities. The second and subsequent reports are to include a 5-year projection of national research priorities. Also, in October 1977, the Secretary consolidated the Agricultural Research Service, the Cooperative State Research Service, the Extension Service, and the National Agricultural Library into a new agency—the Science and Education Administration. An office has been established in the Science and Education Administration for joint planning and evaluation of research and education. Further, the Department is taking steps to improve project selection and review of its inhouse research along the lines of GAO's recommendations. (CED-77-121, 8-23-77)

Appropriations

Department of Agriculture, Agricultural Research Service

Appropriations Committee Issues

The Committees should review the progress being made to improve agricultural research through better planning, project selection, and review.

DEPARTMENT OF COMMERCE

Inadequacies in Data Processing Planning in the Department of Commerce

Budget Function: Miscellaneous: Automatic Data Processing (1001).

Legislative Authority: Brooks Act (P.L. 89-306). OMB Circular A-71. Federal Management Circular 74-5.

The Department of Commerce uses more than 300 computer systems for its various programs; in 1977, it spent over \$100 million on such systems. The Department could achieve significant savings by improving the management of its planning processes for acquiring and using automated data processing (ADP) resources.

Findings/Conclusions: Savings could be attained through consolidation of existing facilities which perform similar functions, by standardization of comparable systems, and by modernizing the systems so that competitive procurements could be made. In 1974, an attempt was made to develop long-range data processing plans, increase compatibility of software and hardware, and provide better arrangements for managing and operating computer facilities. These procedures have not eliminated many of the problems because: the central management office did not have sufficient resources or authority, top management was not sufficiently involved, and there was no formal Department-wide plan for coordinating data processing activities.

Recommendations: The Secretary of Commerce should: establish a formal planning process that will provide management involvement and accountability at all levels for the direction, coordination, and control of ADP activities and resources; establish an executive ADP management committee chaired by the Secretary or Undersecretary; assign to the Department's Office of ADP Management the responsibility

for supporting the executive ADP management committee and controlling ADP planning, budget formulation, and review processes; establish an evaluation and review process that acquires the necessary feedback on plans, provides control information, and establishes accountability for performance; and take direct action to control and operate all computers and computer software presently used primarily for administrative purposes.

The Commerce Department has not commented on the report nor provided a written statement of actions taken on our recommendations to the Congress as required by Section 236 of the Legislative Reorganization Act of 1970. (FGMSD-78-27, 5-1-78)

Appropriations

Commerce Department—ADP systems and activities.

Appropriations Committee Issues

In view of the observed inadequacies of management planning and control over ADP expenditures at both the Department and Bureau levels and the failure of the Commerce Department to respond to our recommendations, the Committees may wish to question Department officials closely as to what steps they are taking to assure that funds are being spent wisely for a considered set of priorities.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Changes Proposed for the Funding of Public Works Projects Would Expedite Economic Development and Job Opportunities

Budget Function: Community and Regional Development: Area and Regional Development (452);
Legislative Authority: Public Works and Economic Development Act of 1965 (42 U.S.C. 3121).

Fifteen hundred public works projects, or over 50% of those approved by the Economic Development Administration (EDA) since 1965, have been delayed in getting under construction, causing economic development and job opportunities to be postponed or lost.

Findings/Conclusions: Between fiscal years 1966 and 1975, the EDA approved grants of \$1.4 billion to construct 2,800 public works projects in areas of substantial and persistent unemployment. Although construction should start within 1 year after the project is approved, 54% of these projects exceeded 1 year, and 20 projects approved over 5 years ago are not yet under construction. Millions of dollars have remained obligated to some projects, while others have not been approved for lack of funds. Delays often occur because projects are approved on the basis of preliminary design. Creation of a two-step grant system would permit reuse of funds if projects experienced considerable delays during design.

Recommendations: Congress should amend the Public Works and Economic Development Act of 1965 to authorize two grants for public works projects—one for project design and one for project construction. This would provide financial assistance to communities for designing projects without committing funds for construction until the projects are ready to bid. Since the EDA's 1-year appropriations will restrict implementation of a two-step grant sys-

tem, Congress should make public works appropriations available for 2 fiscal years.

EDA agreed that the Congress should amend the Act to authorize 2-part grants for public works projects in order to permit project design and construction to be funded separately; and also supports our recommendation that construction funds should remain available for obligation for 1 year beyond the year appropriated. (CED-77-86, 7-7-77)

Appropriations

Grants for Public Works and Development Facilities,

Department of Commerce, Economic Development Administration—

Appropriations Committee Issues

The appropriation of funds for public works projects to cover 2 fiscal years would expedite economic development, provide additional job opportunities, and permit reuse of funds in cases where delays are experienced during project design.

DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Need To Improve Servicing of Direct Loans under the Business Development Assistance Program

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

The Economic Development Administration (EDA) attempts to create permanent jobs in high unemployment areas by assisting businesses to expand or locate new facilities in affected areas. The assistance includes direct loans and guarantees of loans with private lending institutions and is administered primarily through six regional offices. Loan servicing is undertaken by regional offices to assure loan repayment and detect weaknesses in the borrower's repayment ability.

Findings/Conclusions: As of June 30, 1977, EDA had about \$306 million receivable on 439 loans and a contingent liability of \$148 million on 46 loan guarantees. At that date, 29% of the loans outstanding were in arrears or renegotiated. This percentage could be reduced if loan servicing were improved to correct the following shortcomings: a large proportion of borrowers were not promptly contacted when repayments were late; field visits to borrowers were infrequent in spite of procedures which emphasize this activity; borrowers' financial statements were not regularly obtained and analyzed; and management and technical assistance was seldom offered to borrowers in difficulty. EDA officials stated that inadequate

loan servicing resulted from greater emphasis on new loan application approval than on loan servicing.

Recommendations: Regional offices should be required to: make better use of the information which identifies delinquent borrowers and plan appropriate followup action, place greater emphasis on making regular visits to borrowers, provide management and technical assistance to borrowers as needed, and obtain borrowers' quarterly and annual financial statements and assure that the statements are analyzed promptly.

EDA generally agreed that business loan servicing can and should be improved. (FGMSD-78-34, 5-15-78)

Appropriations

Economic Development Administration—
Economic Development Assistance Program.

Appropriations Committee Issues

The Committees should require the Economic Development Administration to demonstrate that they have improved their loan servicing.

DEPARTMENT OF COMMERCE

MARITIME ADMINISTRATION

Cargo Preference Programs for Government-Financed Ocean Shipments Could Be Improved

Budget Function: Commerce and Transportation: Water Transportation (406).

Legislative Authority: Military Transportation Act of 1904 (10 U.S.C. 2631). Cargo Preference Act of 1954 (P.L. 83-664; 46 U.S.C. 124(b)). Merchant Marine Act of 1970 (46 U.S.C. 1241(b)). Merchant Marine Act of 1936. Public Resolution No. 1) 15 U.S.C. 616 (a).

Cargo preference laws seek to promote the development and maintenance of an adequate, well-balanced U.S. merchant marine, to promote U.S. commerce, and to aid in the national defense. The laws require use of U.S. flag vessels for 50% to 100% of Federal Government-generated ocean shipments. The Secretary of Commerce is responsible for issuing cargo preference regulations, reviewing the administration of agency cargo preference programs, and reporting on them annually to the Congress.

Findings/Conclusions: The three major civilian Government agencies reporting to the Maritime Administration (MarAd) have generally met the U.S. flag shipping requirements. The MarAd had some success in expanding the number of programs with cargo preference requirements but has been hampered by nonspecific legislation and lack of clear-cut authority to determine the applicability of cargo preference legislation to programs. Reports to the Congress on cargo preference shipments have been incomplete, and some agencies have not fully complied with MarAd reporting regulations. Although MarAd has tried to resolve these problems, improvements are still needed. It is developing a computerized system to improve its cargo preference monitoring and reporting capabilities.

Recommendations: The Congress should clarify section 901(b) of the Merchant Marine Act of 1936 concerning the types of programs

to be covered under cargo preference legislation and the extent of MarAd's authority to determine the applicability of the legislation to specific programs. The Secretary of Commerce should direct the Assistant Secretary for Maritime Affairs to: include in the annual cargo preference report those agencies not complying with MarAd's determinations under section 901 (b) and the reasons why not, amend MarAd's cargo preference regulations to require submission of available summary shipment or other data as well as bills of lading for all Federal agency cargo preference shipments, and establish a timetable for identifying all of the Department of Defense's (DOD's) programs that have cargo preference applicability and for developing DOD reporting requirements.

The Department of Commerce concurs with the intent of GAO's recommendations. (CED-78-116, 6-8-78)

Appropriations

Departments of State, Justice, Commerce, the Judiciary, and related Agencies

Appropriations Committee Issues

Enactment of clarifying legislation (resulting in more cargo covered by the cargo preference law) might result in additional ocean transportation cost to the Federal Government.

DEPARTMENT OF COMMERCE

MARITIME ADMINISTRATION

Maritime Administration's Noncompliance with Requirements of Section 210 of the Merchant Marine Act of 1936

Budget Function: Commerce and Transportation: Water Transportation (406).

Legislative Authority: Merchant Marine Act of 1936, as amended (46 U.S.C. 1101).

Maritime Administration (MarAd) documents and congressional reports were reviewed to determine if a comprehensive long-range program plan for replacements and additions to the merchant marine fleet has been developed in accordance with provisions of the Merchant Marine Act of 1936. Although MarAd has performed numerous studies and developed many plans, a single, comprehensive, long range plan containing current and future vessel requirements has not been maintained. A plan meeting these requirements was prepared in 1969, but this plan was not updated until recently. MarAd has not been able to provide the Congress with the type of data necessary to fully execute its oversight responsibilities. The Secretary of Commerce should direct the Assistant Secretary for Maritime Affairs to insure

maintenance of a current plan containing present and future U.S.-flag capabilities and requirements.

The Maritime Administration concurs with our recommendation and will update the plan annually. (CED-78-31, 1-27-78)

Appropriations

Departments of State, Justice, Commerce, the Judiciary, and Related Agencies

Appropriations Committee Issues

The development of the plan and its implementation might indicate the need for increased maritime subsidies.

DEPARTMENT OF COMMERCE

NATIONAL FIRE PREVENTION AND CONTROL ADMINISTRATION

Planning and Management Activities of the National Fire Prevention and Control Administration

Budget Function: Community Development (451).

Legislative Authority: Federal Fire Prevention and Control Act of 1974 (15 U.S.C. 2201).

The National Fire Prevention and Control Administration was established in 1974. It provides assistance to States and local communities in the areas of data collection, training, public education, and research concerning fire prevention and control. About \$44 million of the \$46 million appropriated for the Fire Administration for fiscal years 1975 to 1978 was allocated to these four areas. The Fire Administration has not performed sufficient studies and analyses of the fire problem to provide assurance that the most effective programs are being developed. In order to obtain a better understanding of the dimensions and characteristics of the fire problem, more accurate fire data and program measurement techniques are needed. The Fire Administration's data center is developing a data base which is designed as a fire-loss data collection and analyses system which will also serve as a management tool for States and local communities. Although fire statistics are collected in most States and local communities, incompatible forms, coding systems, and terminology make the information difficult to consolidate and interpret. The Fire Administration estimates that it will take 3 or 4 more years to fully implement the data system. As of November 1977, only 19 States were involved and only 5 States were reporting standard data on a regular basis. While it is too soon to expect the Fire Administration to make an impact on the Nation's Fire problem, now is an appropriate time to lay the groundwork for a long-range plan to provide a structured basis for development and assessment of programs and a sound basis for budgeting. The Fire Administration should expedite its data collection.

In September 1978, the Fire Administration reported that it had made progress in improving its data system and planning activities. They noted that now the number of states participating in the data system is 22 and the number reporting data is eleven. Funds provided in the fiscal year 1979 budget would be used to further develop and improve its data collection, long-range planning, and evaluation capabilities. (PSAD-78-123, 6-21-78)

Appropriations

Department of Commerce, National Fire Prevention and Control Administration

Federal Emergency Management Agency (Under Reorganization Plan Number 3 of 1978, NFPCA will be part of the Federal Emergency Management Agency. The effective date for this will be set in an Executive Order and will be on or before April 1, 1979. As part of the new agency, NFPCA will no longer be under the Department of Commerce.)

Appropriations Committee Issue

Expediting the data collection will help NFPCA better develop plans and programs to show a measurable and timely effect in reducing the Nation's fire losses. The committees should determine whether the NFPCA is moving fast enough in developing its data system needed for comprehensive analysis of the fire problem and for developing and targeting programs to reduce fire losses.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Need for Improving Management of U.S. Oceanographic Assets

Budget Function: National Defense: Department of Defense - Military (except procurement & contracts) (051).

Legislative Authority: S. Res. 222 (93rd Cong.).

In response to congressional concerns, the Nation's ocean research/survey fleet was reviewed, and information was compiled on the fleet's costs and operations.

Findings/Conclusions: Managing and operating ocean research/survey vessels is still highly decentralized throughout the Federal Government. Federal oceanic activities are conducted by 21 organizations in 6 departments and 5 agencies. There is no overall Government-wide guidance, limited review of operations, and no formal system to assess the necessary levels of operations or to plan needed assets for a rational program. This fragmentation has contributed to inefficient use of the Nation's ocean research/survey fleet. Also, inadequate vessel accounting standards make it difficult to compare costs for similar services from other sources. A comparative analysis with foreign oceanographic capabilities showed that the Soviet Union, France, and the United Kingdom have centralized management and comprehensive ocean policies. Although the Soviet Union has achieved a great deal in oceanographic research, the quality of the U.S. effort is still superior.

Recommendations: Until a comprehensive national ocean policy is established, the Congress should designate a single manager for Government-wide civilian agency oceanographic vessel operations who will insure that uniform operations policies and procedures are established for monitoring vessel activities, effective management of existing vessels is accomplished, viable alternatives are considered before authorizing new vessel construction, and standardized vessel accounting pro-

cedures are established and maintained. An alternative to a single manager would be a Government-wide Fleet Allocation Council. The Secretary of Defense should direct the Secretary of the Navy to reorganize and consolidate management of all Navy oceanographic activities under a single manager, and to assist coordination with the designated civilian manager. The Secretary of Commerce should direct the Administrator of the National Oceanic and Atmospheric Administration to review its vessel operations policies to ensure that vessels are used as efficiently as possible.

The agencies involved generally agreed with the concept of and need for a Government-wide Fleet Allocation Council. The Subcommittee on Oceanography, House Merchant Marine and Fisheries Committee, has held hearings based on the report. (CED-78-125, 6-16-78)

Appropriations

Department of Commerce, NOAA—operations;

Department of Defense, Department of Navy—operations and maintenance;

National Science Foundation—operations;

Department of Transportation, Coast Guard—operations and maintenance.

Appropriations Committee Issues

The Committee should determine the status of consolidating the management of the Nation's research/survey fleet at the time the budget request of the agencies, identified above, is considered.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

The Congress Should Clearly Define the National Weather Service's Role to Provide Specialized Weather Services

Budget Function: Natural Resources, Environment, and Energy: Other Natural Resources (306).

Legislative Authority: OMB Circular A-62. H.R. 8763 (95th Cong.).

The National Weather Service's basic mission is to provide meteorological services to meet public needs or the common needs of Federal agencies. It also provides special services for specialized users including: agricultural, aviation, marine, and forestry weather; environmental air quality; and weather conditions affecting such activities as space flight operations and energy development. The Service's total fiscal year 1978 budget is about \$185 million, with about \$32 million allotted for specialized weather services.

Findings/Conclusions: The most recent statement of policies affecting specialized weather service is contained in Office of Management and Budget Circular A-62 which provides for the Department of Commerce to keep a current plan, including specialized weather services. However, plans have been developed only for forestry and agriculture weather, and even these are out of date. Effective weather services for aviation, air pollution, and marine activities have been hampered by lack of specific formal plans between the Service and the agencies. Although there is now cooperation in developing plans, the Service believes that the demands of the basic mission and budgetary limitations will limit its ability to effectively provide additional services. Increasing demands for basic services have resulted in reduction of the specialized services.

Recommendations: The Congress should clearly define the Service's role and responsibilities for providing specialized weather services to user agencies and assure that resources available to the Service are adequate to carry out the responsibilities. The Secretary

of Commerce should assure that specific operational plans for specialized weather services are formally agreed to by it and the user agencies. The Secretary, together with user agencies and in consideration of other program priorities, should provide such services through reallocation of existing resources.

Agency officials generally agreed with GAO's recommendation and are in the process of formalizing operational plans for specialized weather services with user agencies. Agency officials also said that such approved plans will assist the Department of Commerce in determining proper resource levels for specialized weather services.

The House Committee on Science and Technology considered our report and incorporated its recommendations into H.R. 13715, a bill to improve the operational weather programs of the National Oceanic and Atmospheric Administration. The bill defines the role of the Department of Commerce's National Weather Service in providing specialized weather services, and specifically makes the Secretary of Commerce responsible for developing coordinated interagency operational plans for providing specialized weather services to other Federal agencies. (CED-78-77, 3-29-78)

Appropriations

Department of Commerce, National Oceanic and Atmospheric Administration—operations and research.

Various other agencies funds involving weather requirements.

Appropriations Committee Issues

Coordinated interagency operational plans for providing specialized weather services are necessary for efficient and effective programs.

The Committee may wish to consider the status and content of such plans when evaluating agencies appropriation requests for specialized weather programs.

DEPARTMENT OF COMMERCE

OFFICE OF MINORITY BUSINESS ENTERPRISE

The Office of Minority Business Enterprise Could Do More to Start and Maintain Minority Businesses

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Executive Order 11458. Executive Order 11625.

The Office of Minority Business Enterprise (OMBE) was established to be the focus of Federal efforts to help establish and expand minority businesses. However, OMBE's management assistance program provided few benefits to the 344 minority and prospective minority businesses sampled. Only 25% of the 169 prospective businesses got enough help to start, and about 37% of the existing businesses helped were out of business or could not be located.

Findings/Conclusions: The Office has emphasized quantity rather than quality assistance, causing such deficiencies as: business plans not being prepared for about two-thirds of the cases, management assistance not being given to about one-third of the cases, and cases receiving assistance getting only portions of the comprehensive program. Contractors generally do not provide assistance according to OMBE criteria and have not followed their clients' progress after initial assistance.

Recommendations: The Secretary of Commerce should require the Director of OMBE to redirect the management assistance program to encourage contractors to provide a comprehensive assistance program to only as many clients as the contractors can assist over a long-term period; require contractors to obtain periodic financial statements from their clients; require that each serious client's business weaknesses and needs be analyzed in a formal business plan; assure that contractors provide clients sufficient management assistance to meet their needs; assure that contractors follow their clients' progress frequently to evaluate growth and identify problems; restructure

the time-phase plan so that primary emphasis in OMBE's evaluation process is placed on meeting program objectives and secondary emphasis placed on activity levels; direct contractors to stop abandoning clients at the first indication that clients cannot qualify for financial assistance; direct contractors to exhaust all alternatives in helping clients locate equity and other resources needed to finance businesses; and study the possibility of freeing regional program officers from their heavy contract-administration workload.

OMBE concurred with each of the GAO recommendations and advised us that a task force has been established to review OMBE's program structure and management, streamline its contract and grant procedures, and develop a schedule and methodology for implementing appropriate changes. OMBE states that it is now able to obtain updated financial profiles on a large enough cross-sectional sample of its client firms, and together with data already being compiled, will give OMBE what they believe to be the most comprehensive set of program impact measures available to any government agency with a responsibility for economic development. (CED-77-136, 11-10-77)

Appropriations

OMBE, Minority Business Development

Appropriations Committee Issues

Need to assure that contractors concentrate on quality assistance to minority businesses rather than quantity assistance

DEPARTMENT OF COMMERCE

PATENT AND TRADEMARK OFFICE

The Need to Evaluate the Benefits and Costs of a Proposed Trademark Treaty and Implementing Legislation

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Trademark Act of 1946 (15 U.S.C. 1051).

The Department of Commerce proposes to change the U.S. trademark law. The Department vigorously supports the proposed international Trademark Registration Treaty, to which the United States is a signator. If the Congress is to ratify the treaty, changes in U.S. trademark law are necessary. The proposed legislative changes will not only affect the registration of international trademarks but will greatly alter the process and methods for registering domestic trademarks in this country. The changes will affect all U.S. business firms registering trademarks.

Findings/Conclusions: An informed and objective decision on the treaty and proposed legislation cannot be made without complete and accurate estimates of the benefits and increased costs to all parties. The Department, however, did not obtain the data necessary to make such a decision. This data could be obtained from a representative sample of business firms registering domestic and foreign trademarks.

Recommendations: The Secretary of Commerce should require the Commissioner of Patents and Trademarks to undertake a survey designed to elicit needed information from a statistically valid sample of trademark owners and use this information to estimate the realizable benefits and probable costs that U.S. business firms and the Government will experience from the proposed legislation.

As of October 5, 1978, the Department had announced its intention to conduct a survey of trademark owners as recommended. (CED-77-13, 10-7-77)

Appropriations

Department of Commerce

Appropriations Committee Issues

In order for the Patent and Trademark Office to adequately cope with the increase in anticipated work, this Office may require additional resources.

DEPARTMENT OF ENERGY

Comments on the Energy Research and Development Administration's Contract with TRW, Inc., for Planning and Analysis Services

Budget Function: Natural Resources, Environment, and Energy: Energy (305)

GAO reported that, as of July 1976, the Energy Research and Development Administration's Fossil Energy Organization had awarded 36 management and technical support contracts valued at \$27 million. Funding for support service contracts comes from research and development program funds.

Recommendations: Since these contracts require substantial funds, GAO recommended that the Fossil Energy Organization show the amount of funds to be spent for management and technical support contracts as a separate line item in its budget.

ERDA disagreed with this recommendation. It noted that its budget preparation and execution is based on the estimation and recording of costs and obligation data on the technology or programmatic mission to be accomplished and the resources needed for such accom-

plishment. According to ERDA, showing a separate line item in the Fossil Energy budget for management and technical support would run counter to the basic logic of its budget structure and presentation and would distract from the decision-level focus on programmatic accomplishments. (EMD-76-11, 9-11-76)

Appropriations

Department of Energy—operating expenses, fossil fuels

Appropriations Committee Issues

DOE should show, as a separate line item in the Fossil Energy Organization's budget submission to the Congress, the amount of funds to be spent for management and technical support contracts.

DEPARTMENT OF ENERGY

Department of Energy's Heavy Water Plant Operations

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2011).

The only plant in the United States that is capable of producing heavy water is the one at the Department of Energy's (DOE's) installation at Savannah River, South Carolina. There has been uncertainty in the past few years about the present and potential demand for heavy water and the best way to operate the plant to meet that demand. Two options for meeting current demands for heavy water were to operate the plant at about one-third capacity or to run one-third of the plant at full capacity and shut down the remainder. DOE chose the first option, although it was economically inefficient, in order to maintain the capability for maximum production. Potential areas for future demand listed by DOE were nuclear reactors, a pharmaceutical firm, and additional military requirements. Continuing to operate the plant under the current option cannot be justified because a possible sale to the New Brunswick Electric Power Commission has been negated, the potential sale to the pharmaceutical firm has diminished, and the plant would not be

able to meet potential military demand. DOE should choose an alternative and the Subcommittee should require DOE to advise it of the decision and justifications as soon as possible.

DOE is now trying to get the approval of the Secretary to shut down the heavy water facility by February 1979. The Appropriations Committee staff endorses this action. (EMD-78-45, 3-2-78)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Appropriations Committees should follow through on DOE efforts to either close or develop other suitable alternatives for its Heavy Water Plant in Savannah River, South Carolina.

DEPARTMENT OF ENERGY

Department of Energy's Procurement Practices as They Affect Small Business

Budget Function: Financial Management Information Systems: Review and Approval of Accounting Systems (1007).

Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2011).

In response to a congressional inquiry, a review was conducted of the Department of Energy's (DOE's) procurement practices as they affect small business. DOE data showed that 10.3% of the former Energy Research and Development Administration's (ERDA's) fiscal year 1977 obligations was for prime contracts with small business firms. The review indicated that the 10.3% included subcontracts let to small business firms by ERDA's prime contractors. Accounting records show that 2.6% of ERDA's 1977 obligations was for prime contracts with small business firms. DOE officials said that this concentration was largely due to DOE's and ERDA's missions and cost-sharing targets for large pilot and demonstration plants. Including subcontractor data in statistics representing prime contracts can be misleading unless the amount included is clearly disclosed. The Secretary of Energy should take steps to

ensure that the small business subcontracts reported as prime contracts are clearly disclosed.

The Department of Energy has not yet completed the action implementing our recommendations. (EMD-78-103, 8-10-78)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Secretary of Energy should take steps to ensure that the small business subcontracts reported as prime contracts are clearly disclosed.

DEPARTMENT OF ENERGY

Evaluation of the Status of the Fast Flux Test Facility Program

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Reorganization Act of 1974 (P.L. 93-438).

The Fast Flux Test Facility (FFTF) was authorized by Congress in 1967. The FFTF is intended to test nuclear fuels and materials most apt to work safely and economically in future breeder reactors.

Findings/Conclusions: The Energy Research and Development Agency believes that 37- and 19-pin tests will be adequate for closed loop test purposes and 37-pin tests will provide valid and useful data for establishing design and operating limits. The construction project is now estimated to cost \$540 million instead of the \$87.5 million originally projected, and supporting costs are estimated at an additional \$613 million. More than \$200 million in breeder reactor program costs should also be recognized as FFTF costs. Since authorization, the project's completion date has been extended by more than 5 years to August 1978. Technical problems with major components of the heat transport system remain.

Recommendations: All large construction projects must be closely monitored to determine that sufficient design, development, and component testing has been completed. Congress should be provided with a current estimate and breakdown of all costs associated with the FFTF, including the cost of facilities being built or planned that directly support the test program.

The Department of Energy agreed with the recommendation that large construction projects should be closely monitored to determine that sufficient design, development, and component testing has been completed before the start of construction. In fact, it was instituting such controls on the Clinch River Breeder Reactor. The Department disagreed, however, with recommendations to reclassify the cost of three facilities from the LMFBR program to the FFTF project. It considered these facilities as part of the overall breeder reactor development program even though they are dedicated to the FFTF program. (EMD-76-13, 11-15-76)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

GAO still believes that the cost of three major facilities should be accounted for and controlled as FFTF program costs because they will be used mostly in support of that program. This should provide Congress with greater visibility over planned costs in support of the FFTF.

DEPARTMENT OF ENERGY

Fossil Energy Research, Development, and Demonstration: Opportunities for Change

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

There has been a significant increase in recent years in research, development, and demonstration (RD&D) funding for fossil energy technologies, with a large proportion of funds directed towards efforts to demonstrate that these techniques will be commercially viable.

Findings/Conclusions: The Department of Energy (DOE) lacked some of the tools necessary to properly manage fossil energy RD&D programs. It had not developed a formal system of priorities for developing the most promising approaches, detailed cost and performance milestones to judge progress and determine how best to proceed, nor criteria for determining when a project is ready for the next phase of development. Since GAO's review, DOE initiated actions which should help resolve many of the problems, but further action is needed. DOE should change the following practices in its fossil demonstration program: issuing requests for proposals and relying on industry to propose processes for consideration, issuing or considering contracts for demonstration plants which are either not large enough to obtain needed data or are larger than needed, requiring a rigid 50-50 cost-sharing policy with industry, and fully funding the design phase of project development.

Recommendations: The Secretary, DOE, should develop and include as part of its overall and/or individual program and project plans: a system of formal program priorities to allocate resources among different technologies and among alternative approaches, supported by comparative studies; program and project cost objectives for technologies; and specific evaluation criteria for determining pro-

cess advancement. To improve the Fossil Demonstration Plants Program, the Secretary should: establish specific criteria for evaluating and selecting processes for demonstration, evaluate potential processes within each technology and select the best for demonstration, change the approach in specifying the size of demonstration plants needed to obtain commercialization information, and change the cost-sharing policy to provide more flexibility in achieving goals by varying the cost-sharing amount for each process and by requiring cost sharing from the beginning of the project.

The Department of Energy agreed with all but one of GAO's recommendations and said it is taking or plans to take action to implement them. It disagreed with GAO's recommendations about changing the approach in specifying the size of the demonstration plants needed for the demonstration program. (EMD-78-57, 9-18-78)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

DOE should change the approach in specifying the size of demonstration plants needed to obtain commercialization information by determining beforehand the size of the plant needed to achieve program and/or project objectives and basing its request for proposals on that determination.

DEPARTMENT OF ENERGY

Issues Needing Attention in Developing the Strategic Petroleum Reserve

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

The concept of the Strategic Petroleum Reserve is to provide protection against future oil embargoes by creation of a reserve equal to approximately 500 barrels of crude oil. As part of the reserve, an Early Storage Reserve is to be established to contain at least 150 million barrels by December 1978. The proposed reserve will contain only crude oil which will be stored underground in salt dome caverns or in mines, primarily along the Gulf Coast. Issues which require further analysis by Congress relate to three questions: (1) Is there a need for the type of Strategic Petroleum Reserve? (2) How should the Strategic Petroleum Reserve be filled? and (3) How should the Strategic Petroleum Reserve be financed?

Findings/Conclusions: GAO continues to support the concept of a system of national emergency energy reserves. It believes, however, that the use of industry crude oil and product stocks may be an alternative to the creation of a Strategic Petroleum Reserve. The Federal Energy Administration plans to purchase oil for the reserve at near the national average composite price. As long as price controls remain on domestic oil, royalty oil could be acquired to fill the reserve, resulting in significant dollar savings with little or no adverse financial impact on small refiners.

The Federal Energy Administration agreed that further analysis is needed regarding the extent to which industry inventories can be used during a severe supply interruption and is studying the matter. The agency disagrees that royalty oil should be used for the Reserve because its use would result in indirectly passing some of the Reserve costs on to petroleum users since higher cost foreign oil would have to be obtained by the private sector as a substitute. (FMD-77-20, 2-16-77)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisitions

Appropriations Committee Issues

To date, DOE has not completed its analysis of using excess industrial inventories for the Reserve. We remain convinced that acquisition of certain royalty oil presents an opportunity to reduce SPR costs and recently recommended that DOE implement this option.

DEPARTMENT OF ENERGY

Management and Funding Aspects of Three Nonnuclear Energy Research, Development, and Demonstration Subprograms

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Reorganization Act of 1974 (P.L. 93-438).

Management and funding aspects of three nonnuclear energy research, development, and demonstration subprograms under the Energy Research and Development Administration were examined. The three subprograms were: photovoltaic energy of the solar energy program; direct combustion of the coal program; and hydrothermal technology application of the geothermal energy development program.

Findings/Conclusions: The extent to which research, development, and demonstration funds were used for management support services among the three subprograms varied. The amounts used for planning and managing were: \$1.8 million (5.3%) for solar photovoltaic energy; \$5.4 million (9%) for coal direct combustion; and \$0.2 million (1.1%) for hydrothermal technology applications. The management support services included: planning subprogram activities, reviewing and evaluating research proposals, and contract and administrative support. Amounts of research, development, and demonstration funds used for planning and management services were not disclosed in the agency's budget justification documents or accounting records.

Recommendations: ERDA should separately identify in the budget and accounting records each subprogram's research, development, and

demonstration funds used for management support services and make the amount of such funds visible in the agency's annual budget submission to the Congress.

The Energy Research and Development Administration stated that their budgetary format, developed in coordination with the Office of Management, does not allow for the adoption of such a recommendation. However, they stated that the budget backup material does contain data in such a format. (EMD-77-24, 2-25-77)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

DOE should identify in the budget and accounting records each subprogram's research, development, and demonstration funds used for management support services and make the amount of such funds visible in the agency's annual budget submission to the Congress.

DEPARTMENT OF ENERGY

Need to Minimize Risks of Using Salt Caverns for the Strategic Petroleum Reserve

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

The Energy Policy and Conservation Act requires the Federal Energy Administration (FEA) to create a Strategic Petroleum Reserve to protect against interruptions in energy and petroleum product supplies. Oil for the reserve will be stored in caverns within salt domes and in salt and limestone mines. FEA has identified nine potential sites—four salt domes, three salt mines, and two limestone mines—with capacities totaling 402 million barrels. Three of the four salt domes have been acquired through condemnation.

Findings/Conclusions: The FEA permitted the previous operators of the caverns at Bayou Chocta and West Hackberry, Louisiana, to continue production of brine after the caverns were tested and certified as suitable for crude oil storage. In order to preclude potential problems associated with continued brining at Bayou Choctaw and West Hackberry, the FEA should negotiate with the the chemical companies to eliminate brining operations. FEA officials believe that there is no need to control brine production or to retest the caverns after brining is completed since they consider cavern damage to be low risk. Two tests are necessary to determine cavern suitability—a sonar survey and a casing and cavern pressure test—which would take about 2 weeks per cavern and cost \$15,000 per cavern, a total of \$90,000.

Recommendations: The Secretary of Energy should: determine the feasibility of amending the condemnation agreements to eliminate continued brining operations, institute a formal system for controlling the brining operations if the agreements are not amended to assure that brine is not being produced in excess of safe rates of production and operating pressures, and have the caverns retested after brining has been completed.

DOE has instituted a formal system for controlling the brining operations. However, DOE believes there is no need to retest the caverns after brining is completed since they consider possible cavern damage to be low risk. (EMD-78-25, 1-9-78)

Appropriations

Department of Energy Energy—operating expenses and capital acquisition.

Appropriations Committee Issues

DOE is taking unnecessary risks in not retesting the caverns after brining operations are completed. Congress should assure that DOE minimizes risks.

DEPARTMENT OF ENERGY

Questionable Suitability of Certain Salt Caverns and Mines for the Strategic Petroleum Reserve

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Federal Mine Safety and Health Act of 1977 (P.L. 95-164).

The Energy Policy and Conservation Act requires the Department of Energy (DOE) to create a strategic petroleum reserve to protect against disruptions in energy supplies. DOE plans to store 1 billion barrels of crude oil in salt caverns and mines by December 1985. Although the Department has not yet estimated the cost to store 1 billion barrels, it did estimate the cost to store 750 million barrels at \$14.4 billion.

Findings/Conclusions: Of the 19 existing salt caverns that DOE has acquired, 6 may not be suitable for long-term storage because they do not meet structural design standards for oil storage suitability. Three of the six caverns have already been certified for storage, but the other three failed to pass tests. Alternatives to the continued use of these caverns if they are found to be unsuitable are: (1) abandoning the unsuitable caverns and using additional cavern storage capacity developed during withdrawal, or (2) using salt water to displace oil during withdrawal so no additional growth can take place. If these alternatives do not work, DOE may have to resort to acquiring other existing caverns or building new ones. The salt mine acquired by DOE may not be suitable for long-term crude oil storage because of safety problems and the resulting potential legal and financial ramifications. Cost estimates for acquisition, construction, and operation of reserve storage facilities have not been adequately documented.

Recommendations: The Secretary of Energy should: study the alternatives for minimizing

the risks associated with using the potentially unsuitable caverns and make the study results available to the Congress; develop a formal system for documenting, before test completion, any acceptable deviations and approvals for such deviations; delay further oil storage development at the salt mine until a solution has been developed to the problems involved in using the salt mine for storage; and insure that all further cost estimates relating to the reserve program are adequately documented.

DOE intends to develop plans to be furnished to the Congress—for abandoning or modifying the use of certain caverns if that should become necessary. Further, DOE disagrees that further development of the mine storage should be delayed until the problems are resolved because it states the risks are of little consequence when compared with reduced protection which would result from delays in program development. (EMD-78-65, 8-14-78)

Appropriations

Department of Energy: Energy - Operating Expenses and Capital Acquisition

Appropriations Committee Issues

DOE should demonstrate that it has minimized risk in its use of salt caverns for oil storage.

DEPARTMENT OF ENERGY

Rocky Mountain Energy Resource Development: Status, Potential, and Socioeconomic Issues

Budget Function: Natural Resources, Environment, and Energy Energy (305).

Legislative Authority: Federal Coal Leasing Amendments Act of 1975 (P.L. 94-377). Federal Land Policy and Management Act of 1976 (P.L. 94-579). P.L. 94-565.

Rapid and extensive development of the uranium, oil shale, and coal resources in the relatively sparsely populated Rocky Mountain States may have profound socioeconomic and environmental effects on the area.

Recommendations: The Undersecretaries Group for Regional Operations should: (1) take whatever action may be necessary to open and staff an office where State and local officials can obtain advice on the availability of Federal assistance programs and, if necessary, assistance in applying for such aid; (2) monitor and periodically evaluate the work of the office and the need for additional Federal assistance to Rocky Mountain State and local communities affected by energy development; and (3) direct that any such office established by the group prepare an annual report to the President evaluating the need for additional Federal assistance. Although the need additional Federal assistance at this time has not been demonstrated, if the Congress wishes to further help Rocky Mountain communities, any such assistance should be contingent on the States taking actions to meet a minimum level of assistance to communities affected by energy development and on the States developing plans to systematically deal with the impacts. The States should be required to clearly demonstrate in these plans that the assistance would actually be used to help energy-affected communities.

The Office of Management and Budget and the Department of the Interior generally agreed with our conclusions, and the Western Govern-

ment's Regional Energy Policy Office disagreed with them. The Federal Energy Administration said that mitigating socioeconomic impacts of energy resource development would require cooperation and coordination among all Federal agencies, not a massive increase in Federal assistance. The Council on Environmental Quality believed that the report did not support a conclusion that the need for additional Federal assistance had not been demonstrated. In May 1978, the President announced a 5-year program to help to help inland States, communities, and Indian tribes in planning for and mitigating the adverse effects of rapid growth due to energy resource development. The thrust of the President's program is embodied in S. 1493 "The Energy Impact Act of 1978". S. 1493 is generally consistent with the recommendations of our report if Congress determines that there is a need for Federal impact assistance. (EMD-77-23, 7-13-77)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition.

Appropriations Committee Issues

The main issue still before the Congress is "Has the need for additional Federal energy impact assistance now been demonstrated?" In our July 1977 report, we determined that for the Rocky Mountain area, the need had not been demonstrated.

DEPARTMENT OF ENERGY

The Department of Energy's Development of a 10-Year Plan for Energy Conservation in Federal Buildings

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Policy and Conservation Act of 1975 (P.L. 94-163). National Energy Act. Executive Order 11912. Executive Order 12003. OMB Circular A-94.

The Energy Policy and Conservation Act, enacted in 1975, required the President to develop and implement a 10-year plan for energy conservation in buildings owned or leased by the Federal Government. The Department of Energy (DOE) has the responsibility, originally delegated to the Federal Energy Administration, for development of the plan. As of June 1978, DOE still had no document which can be called "the 10-year plan." Although the original draft plan prepared in June 1977 would have substantially met requirements of the act, it has been discarded, and DOE is now trying to place much of the development burden on other executive agencies. This approach will probably result in a plan that will not be as comprehensive as the original draft plan. Also, DOE is delaying issuance of guidelines pending passage of the proposed National Energy Act. Energy used in the 399,000 buildings owned and operated by the Federal Government amounts to about 39% of the energy used by the Federal Government. The Secretary of Energy should focus DOE's efforts to develop a 10-year plan along the original lines, reevaluate the response to recommendations contained in a previous report and incorporate items recommended into the plan, should also evaluate the existing Federal Energy Management Program structure in terms of its responsibilities and funding level to assure that the program is able

to provide effective leadership and management of Federal energy conservation efforts.

The Department of Energy said the development of the 10-year plan has been held up pending passage of the National Energy Act so that provisions of the Act relating to Federal buildings can be incorporated. DOE said that, in developing the plan, it will draw on the works performed in the original draft plan that was developed. It anticipates that the plan will be available in 1979. (EMD-78-89, 7-20-78)

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

The Department of Energy should aggressively pursue the development of the 10-year plan for energy conservation in Federal buildings. The Federal Government owns and operates over 399,000 buildings. The energy used in these buildings amounts to about 39 percent of the energy that is used by the Federal Government. With an energy use of this magnitude, the need for developing a comprehensive plan to fulfill the requirements of the EPCA becomes clear.

DEPARTMENT OF ENERGY

The Federal Government Should Establish and Meet Energy Conservation Goals

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Policy and Conservation Act of 1975 (P.L. 94-163). Energy Conservation and Production Act (P.L. 94-385).

Between 1972 and 1976 the rate of energy consumption in the Nation decreased because of supply disruptions, a recession, and increased prices. Energy conservation has not been sustained, however, and energy consumption currently is increasing. The administration has proposed a national energy plan (NEP) which stresses conservation.

Findings/Conclusions: The success of energy conservation measures will depend on the development of consumer attitudes and habits which foster efficient energy use. Federal programs to change energy consumption patterns involve three basic approaches--voluntary, indirect market intervention, and direct market intervention. Federal programs have had some success in reducing energy consumption in transportation and in the residential sector. The NEP includes initiatives which could make investments in industrial energy conservation more financially attractive, result in greater realization of energy conservation opportunities in the residential sector, and meet needs in the commercial sector for financial incentives to energy conservation investments. Additional Federal actions are needed in all sectors to meet NEP's goals and objectives.

Recommendations: The Department of Energy should continuously assess each Federal initiative for its contribution in meeting NEP's objectives and develop standby initiatives. The Secretary of Energy should, by January 1, 1979, submit to the Congress an energy conservation plan which includes energy conservation goals by sector, executive branch actions which constitute a program to achieve the goals, milestones and a plan to monitor and evaluate each portion of the program's contribution toward

meeting goals, and proposals to try other methods if the program is not meeting milestones. He should submit recommendations to the Congress regarding additional financial actions that can be taken to encourage the use of mass transit. The Secretary should also monitor automobile fuel costs per mile and submit proposals to increase gasoline prices when costs decrease, monitor residential energy consumption and fuel prices and propose standby authority to increase fuel prices, and implement a revised program to replace the existing industrial energy conservation improvement targets program. The Congress should equalize the Federal share of costs for mass transit projects and include heat pumps as measures eligible for residential tax credit.

The Department of Energy basically agreed with the recommendations except for those affecting the industrial sector. The Department said many of the recommendations were being carried out and others would be undertaken. (EMD-78-38, 6-30-78)

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

The Department of Energy should establish goals for each energy conservation program and describe how each program contributes to an overall national energy conservation goal. The goals should be clearly stated; and milestones and a plan to continuously monitor each program should be developed.

DEPARTMENT OF ENERGY

The Magnitude of the Federal Solar Energy Program and the Effects of Different Levels of Funding.

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Solar Energy Research Development and Demonstration Act of 1974 (P.L. 93-473). Solar Heating and Cooling Demonstration Act of 1974 (P.L. 93-409). Federal Nonnuclear Energy Research and Development Act of 1974 (P.L. 93-577).

To accelerate development and use of solar energy systems, the Congress has greatly increased appropriations for research, development, and demonstration of solar energy over the past few years. Different programs and funding requirements have been necessary to carry out programs for the following technologies: fuels from biomass, photovoltaic conversion systems, solar thermal power systems, wind energy conversion systems, ocean thermal energy conversion, solar heating and cooling of buildings, and agricultural and industrial process heat.

Findings/Conclusions: Major funding increases would generally result in an increase in demonstration and research projects in these technologies. Most program officials believed that there was disagreement in relation to specific projects and funding emphasis. Some factors which must be considered in developing strategies for commercialization of solar energy are: the various technologies are geared to different consumer groups; the technologies are at different phases of availability; and, at present, solar technologies are applicable in limited regions of the country. Such mechanisms as tax credits, low-interest loans, and Government ownership can be used to stimulate the use of solar energy systems. Solar program officials estimate that it will cost a little over \$3 billion to carry out the present program over the next 5 fiscal years. Additional research, development, and demonstrations may lead to cost reductions or technological breakthroughs. However, because of uncertainties about how soon these objectives could be met

and the potential energy impact, there was concern that funds for some technologies and applications were difficult to justify.

Recommendations: Congress may wish to require the Department of Energy to submit information showing the relationship between funding levels and the potential contributions each solar technology can make in meeting the Nation's energy needs. This information could be useful for comparing the solar programs budget requests with those for other energy technologies and evaluating the desirability of changing funding levels for each of the technologies.

No action has been taken related to the recommendation contained in the report. (EMD-78-27, 2-2-78)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Committee may wish to require the Department of Energy to submit information showing the relationship between funding levels and the potential contributions each solar technology can make in meeting the Nation's energy needs. This information could be useful for comparing the solar programs budget requests with those for other energy technologies and evaluating the desirability of changing funding levels for each of the technologies.

DEPARTMENT OF ENERGY

The Multiprogram Laboratories: A National Resource for Nonnuclear Energy Research, Development, and Demonstration

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Atomic Energy Act of 1954 (42 U.S.C. 2011). Atomic Energy Act of 1946 (60 Stat. 755). Solar Energy Research, Development, and Demonstration Act of 1974 (P.L. 93-473). P.L. 95-91. 81 Stat. 577. 85 Stat. 304.

The eight multiprogram laboratories under the Department of Energy (DOE) are Government-owned research and production facilities operated by university, industry, or nonprofit contractors. In the past, most of their resources have been directed toward nuclear energy, but they have more recently, developed capabilities in the fields of nonnuclear energy research, development, and demonstration (RD&D).

Findings/Conclusions: The nonnuclear energy tasks undertaken by the laboratories have been relatively small and often appear to focus on fragmented portions of technologies. The initial organizational alignment of the laboratories, with five under an Assistant Secretary or Office responsible for specific programs, is not conducive to their role in nonnuclear energy RD&D. Factors tending to restrict the laboratories' involvement in this area include: the piecemeal basis by which their roles were determined, DOE's emphasis on using private industry, incompatibility with the Administration's emphasis on near-and mid-term technologies, DOE's reluctance to expand the laboratories, and competition from other in-house research facilities. Also, the laboratories' roles in nonnuclear RD&D have not been adequately defined. In defining the roles, relationships with other research entities should be considered and issues addressed involving the extent of missions in this area, management responsibilities, use of laboratories to funnel money to other institutions, and policy planning.

Recommendations: The Secretary of Energy should align the laboratories to a separate

Office which is not responsible for specific programmatic areas; closely monitor the development of the planning, programming, and budgeting system to ensure timely implementation, giving priority to defining the roles of the laboratories and integration with DOE's energy RD&D efforts; assess ramifications of assigning missions in each of the technologies being developed; assign missions, including support roles, in areas where other entities have greater capabilities; augment staff capabilities; delegate authority to carry out management responsibilities; and expand the laboratories' advisory roles within assigned missions.

The Department of Energy agreed with most of the recommendations in the report and has implementation action underway. (EMD-78-62, 5-22-78)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Department of Energy did not agree that (1) the eight multiprogram laboratories should be realigned into a separate office and (2) the staff capabilities at the laboratories should be augmented.

The laboratories' organizational alignment and staff capabilities are not conducive to their role in nonnuclear energy RD&D

DEPARTMENT OF ENERGY

Uranium Enrichment Policies and Operations: Status and Future Needs

Budget Function: Natural Resources, Environment, and Energy: Energy (305)

Legislative Authority: Department of Energy Organization Act (P.L. 95-91). Atomic Energy Act of 1954, as amended. S. 2035 (94th Cong.). H.R. 8401 (94th Cong.).

The three U.S. Government-owned uranium enrichment plants which prepare uranium for use as a nuclear reactor fuel provide enrichment services to all U.S. nuclear reactors, all Government research and weapons programs, and most foreign reactors.

Findings/Conclusions: When additional enrichment plants beyond those currently planned will be needed depends largely on nuclear power growth, the U.S. share of the foreign enrichment service market, and the use of existing plants and enriched uranium supplies. If there is a uranium shortage and the United States obtains 35% of the foreign market, future enrichment plants will be needed by the 1990's. The only option for meeting long-term demand is to build additional plants.

Recommendations: The Secretary of Energy should: document the results of monitoring the impact of removing or relaxing restrictions on utilities' use of foreign uranium for use by the Congress, industry, and the public; promptly publicize the agency's current stockpile policy and the basis for that policy; examine, with the Department of Defense, the advantages and disadvantages of using some retired weapons material in the civilian nuclear power program rather than using it solely to produce new weapons; prepare and implement a new operating strategy and make it available in report form to interested parties; determine, with the Department of State, the portion of the foreign market necessary to achieve the President's nonproliferation objectives and establish foreign enrichment goals by which to measure the Nation's progress in achieving those objectives and to facilitate planning for future enrichment plants; gradually increase the price of all uran-

ium sold from its stockpile until it equals the market price at the time the Government's uranium is sold; and discontinue the policy of allowing credits for uranium obtained from residual material that is being recycled and charge customers for the uranium they receive.

The Department of Energy agreed to (1) document the results of monitoring the impact of removing or relaxing restrictions on U.S. utilities' use of foreign uranium, (2) publicize its uranium stockpile policy, (3) prepare and implement a new operating strategy and make it available in report form to interested parties, and (4) work closely with the State Department and other concerned agencies to develop ways of improving nuclear fuel assurances. The Department disagreed with our recommendations to (1) gradually increase the price of all uranium sold until it equals the market price at the time the Government's uranium is sold and (2) discontinue the policy of allowing credits for uranium obtained from recycled tails material. (EMD-77-64, 11-18-77)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The Appropriations Committee should encourage the Department of Energy to promptly adopt our recommendations to gradually increase the price of its uranium and to discontinue allowing credits for recycled uranium.

DEPARTMENT OF ENERGY

Ways to Strengthen Congressional Control of Energy Construction Projects Other Than Nuclear

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Federal Nonnuclear Energy Research and Development Act of 1974 (P.L. 93-577).

The Energy Research and Development Administration's (ERDA) budgeting, accounting, and reporting procedures associated with construction-related activities for nonnuclear energy research and development projects were reviewed. The purpose of the review was to determine the extent to which existing legislative reporting requirements provide Congressional committees with information necessary for effective control over the funding of such projects. Of particular interest was ERDA's compliance with the reporting and specific authorization requirements of the Federal Nonnuclear Energy Research and Development Act of 1974.

Findings/Conclusions: These requirements are inadequate because they are vague and allow selective interpretation, thus limiting the ability of Congress to control nonnuclear energy projects. ERDA has not established any specific criteria for use in identifying the types of nonnuclear energy projects subject to the reporting or specific authorization requirements. The 1974 act is not clear about which type of projects must be reported or specifically authorized. Nowhere in the act are types of projects specifically defined.

Recommendations: ERDA should develop legislation which would clarify the act on the types of projects requiring reports or specific authorizations. ERDA should develop and provide the authorization committees with its defi-

nitions of the various project phases together with an identification of the phase of each nonnuclear energy project meeting the minimum cost criteria for reports or specific authorization.

ERDA deferred any definitive response to the Committees until they could ascertain the impact of the DOE Organization Act upon ERDA's concepts. This would assure their being in compliance with the legislation and the intent of the Congress. DOE subsequently furnished tentative project definitions to the appropriate congressional committees. In regard to the Congress developing legislation which would clarify the act, definitions for the project phases up to demonstration were included in DOE's fiscal year 1979 authorization legislative. (EMD-77-25, 2-25-77)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Appropriations Committee Issues

The legislation containing definitions has been passed by the House and was not passed in the Senate prior to Congress' fall recess. The committees should develop legislation containing project definitions based on DOE's input.

DEPARTMENT OF ENERGY

BONNEVILLE POWER ADMINISTRATION

Region at the Crossroads: The Pacific Northwest Searches for New Sources of Electric Energy

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Federal Columbia River Transmission System Act of 1974 (16 U.S.C. 838). Department of Energy Organization Act (P.L. 95-91). Freedom of Information Act. Bonneville Project Act of 1937. Flood Control Act of 1944. H.R. 5862 (95th Cong.). H.R. 9020 (95th Cong.). S. 2080 (95th Cong.).

The Pacific Northwest region has entered a difficult transition period. Most large hydro-power sites in the region have been developed, and additional large supplies of inexpensive hydroelectric power, long the mainstay of regional electric supply, are not available. Remaining damsites are less desirable and often involve substantial detriment in terms of environmental and recreational effect. The Federal Government, primarily through the Department of Energy's Bonneville Power Administration (BPA), plays a major role in energy management for the region.

Findings/Conclusions: Intraregional conflicts over access to Federal hydropower and Federal financial assistance have obscured the need for an updated approach to managing the region's electrical resources. It appears that congressional action will be needed to recharter the BPA and to resolve the conflicts which now deadlock regional planning and decisionmaking. More information is needed before the Federal Government makes any firm commitments to guarantee the financing of new thermal powerplants. Representative citizen involvement in planning and policymaking is essential to development of an acceptable electricity management program. Although long-range energy demand forecasts are critical to planning and policy analysis, they are too inconsistent at present. Pricing electrical energy at true replacement cost would result in greater consumer awareness and voluntary conservation. Arguments that higher energy prices

will lead to economic disaster are not supported by the facts.

Recommendations: The Congress should relieve BPA of its charter responsibilities for encouraging the widest possible use of electricity and, instead, charge the agency with regionwide responsibility for development of electricity management plans and programs, encouraging conservation, and assuring adequate public involvement in planning and policymaking. The Congress should direct BPA to: continue to market hydropower to preference customers in accordance with existing legislation; develop and implement a plan for moving toward pricing at replacement cost, encourage conservation, and reduce disparities in regional power rates; prepare and update a comprehensive electricity management plan for the region; and conduct studies and tests needed to assess more accurately regional potentials for energy conservation. The Secretary of Energy should take the lead in establishing a representative regional power-planning board to exercise regionwide electricity management.

The Department of Energy (DOE) believes the report does an excellent job of assembling a variety of data on the energy situation in the Pacific Northwest and should be useful to the Department of Energy, regional leaders, and the Congress in understanding the various energy options and developing those most appropriate to the region. However, DOE believed the report understates the impacts of

pricing electricity at replacement prices and the importance of providing a reliable power supply.

Since the issuance of this report, legislation has been introduced (S. 3418, August 16, 1978) and (H.R. 13931, August 17, 1978); which would charge Bonneville with implementing conservation programs, developing renewable resources, and becoming the most important entity in the Northwest for planning and assuring a power supply. Hearings were held by the Senate Energy and Natural Resources Committee and the House Subcommittee on Water and Power, Committee on Interior and Insular Affairs, and the House Subcommittee on Energy and Power, Committee on Interstate and Foreign Commerce. The legislation was not approved before adjournment. (EMD-78-76, 8-10-78)

Appropriations

Bonneville Power Administration does not receive appropriations but operates on power revenues and borrowing authority. Their budget is presented to the Subcommittee on Public Works of the Senate and House Appropriation Committees.

Appropriations Committee Issues

The recommendations in this report are to make legislative changes in the charter of Bonneville Power Administration. Bonneville's responsibilities would be expanded with such changes and, thus, more expenditures would be required. Although none of the new responsibilities recommended for Bonneville would require appropriated money, the Appropriations Committees should review the increased expenditures.

DEPARTMENT OF ENERGY

ECONOMIC REGULATORY ADMINISTRATION

Improvements Needed in Data Management by the Department of Energy

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Reorganization Act of 1974 (P.L. 93-438).

Shortcomings were found in certain data systems used by the Federal Power Commission (FPC) and the Federal Energy Administration (FEA) in managing natural gas and propane supplies during times of shortages. Although the responsibilities of these agencies have been consolidated in the Department of Energy (DOE), their data systems and processing methodology continue to be used by DOE. If DOE continues to rely on essentially the same system used by the FPC and FEA, DOE personnel will continue to have incomplete and dated information as the basis for their fuel supply projections and decisions. DOE managers could draw erroneous conclusions as to the severity of the fuel situation by using such information. This could lead to either costly fuel inventory buildups and the installation of unneeded alternate fuel capability or an unpreparedness for shortages that could result in plant closures and unemployment. To more effectively manage the natural gas and alternate fuel programs and enhance short-term decisionmaking, the data collection system should be improved to provide adequate and timely data on: natural gas deliveries, emergency gas supplies, and underground gas storage

on a pipeline or distribution system; the potential economic impact and the volume of gas by end-use priority that is being served in each State; propane demand, the location of propane supplies, the ability of a transportation system to deliver the supplies, and the economic impact of propane shortages. Current data forms also need to be reviewed to eliminate all unnecessary data.

DOE is in the process of making changes in its data collection system based upon our recommendations. (EMD-78-51, 3-24-78)

Appropriations

Energy information, policy, and regulation

Appropriations Committee Issues

The Department of Energy's data collection system needs to be improved to provide adequate and timely data to more effectively manage the natural gas and alternate fuel programs and enhance short-term decisionmaking.

DEPARTMENT OF ENERGY

ECONOMIC REGULATORY ADMINISTRATION

The New National Liquefied Natural Gas Import Policy Requires Further Improvements

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Over one-fourth of our total energy consumption is supplied by natural gas. One approach to increasing the supply of natural gas is to develop supplemental gas sources such as imported liquefied natural gas (LNG). According to Government and industry statistics, imported LNG has the greatest potential to add to our Nation's supplemental gas supplies by 1985. LNG is natural gas converted to liquid form by lowering its temperature to -259 degrees F. Despite the expense of special equipment for liquefaction and oceangoing transportation and storage, the great reduction in volume can make LNG economically feasible to transport and store for subsequent regasification and use elsewhere. As part of President Carter's National Energy Plan, a new LNG import policy was established. The limitation on LNG imports imposed under the previous administration was replaced by a more flexible policy providing for a case-by-case analysis of each project.

Findings/Conclusions: The new policy provides for national distribution to avoid a region being seriously affected by a supply interruption, development of contingency plans in case such interruption occurs, and prohibition of dock construction in densely populated areas. This policy has not alleviated uncertainties associated with imported LNG. Import policy should be related to the overall energy program, and a comprehensive energy proposal should clearly indicate how much imported LNG will be needed and methods of obtaining it. There is a need for adequate criteria defining what would constitute overdependence on imported LNG. As LNG imports increase, the United States increases its vulnerability to sup-

ply disruptions and price hikes. The policy does not address the problems associated with the lengthy regulatory process and curtailment of low-priority LNG users. Unclear, inaccurate, and misleading statements add to the confusion regarding LNG's future role in supplying U.S. energy needs.

Recommendations: The Secretary of Energy, in cooperation with other Federal agencies, should revise the policy statement for imported LNG to: define clearly goals and objectives for imported LNG; establish criteria on what constitutes national dependency for use in determining project acceptability; specify curtailments to be applied for low-priority users of imported LNG; and clarify or correct ambiguous, inaccurate, or potentially misleading statements. The Secretary of Energy should also initiate a study of the regulatory process to identify what actions should, or could, be taken to expedite decision making.

In commenting on the draft report, the Department of Energy agreed with the aim of GAO's recommendations but stated that it was premature to implement them. The Department has established an Inter-agency task force which considered the GAO recommendations. The task force has issued proposed policy revisions which do not implement fully GAO's recommendations. The task force proposals have not been acted upon. (EMD-78-19, 12-12-77)

Appropriations

DOE—Energy information, policy, and regulation.

Appropriations Committee Issues

The policy on imported liquefied natural gas is not effective or comprehensive. Until clear

guidance is provided, the appropriate role for imported natural gas will not be established or implemented.

DEPARTMENT OF ENERGY

ENERGY INFORMATION ADMINISTRATION

Improvements Needed in the Department of Energy's Efforts to Develop a Financial Reporting System

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163).

The Energy Policy and Conservation Act requires the Department of Energy (DOE) to collect information from oil and gas producers and to submit quarterly reports to the President and the Congress. DOE is developing a comprehensive energy data base, entitled the Financial Reporting System, which is to encompass the required data on exploration and production.

Findings/Conclusions: There were several concerns about the adequacy of DOE's efforts in developing the data base. First, the needs and uses of the data in the proposed data collection form have not been documented. Although some suggestions and advice were obtained, this information did not determine the data in the proposed form. Second, DOE has not developed a data form for small producers who must report information. Third, DOE's plans for collecting information from small producers on a sample basis is inconsistent with the act's provisions which require that data be collected from all producers.

Recommendations: The Secretary of Energy should document the needs and uses of the data in the proposed collection forms and insure that the data relate directly to the reporting system's objectives. He should: specifically plan and document the manner in which DOE will analyze the capital and revenue needs of

the petroleum producing industry, design a data collection form for small producers who should be given an opportunity to review and comment on the form, determine whether or not sample basis reporting by small producers will provide adequate information for purposes of the act, and seek the necessary legislative changes in the act's provisions.

DOE's comments on the recommendations were non-responsive. However, the Office of Management and Budget has required DOE to assess the utility and demonstrate the need for the data being collected. This evaluation is to be completed by December 1979. (EMD-78-95, 7-31-78)

Appropriations

Energy information, policy and regulation.

Appropriations Committee Issues

The Department of Energy needs to take corrective action in developing its Financial Reporting System in order to assure collection of relevant information for policy analysis and compliance with the Energy Policy and Conservation Act.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

ADMINISTRATION FOR CHILDREN, YOUTH, AND FAMILIES

Administration for Children, Youth, and Families: Need to Better Use Its Research Results and Clarify Its Role

Budget Function: Education, Manpower, and Social Services: Social Services (506).

Legislative Authority: Social Security Act of 1935 (42 U.S.C. 626). Child Abuse Prevention and Treatment Act (42 U.S.C. 5101). Children's Bureau Act of 1912. (42 U.S.C. 191)

The efforts of the Administration for Children, Youth, and Families (ACYF), formerly the Office of Child Development, in the Department of Health, Education, and Welfare (HEW), to disseminate child welfare research and demonstration (R&D) results were examined. The ACYF received \$61.6 million in appropriations during fiscal years 1971 through 1975 for its R&D program.

Findings/Conclusions: Limited use of the results of projects funded by ACYF have been made by State providers of child welfare services and by State and national groups advocating and coordinating improved services to children. Of 20 projects considered to be nationally significant, service providers were using results in 318 of 830 potential opportunities (38% of the time), and coordinators/advocates were using the results in 144 of 680 opportunities (21% of the time). The biggest problem is lack of awareness. When providers of services received information about one of the 20 R&D projects, they used the information 82% of the time, and advocates and coordinators used it 84% of the time. Dissemination efforts by project officials and by ACYF have been limited, and State agencies are not aware of R&D findings because they do not actively participate in the R&D planning process.

Recommendations: The Secretary of Health, Education, and Welfare should direct the Commissioner, ACYF, to take actions to in-

crease the dissemination of R&D results to those providing services to children. The following actions are suggested: fund special dissemination and technical assistance efforts for R&D projects that have developed successful results, give potential users of R&D results an influential role in planning the R&D effort, earmark a percentage of the budget for disseminating and achieving use of successful R&D results, and give HEW regional office staff a more influential role in R&D planning and dissemination. Congress should clarify legislation to further define the roles of the Children's Bureau and ACYF.

HEW agreed with most of the recommendations and its planned or proposed actions have been responsive toward implementing them. (HRD-77-76, 3-31-78)

Appropriations

Department of Health, Education, and Welfare—Human Development Services

Appropriations Committee Issues

The Congress should clarify legislation to further define the advocacy and coordination roles of the Children's Bureau and the Administration for Children, Youth, and Families in their efforts to improve the well-being of the Nation's children.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Attainable Benefits of the Medicaid Management Information System Are Not Being Realized

Budget Function: Health: General Health Financing Assistance (555).

Legislative Authority: Medicare and Medicaid Anti-Fraud and Abuse Act (P.L. 95-142). Social Security Act, title XIX. P.L. 92-603. 42 C.F.R. 450. S. 1470 (95th Cong.). H.R. 7079 (95th Cong.). H. Rept. 92-231.

Medicaid management information systems are integrated computer processing operations used by the States to process and pay bills for health care services provided to medicaid recipients, store and retrieve service and payment data for use in monitoring and analyzing program activity, and generate management reports. A review of the medicaid management information systems in three States—Ohio, Michigan, and Washington—indicated that the States have not realized the full potential of their systems.

Findings/Conclusions: Although approved by the Department of Health, Education, and Welfare (HEW), the systems do not meet requirements of the law, implementing regulations, or HEW's administrative requirements. Some systems are underdeveloped and/or underused, and as a result, neither the Federal Government nor the States are realizing all benefits expected. HEW lacks information on the cost of the systems and cannot effectively monitor or control administrative expenditures because of limitation in cost-reporting requirements. HEW has not required the States to develop or report the cost of operating the systems in detail. The system's data base is often incompatible with the mechanized payment systems used by medicare carriers and hinders timely, accurate, and mechanized exchange of payment data.

Recommendations: The Secretary of HEW should: develop written approval procedures for use by HEW personnel in approving State information systems; update the general systems design and the program regulation guide

to reflect system experiences to date; assist the States in developing medically acceptable definitions of medical practice which correlate medical diagnosis, procedure, age, and sex so that States can use the computer to check billings; clearly define the kinds of information systems' costs that HEW will reimburse at the 75% sharing level; and develop and implement a functional cost-reporting system for medicaid claims processing. The Congress should consider amending title XIX of the Social Security Act to require HEW to establish systems performance standards and to require that HEW periodically reevaluate approved systems to determine if they continue to meet Federal requirements. (HRD-78-151, 9-26-78)

Appropriations

Grants to States for Medicaid

Appropriations Committee Issues

A Medicaid Management Information System (MMIS) is supposed to provide a State with the information necessary to control Medicaid costs and detect fraud and abuse. What is HEW doing to improve the effectiveness of MMIS?

How has HEW improved its process to ensure that the requirements of law and regulation are being met before increased Federal sharing in State information system costs is authorized? What has HEW done to enable States to properly claim increased sharing in appropriate MMIS costs without over or under claiming?

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Home Health: The Need for a National Policy to Better Provide for the Elderly

Budget Function: Health: General Health Financing Assistance (555).

Legislative Authority: Social Security Act, as amended, title XX (42 U.S.C. 1397). Older Americans Act of 1965 (42 U.S.C. 3021; 42 U.S.C. 3031; 42 U.S.C. 3045). Special Health Revenue Sharing Act of 1975 (P.L. 94-63). H.R. 8423 (95th Cong.). H. Rept. 95-549. H.R. 12255 (95th Cong.) H. Rept., 95-1150 S. 3544 (95th Cong.) H.R. 13097 (95th Cong.)

The Department of Health, Education, and Welfare (HEW) administers the principal Federal programs which provide home health care. The main home health care programs that are medically oriented are Medicare and Medicaid. Proposed changes to the Medicare and Medicaid programs include eliminating the requirement that beneficiaries be confined to their homes and be in need of skilled care, limitations on the number of home visits, and the addition of homemaker services in fiscal year 1978. Except for the removal of the skilled care requirement, the costs associated with these changes would not be prohibitive and could provide disincentives to institutionalization.

Findings/Conclusions: Most of the problems noted in a 1974 GAO report have been alleviated by the implementation of various provisions of the 1972 Amendments to the Social Security Act, and by better provider understanding, gained through experience, of Medicare's home health care requirements. Many physicians are still unaware of the types of services being provided by home health agencies, and States still have different requirements concerning the number of visits allowed under Medicaid. Until older people become greatly or extremely impaired, the cost for home services, including the large portion provided by families and friends, is less than the cost of putting these people in institutions. About 17% of those 65 years or over fall within the greatly or extremely impaired category, about one-third of whom are in institutions. At the "greatly impaired" level, where the breakeven point in cost is reached, families and friends are provid-

ing about \$287 per month in services for every \$120 being spent by agencies. At all levels of impairment, the value of services provided by families and friends is significantly higher than public agency costs.

The Older Americans Act, as amended, made the Administration on Aging (AOA) responsible within the Federal Government for handling problems of the aged and aging. Interagency/intra-agency agreements effected between Federal, State, and local agencies have not provided effective coordinated home health services to beneficiaries. Services provided are not accessible through a single entry point. HEW officials believe that under then existing legislation, home health services defied coordination.

Recommendations: Congress should consider focusing jobs created for assisting the sick and elderly on those older people who live alone and are without family support. The Secretary of HEW should: have the carriers and intermediaries publicize the use of home health care and provide information concerning the availability of home health services to physicians and institutional providers, identify State Medicaid programs which do not provide equal treatment to eligible individuals and take steps to correct such inequities, and develop a national policy to be considered by Congress which would consolidate home health activities. HEW should promote the establishment of a comprehensive single entry system by which individuals are assessed prior to placement in a program.

HEW generally concurred with our recommendation regarding the development of a comprehensive national policy which would consolidate home health activities. HEW also recognized that the various programs providing home health services were completely disparate in their scope, populations served and methods of financing.

HEW's Health Care Financing Administration has the lead in a Congressional mandated study which will examine issues and problems of coordination and provision of home health services.

The Medicare Amendments of 1978, H.R. 13097, passed by the House but not enacted by the 95th Congress provided for a number of improvements in Medicare benefits, including liberalization of home health benefits.

Also in October 1978 the Senate Finance Committee approved a bill (S. 3544) which would provide Federal funds for States to train and employ welfare recipients as homemakers and home health aids for the elderly and disabled; however, legislative action was not completed on this proposal either.

Enacted in the 95th Congress was a bill (H.R. 12255) revising and extending the Older Americans Act which authorized special projects on comprehensive long term care with emphasis on services designed to support alternatives to institutional living and the assessment of need, the development of a plan of care and the referral of individuals in the delivery of services.

The new law also strengthened the Administration of Aging's (AOA) functions in coordinating programs for the elderly including Medicare and Medicaid. (HRD-78-19, 12-30-77)

Appropriations

Department of Health, Education and Welfare—Grants to States for Medicaid, Payment to Health Care Trust Funds, Human Development Services

Appropriations Committee Issues

Better opportunities to provide home health and in-home services to the poor and elderly under the various titles of the Social Security and Older American Acts could result if programs are effectively coordinated. AOA as the focal point within the Federal Government to handle problems of the aged and aging has not satisfactorily coordinated home health services. Services are available through many different programs but the delivery of the services is not coordinated. Services provided differ, or are called by various names in different programs, which create confusion among beneficiaries over the best source of assistance for their circumstances. Services available have not been accessible through a single entry point. Legislation enacted in the final days of the 95th Congress was aimed at improving coordination of in-home services for the aged.

DEPARTMENT OF HEALTH EDUCATION AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Savings Available by Contracting for Medicaid Supplies and Services

Budget Function: Health: Health Care Services (551).

Legislative Authority: Social Security Act, as amended, title XIX (42 U.S.C. 1396). Clinical Laboratory Improvement Act of 1977; S. 705 (95th Cong.); H.R. 10909 (95th Cong.); S. Rept. 95-360. Social Security Amendments of 1967 (P.L. 90-248); H.R. 12080 (90th Cong.). Medicare Act 45 C.F.R. 450. H.R. 6221 (95th Cong.). S. Rept. 92-1230. H. Rept. 95-1004. B-164031 (4) (1972).

Federal funds provided by the medicaid program are used to purchase medicaid supplies and services, including eyeglasses, oxygen, durable medical equipment, and clinical laboratory services. Each State has primary responsibility for administering its medicaid program. Although the Social Security Act requires that State medicaid programs provide certain basic services to all eligible persons, medicaid coverage for miscellaneous supplies and services is not uniform.

Findings/Conclusions: The medicaid program could realize considerable savings if the States used competitively bid or negotiated contracts to purchase medical supplies or services for medicaid recipients. States using direct contract methods obtain supplies at lower prices than those States applying the criteria of usual and customary as permitted by regulations. In three Northeastern States, medicaid was paying higher prices for clinical laboratory services than other purchasers even though the program was a large consumer of such services. Other purchasers take advantage of volume and professional discounts, lower fee schedules, and direct contracting to obtain better prices. The issue of whether direct contracting by States is consistent with freedom-of-choice provisions of the Social Security Act is unclear, but GAO believes that eyeglasses, oxygen, and other items of durable medical equipment can be purchased through competitively awarded contracts without conflicting with provisions of the act.

Recommendations: The Administrator of the Health Care Financing Administration should:

publish regulations which encourage States to purchase eyeglasses, oxygen, wheelchairs, and other durable medical equipment through competitive bids or competitive negotiation; expand medicare's proposed lowest charge regulations to include laboratory tests most commonly ordered under medicaid; and require the States to find out what other volume purchasers of laboratory services are paying when developing their fee schedules. To facilitate the competitive procurement of medicaid supplies, the Congress should amend the Social Security Act to specifically exclude eyeglasses, hearing aids, oxygen, and common items of durable medical equipment. Also Congress should enact pending legislation to authorize the competitive procurement of laboratory services on an experimental basis.

HEW agreed with the need to better assure that States purchase quality Medicaid supplies and services at the lowest possible price.

On August 16, 1978, HEW issued a notice of intent to regulate which asked for suggestions on how to lower the cost and improve the quality of eyeglasses and hearing aids paid for under the Medicaid program. Among the options to be considered is competitive procurement.

During the 95th Congress both Houses of Congress passed legislation which authorized States to purchase laboratory services for their Medicaid population through competitive bidding arrangements; however, the 95th Congress expired before legislative action could be completed.

Also the Senate Finance Committee in its report on H.R. 5285 (S. Rept. No. 95-1111) clarified Congressional intent on the "freedom of choice" provision by pointing out it was not intended to apply to the types of care or services which the patient ordinarily does not choose. (HRD-78-60, 7-6-78)

Appropriations

Department of Health, Education, and Welfare—Grants to the States for Medicaid.

Appropriations Committee Issues

In view of the broad Congressional support for the use of competitive procurement meth-

ods for acquiring laboratory services and the savings that can result therefrom; HEW should be encouraged to proceed under its existing authority under section 1115 of the Social Security Act to enter into demonstration projects involving the competitive procurement of laboratory services for Medicaid recipients. Also, HEW regulations aimed at lowering the cost of eyeglasses and hearing aids under Medicaid should be expedited and expanded to include other supplies and medical equipment.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Use of Grant Funds by the Sacramento Foundation

Budget Function: Health: General Health Financing Assistance (555).

Legislative Authority: Social Security Amendments of 1972 (P.L. 92-603). P.L. 94-182, sec. 107.

The Foundation Community Health Plan of the Medical Care Foundation of Sacramento was reviewed to determine: (1) if the Federal Government had recovered Medicaid funds paid to the Foundation as recommended in previous reports; and (2) if the State of California should refund Federal Government grant funds paid to the Foundation as part of a rate-setting demonstration study. As of December 1977, HEW had not attempted to recoup funds from California based on 1975 recommendations on fiscal years 1973 and 1974 Foundation activities. The State failed to justify paying rates to the Foundation exceeding those that would normally have been paid to a prepaid health plan. The law is not specific on how extensively the Foundation had to participate in the rate-setting study; HEW's grant to the State only required the Foundation to provide data to the State. Because the Foundation provided the data, there are no grounds on which to demand repayment from California for

its payment of demonstration grant funds to the Foundation.

The HEW Inspector General is determining for the Health Care Financing Administration the amount of excess capitation paid to the Foundation Community Health Plan during fiscal years 1973, 1974, and 1975 so that recovery can be made. GAO identified \$4.6 million in payments for fiscal years 1973 and 1974 that exceeded those which would normally have been paid to a prepaid health plan. (HRD-78-62, 3-6-78)

Appropriations

Grants to the States for Medicaid.

Appropriations Committee Issues

Has HEW recouped from California the Federal share of excess Medicaid payments to the Foundation Community Health Plan for fiscal years 1973, 1974, and 1975.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION NATIONAL INSTITUTES OF HEALTH National Heart, Lung, and Blood Institute

Problems in Carrying Out the National Blood Policy

Budget Function: Health: Health Care Services (551);

The American Blood Commission was organized to carry out the National Blood Policy—a plan developed by the Department of Health, Education, and Welfare (HEW) for developing a safe, fast, and efficient blood collection and distribution system. The policy prescribed improvements in blood banking to include regionalized blood collection and distribution, transition to an all-voluntary blood donation system, and rational alignment of charges and costs for blood services.

Findings/Conclusions: The Commission primarily develops and tests standards, guidelines, and procedures pertaining to blood banking. Factors which will make it difficult for the Commission to carry out its policy are: difficulties in obtaining funds to support its operations; disagreement between the two largest blood suppliers; possible opposition, especially from areas in which there are multiple suppliers of blood, to regionalized blood collecting and distributing; possible problems in obtaining data from blood banks by the Na-

tional Blood Data Center; and lay members' lack of sufficient knowledge of blood banking. The Health Care Financing Administration (HCFA) has not yet developed a system to relate costs and charges for blood services. (HRD-77-150, 3-7-78)

Appropriations

Department of Health, Education, and Welfare, National Institutes of Health
Department of Labor

Appropriations Committee Issues

The Secretary of HEW should: monitor closely the progress of the Commission toward carrying out the National Blood Policy and, if necessary, consider a legislative or regulatory approach; and instruct the Administrator, HCFA, to report on attempts to relate the costs of and charges for blood services.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

HEALTH RESOURCES ADMINISTRATION

Federal Capitation Support and Its Role in the Operation of Medical Schools

Budget Function: Health: Health Care Services (551).

Legislative Authority: Comprehensive Health Manpower Training Act of 1971 (P.L. 92-157). Health Professions Education Assistance Act.

The Comprehensive Health Manpower Act of 1971 authorized institutional assistance in the form of formula grants, called "capitation" grants, based on statutorily established amounts per student per year and a bonus for enrollment of first-year students beyond mandated levels. Subject to the availability of appropriations, medical schools were authorized to receive \$2,500 for each enrolled first-year, second-year, and third-year student, and \$4,000 for each graduating student.

Findings/Conclusions: Although it provides a relatively small percentage of the resources needed to operate a medical school, Federal capitation support has played an important role in medical education. Because of the flexibility in expenditures allowable from this source of revenue, school officials believe that terminating the program would adversely affect medical school teaching programs and possibly result in reduced enrollment. However, data do not show conclusively the impact that loss of capitation grants would have on medical schools. Federal funding to medical schools has increased but not at the same rate as other funding sources. Federal support of medical schools amounted to about 50% of their total revenue in 1975-76, a decline of 3% since

school year 1973-74. The major portion of Federal support comes from National Institutes of Health research grants. If this source of funding had not increased, the Federal share of medical school revenue would have been about 44% in 1975-76. Medical school revenues are increasing. From 1974 to 1976, public-supported medical schools increased their revenues by 35% while private medical schools increased their revenues by 22%. However, medical school expenditures have also increased. (HRD-78-105, 5-16-78)

Appropriations

Department of Health, Education and Welfare, Health Resources Administration

Appropriations Committee Issues

Congress should be concerned about the extent that capitation support is needed and how it is accomplishing the objective of aiding in the increase in physicians—particularly because of the availability of loans and scholarships and the anticipated need for increasing the number of physicians.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH RESOURCES ADMINISTRATION HEALTH SERVICES ADMINISTRATION

Progress and Problems in Improving the Availability of Primary Care Providers in Underserved Areas

Budget Function: Health: Health Care Services (551).

Legislative Authority: Allied Health Professions Personnel Training Act of 1966 (P.L. 89-751). Emergency Health Personnel Act of 1970 (P.L. 91-623). Comprehensive Health Manpower Training Act of 1971 (P.L. 92-157). Emergency Health Personnel Act Amendments of 1972 (P.L. 92-585). Public Health Service Act. Health Professions Educational Assistance Act of 1976 (P.L. 94-484). Health Professions Educational Assistance Amendments of 1965 (P.L. 89-210). "Rural Health Clinic Services Act" (P.L. 95-210) Health Professions Education Amendments of 1977 (P.L. 95-215).

The Congress has recognized the importance of making health manpower accessible to the entire population. A disproportionate number of physicians has been concentrated in urban areas, mainly because of professional considerations. During fiscal years 1972-1977, more than \$430 million in Federal funds were obligated in an attempt to increase the supply of physicians in shortage areas.

Findings/Conclusions: Federal efforts have had some success, but many problems remain. The National Health Service Corps has increased the availability of physicians in shortage areas but, because it has not adequately assessed needs, its physicians are underused in terms of patients served at some sites. The Federal loan repayment program has attracted only a small percentage of eligible physicians, most of whom would have established practices in shortage areas anyway. The program for area health education centers has long-term potential to improve health manpower distribution by meeting some of the professional considerations. The preceptorship program will probably not substantially affect location choices, but the family medicine training program has potential for increasing the supply of physicians in rural areas and small towns because of the tendency for many family practitioners to locate in such areas. Many States and private organizations have attempted to increase access to primary care medical serv-

ices in rural areas through programs using nonphysician providers, including nurses and physician extenders. The inability to receive reimbursement from medicare or other sources for physician extender services restricted more widespread use of such services. Recent authorization for such reimbursement may help areas to use physician extenders to meet health care needs.

Recommendations: The Secretary of Health, Education, and Welfare (HEW) should develop guidelines for assessing under what circumstances it would be appropriate to assign Corps health care providers and the number and type of provider(s) that would be most appropriate and require studies of potential use by residents, develop projections to assess the number of physicians with scholarship commitments that will be needed to serve in shortage areas, analyze the extent to which family practitioners and other specialists locate in HEW-designated shortage areas and make recommendations for financially supporting programs with the greatest potential for serving these areas, work with States to identify shortage areas and develop a strategy for establishing an integrated program to appropriately serve each area, and examine programs which rely on physician extenders and consider seeking legislation to assist such programs. The Congress should reconsider whether the loan repayment program for physicians needs to be

continued and the necessity for HEW to complete its study on physician extender reimbursement in view of recent legislation and questions raised about the validity of study results.

HEW has not yet submitted its comments to congressional committees on actions taken on GAO's recommendations required by the Legislative Reorganization Act of 1970. In commenting on the draft report, however, HEW agreed with most of the recommendations. HEW was not in favor of GAO's recommendation that the Congress reconsider the necessity for HEW to complete its study on physician extender reimbursement under the Social Security Act as requested by the Congress in 1972. HEW said that, although there are some administrative and substantive problems with the study, it is the only major study to obtain data on costs of services of physician extenders and the impact of reimbursement on the use of these practitioners. HEW did not comment on the GAO recommendation that the Congress should reconsider whether the loan repayment program for physicians needs to be continued. (HRD-77-135, 8-22-78)

Appropriations

Department of Health, Education, and Welfare: Health Resources Administration, Health Services Administration

Appropriations Committee Issues

GAO believes it is doubtful that a separate loan repayment program is still needed to attract physicians to shortage areas in view of the (1) expanded corps scholarship program and number of physicians expected to be available for shortage area service and (2) discre-

tion available to the Secretary of How under the Health Professions Educational Assistance Act of 1976 to repay the newly authorized federally insured health professions student loans. Therefore, the appropriation committees should reconsider whenever the loan repayment program for physicians needs to be continued since

- it has not induced substantial numbers of physicians to enter shortage area practice and

- many physician participants apparently received windfall repayment of their education loans by the Federal Government since they would have established their practices in those shortage areas anyway.

The appropriation committees should also reconsider the necessity for HEW to complete its study on physician extender reimbursement as required by the Social Security Amendments of 1972 in view of the

- enactment of the "Rural Health Clinics Services Act" that provides for (1) Medicare (part B) and Medicaid reimbursement of physician extender services rendered in certain rural health clinics in medically underserved areas and (2) demonstration projects to be conducted with respect to reimbursement for services provided by physician directed clinics in urban medically underserved areas which employ physician extenders and

- questions raised in an HEW report about the potential validity of the study results because of the way in which the sample practices have been selected for inclusion in the study and the limited number of practices that agreed to participate.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH SERVICES ADMINISTRATION

Are Neighborhood Health Centers Providing Services Efficiently to the Most Needy?

Budget Function: Health: Health Care Services (551).

Legislative Authority: Public Health Service Act, as amended (42 U.S.C. 254c; 42 U.S.C. 300e). Social Security Act (42 U.S.C. 1395; 42 U.S.C. 1396). National Health Planning and Resources Development Act of 1974 (P.L. 93-641). National Consumer Health Information and Health Promotion Act of 1976 (P.L. 94-317). Planning and Health Services Amendments of 1966. P.L. 94-63. B-164031 (2) (1974).

Federally funded neighborhood health centers provide a wide range of ambulatory health services to residents (primarily the urban poor) of the areas designated as medically underserved. The Department of Health, Education, and Welfare (HEW) funds 112 neighborhood health centers; such centers received most of the \$197 million appropriated in fiscal year 1976 for HEW's community health center program.

Findings/Conclusions: There are five basic situations in need of improvement in the neighborhood health center program: (1) centers are over-staffed for the number of patients treated, and the underuse of physicians, dentists, support personnel, and services costs more than \$1 million annually; (2) demand for health services from neighborhood health centers is not likely to increase beyond present levels and could decline; (3) HEW has not made sure that centers are serving residents of medically underserved areas and does not know the number of percentages of users who live in these areas; (4) HEW no longer requires centers to become financially self-sufficient; and (5) although the Public Health Service Act requires the centers to provide preventive health care, most patients use the health centers to cure illness instead of for prevention. HEW needs to develop and more strongly enforce productivity standards for all health center employees.

Recommendations: The Secretary of HEW should: reduce the service capacity at inefficient centers to levels consistent with the demand for services, enforce compliance with

existing productivity and staff-size criteria, develop criteria for measuring the productivity of dentists, assure closer evaluation of the reasonableness of costs at each center in relation to the level of service provided, compile and maintain records to identify center registrants who live in medically underserved areas and identify centers whose registrant workload is not primarily from those areas, stop funding centers which service only or primarily people who do not live in medically underserved areas, continue to encourage and assist centers to bill and collect money when it is due them, and have health centers promote participation in preventive health care services.

HEW concurred with our recommendations which would result in increased efficiency, allow for resource allocation, and result in increased participation in preventive health care services. It believes that collecting demographic data to identify residences of clinic workload would be contrary to efforts to streamline Federal paperwork requirements and direct funds from health care delivery. Also it did not concur that centers should concentrate on servicing residents of medically underserved areas. (HRD-77-124, 6-20-78)

Appropriations

Department of Health, Education, and Welfare, Health Services Administration—Community Health Centers

Appropriations Committee Issues

Congress should be concerned about the extent that project overstaffing is increasing program operating costs.

Congress should be concerned about the extent that program funds are expended to fund clinics that do not serve the medically underserved.

DEPARTMENT OF HEALTH EDUCATION AND WELFARE

INDIAN HEALTH SERVICE

Review of IHS Plans for Construction of Hospital in Tahlequah, Oklahoma

Budget Function: Health: Health Planning and Construction (554).

The Indian Health Service (IHS) and the Cherokee Tribe jointly proposed to replace the W. W. Hastings Hospital operated by the IHS with a new facility adjacent to the city hospital at Tahlequah, Oklahoma. The IHS program document for the replacement of the W. W. Hastings Hospital was deficient in several respects. It did not contain sufficient planning for the integration of Indian and non-Indian health needs provided at the Tahlequah Community Hospital; calculate the number of acute care hospital beds and amount of square footage in accordance with planning methods approved by the Department of Health, Education, and Welfare; or develop the justification for and facility requirements of the training and educational programs which the tribe had planned. A review of the IHS hospital construction program identified weaknesses in program planning. The IHS method of planning for acute care hospital beds does not recognize the downward trend in IHS hospital usage; if IHS proceeds as planned, its hospitals will contain too many beds. Appropriations for IHS hospital planning and construction should not be made until IHS adjusts its method for planning hospi-

tal capacity and size to recognize the downward trend in hospital use and the availability of existing community facilities.

IHS is revising its procedures for determining the bed size and square footage of its hospitals. The Congress has indicated plans to fund the construction of the Tahlequah, Oklahoma hospital and the Chinle, Arizona hospital. Funding commitment for other hospitals is being deferred until IHS finalizes its bed sizing and square footage criteria for hospitals and until IHS adjusts its method for planning hospital priority list for its hospital construction program. (HRD-78-124, 6-2-78)

Appropriations

Department of Health, Education and Welfare, Indian Health Service

Appropriations Committee Issues

Congress needs to provide guidance in setting program direction and priority for future action.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

NATIONAL LIBRARY OF MEDICINE

Observations on the Management and Use of Resources at the National Medical Audiovisual Center

Budget Function: Health: Health Research and Education (552).

Legislative Authority: National Library of Medicine Act.

Employees at the National Medical Audiovisual Center (NMAC) in Atlanta, Georgia, alleged that: NMAC was incurring excessive costs because it was contracting for audiovisual production rather than producing in-house, NMAC was lax in enforcing contract deadlines and was receiving poor quality work from contractors, and NMAC was not fully or productively using its personnel and equipment. Allegations that NMAC was incurring excessive costs by contracting for audiovisual production were inappropriate and lacked perspective. However, NMAC's contract program is expensive, and it needs to explore less costly ways of production. NMAC has been lax in enforcing contract deadlines, specifying product standards to be met by contractors, and monitoring contractors' progress. It has frequently extended completion dates, increased contract fundings, and received unsatisfactory products. NMAC has not fully or productively used many of its employees and much of its audiovisual production equipment, and morale is low among many employees. The Secretary of Health, Education, and Welfare should require that: a thorough evaluation is made of NMAC's mission and how effectively it is achieving it, a strategy and specific objectives and plans for accomplishing the mission are promptly developed and approved, an evaluation is made of the resources

needed and the most cost-effective way to achieve its missions, no additional employees are hired or equipment purchased until an acceptable strategy and specific plans and objectives are developed, and appropriate actions are taken to deal with unnecessary equipment and personnel.

In comment on our report, HEW generally agreed with our recommendations. However, HEW disagreed with our recommendations to delay hiring additional personnel or purchasing additional equipment until its mission is evaluated and a strategy and resource plan are developed for accomplishing its mission. (HRD-78-95, 3-28-78)

Appropriations

National Library of Medicine

Appropriations Committee Issues

The Congress should consider whether NMAC's appropriations should be restricted or limited until the Congress has assurance that NMAC has only the personnel and equipment needed to accomplish its mission and that activities undertaken are cost-effectively accomplishing that mission.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Better Information Needed for Oversight and Evaluation of Selected Elementary and Secondary Education Programs

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).

Legislative Authority: Congressional Budget Act of 1974, title VIII (P.L. 93-344). Elementary and Secondary Education Act of 1965, as amended (P.L. 89-10; P.L. 93-380; P.L. 90-747; P.L. 85-864; P.L. 90-247; P.L. 81-874; P.L. 91-230; 20 U.S.C. 236).

A review to determine the Senate Committee on Human Resources' needs for oversight information on selected elementary and secondary education programs focused on the information currently provided to the committee, information available from the Federal educational community, information available from State educational agencies, and information available from local educational agencies. Information collected during 1976 and 1977 covered a wide range of descriptive information, financial data, and performance indexes.

Findings/Conclusions: More uniformity is needed in education programs and budgetary presentations. There are several varying lists and structures for programs authorized by the Elementary and Secondary Education Act. Each list or structure serves a purpose that influences its form, but several appear to be justified only because of different information requirements of various users. Information users should attempt to move toward uniformity of list or structure; where this is not possible, easily usable cross-references should be developed and made available. Also, there needs to be more uniformity in the terms and their definitions used in reports to the Congress on education programs. Four alternative approaches to providing the committee with oversight information are: (1) comprehensive data packages supplied to the committee; (2)

selected data reported to the committee and the remainder retained to be available upon request; (3) selected data obtained by the Education Division and reported to the committee; or (4) maintain existing reporting systems.

Recommendations: The Secretary of Health, Education, and Welfare should coordinate with the Office of Management and Budget and interested congressional committees to develop: a basic program/activity list and cross-references between other program identification description, fiscal data, student eligibility and participation, assessment of needs, and program evaluation information for future reports to the committee. (PAD-78-35, 5-30-78)

Appropriations

Department of Health, Education, and Welfare
Department of Labor and related agencies

Appropriations Committee Issues

Education program information is presented to the Congress under many different or slightly different program names and groupings (program/activity lists or structures). There needs to be more uniformity in terminology and compatibility in program lists.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Financial Statements of the Student Loan Insurance Fund

Budget Function: Education, Manpower, and Social Services: Higher Education (502).

Legislative Authority: Higher Education Act of 1965.

Since 1968, GAO has issued seven reports to the Congress on the financial aspects of the Student Loan Insurance Fund. Many deficiencies in the Office of Education's accounting and computer systems were noted, including the following: (1) major accounts were unsupported by subsidiary records; (2) the allowance for loss rates for defaulted loans purchased, accrued interest, and claims-in-process was not based on actual program experience; and (3) the automated computer systems needed to provide accurate information for the Fund's financial statements were not functioning properly. A limited review of the Fund's financial transactions and operations for fiscal years 1976 and 1977 disclosed that these deficiencies remain uncorrected. No opinion was rendered since the poor condition of accounting records and lack of adequate internal control procedures would have necessitated additional time-consuming work. The Department of Health, Education, and Welfare should develop a plan of action that will detail the steps needed to improve the Fund accounting controls and procedures and the computer system that prov-

ides data for the Fund and the management of the Guaranteed Student Loan program.

Comments have not been received from HEW regarding planned actions. The report was issued September 8; therefore, the 60-day status letter is not due. (HRD-78-165, 9-8-78)

Appropriations

Department of Health, Education, and Welfare, Office of Education.

Department of Labor

Appropriations Committee Issues

Approximately \$50 million has been spent on automated computer systems which have not provided accurate information needed for financial statements and program operations. The present system is not working and there is uncertainty about the development of future systems. Additional funds for new computer systems should not be provided until the Office of Education is able to develop specific plans on how it will overcome current data problems.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Indian Education in the Public School System Needs More Direction from the Congress

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).

Legislative Authority: Indian Education Act, title IV (20 U.S.C. 241aa et seq. (Supp. V); P.L. 92-318).

A review of special Indian education focused on projects carried out by grantees, local community involvement, and the quality of program administration. Under funding authorized by the Indian Education Act of 1972, about \$141 million was spent by grantees for special projects to meet Indian children's needs in elementary and secondary schools.

Findings/Conclusions: Several problems were noted in carrying out programs. Local educational agencies did not use uniform methods and criteria to identify Indian children served. The definition "Indian" is too general in legislation and regulations to allow for eligibility determination. Special educational needs of Indian children were not adequately defined or assessed and thus funds were used for various projects according to local interpretations. Also, program goals were not established and some grantees did not evaluate project effectiveness. Participation by Indian parents was not always active, partly because of lack of guidance from local educational agencies. Program administration by the Office of Indian Education needs improvement.

Recommendations: Congress should modify legislation to clearly define eligible Indian children and their needs. The Commissioner of Education should: (1) establish clear goals and

means to measure effectiveness of Indian education; (2) require annual project evaluation; (3) improve technical assistance to grantees; (4) clarify parent committee responsibility; and (5) require improved information systems for resolving grantee problems.

The Office of Education has corrected or initiated actions to resolve most of the problems identified in our report. The Congress has addressed most of the problems identified in our report. The Congress has addressed the issues relating to defining "Indian" and what constitutes special educational needs of Indians. (HRD-76-172, 3-14-77)

Appropriations

Department of the Interior and Related Agencies.

Appropriations Committee Issues

Funds are provided to local educational agencies according to Indian children enrolled regardless of need. For better distribution funds should be awarded to local educational agencies based on the number of Indian children with special educational needs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HEALTH MAINTENANCE ORGANIZATION OFFICE OF THE ASSISTANT SECRETARY FOR HEALTH

Can Health Maintenance Organizations Be Successful? An Analysis of 14 Federally Qualified 'HMOs'?

Budget Function: Health: Health Care Services (551).

Legislative Authority: Health Maintenance Organization Act of 1973, as amended (42 U.S.C. 300e). Health Maintenance Organization Amendments of 1976 (P.L. 94-460). Social Security Act, as amended (P.L. 92-603). Public Health Service Act. S. Rept. 94-844. S. 2534 (95th Cong.). S. 2676 (95th Cong.). H.R. 9788 (95th Cong.). H.R. 11461 (95th Cong.). H.R. 11388 (95th Cong.).

Health maintenance organizations (HMO's) serve as alternatives to traditional fee-for-service health care delivery systems by providing health care to members based on prepaid rates. The Health Maintenance Organization Act of 1973 authorized a program to help develop new HMO's and expand existing ones by providing financial assistance and requiring certain employers to offer HMO's as an option to employees.

Findings/Conclusions: A review of the operations of 14 HMO's showed that: the Department of Health, Education, and Welfare (HEW) has not defined specific methods for translating the community rating requirement of the act into subscriber rate structures; some subscriber rates of some organizations did not appear to be equivalent as directed by this requirement; some HMO's may not meet the act's financial soundness requirement; membership is not broadly representative of service areas, including few indigent or elderly persons; none of the 14 HMO's has held open enrollment periods nor has plans to do so until required to, resulting in limited access for high risk individuals; and none has implemented planned quality assurance programs. The dual choice requirement of the act has not had a significant effect on employer's costs. Problems in HEW's implementation of the act include: fragmented responsibility and uncoordinated efforts in operating the program, insufficient staff with needed expertise, and slow is-

suance of final regulations and guidelines for implementing and enforcing requirements of the act.

Recommendations: The Secretary of HEW should: issue final regulations and guidelines and/or criteria for defining how a community rating system should work, for evaluating requests for waiver of the open enrollment requirement, and for governing third-party relationships; develop and disseminate guidelines for designing quality assurance programs and implement procedures for reviewing compliance with quality assurance requirements; and obtain additional staff with needed expertise to effectively administer the program. The Congress should defer action on proposals intended to stimulate medicaid and medicare enrollments until HEW demonstrates that it could effectively administer proposed changes and implement effective compliance and on proposals to increase total loans available to HMO's until HEW demonstrates effective administration of the existing loan program. The Congress should enact the proposed financial disclosure requirements for third-party relationships and the proposed training program for HMO managers.

Enactment of the HMO Amendments of 1978 resulted in the requirement for financial disclosure of organizational relationships and for the establishment of a training program for HMO administrators and other managerial personnel.

In addition, the amendments kept the operating loan at the current level but set forth procedures to be followed to preserve the fiscally sound operation of an HMO and to protect against the risk of insolvency. The Congress deferred action on the proposed changes in the Medicare and Medicaid program. (HRD-78-125, 6-30-78)

Appropriations

Office of the Assistant Secretary for Health,
Office of Health Maintenance Organization.

Appropriations Committee Issues

The Congress should continue to monitor HEW's management of the HMO program, particularly because of conflicting objectives of increasing the number of Federally qualified HMO's and monitoring those HMOs which receive qualification to assure their compliance with HMO Act and implementing regulations.

The Congress needs to be assured that Federal loans to HMO's are adequate but not excess to allow for development and fiscal independence.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT SERVICES Administration for Public Services

Opportunities for HEW to Improve the Administration of Day Care Programs

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Social Security Act, as amended, title XX. P.L. 94-120. P.L. 94-401. P.L. 95-171. 45 C.F.R. 71.

Federal day care expenditures amounted to \$675 million in fiscal year 1977; about 78% of this amount (\$529 million) was provided by title XX of the Social Security Act. A review of selected aspects of day care programs funded under title XX focused on: the reasonableness of the Federal staff-to-child ratios mandated for day care centers, the adequacy of Federal efforts to assure that family day care homes provide suitable care, the reasonableness of fees charged income-eligible families, and the type of care provided by day care centers and family homes.

Findings/Conclusions: The review noted: the developmental needs of most children could be met with standards requiring less staff than those mandated by interagency requirements; and implementing current Federal standards could increase the cost of providing day care and reduce the availability of day care centers for children receiving federally funded day care. In addition, methods used by States to compute staff-to-child ratios were inconsistent, family home day care was generally provided by persons with no formal training in child development, and some States did not provide employment-related day care for two-parent families. Graduated fee schedules are needed to help income-eligible families make an orderly transition from subsidized to nonsubsidized day care.

Recommendations: The Secretary of Health, Education, and Welfare should: determine the

minimum care needed to provide for the health, safety, and developmental needs of children and develop staff-to-child ratios appropriate for such care: provide guidelines to assure that the ratios are computed in a consistent manner; determine the minimum training needed to provide family home caregivers with a basic understanding of a child's developmental needs and the minimum skills needed to use such knowledge; incorporate these training requirements into interagency requirements; encourage States to use graduated fee schedules that would accustom families to paying for the cost of day care; and encourage States to adopt policies and practices that assure that all two-parent families who qualify receive subsidized day care.

In October 1978, HEW was considering what action, if any, that it would take on our recommendations. (HRD-78-81, 3-22-78)

Appropriations

Department of Health, Education, and Welfare, Office of Human Development Services

Appropriations Committee Issues

HEW administration of day care programs could be improved by adoption of our recommendations.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE

National Institutes of Health: National Cancer Institute

Advisory Groups to the National Cancer Institute's Carcinogenesis Program

Budget Function: Health. Prevention and Control of Health Problems (553).
Health Problems (553).

Legislative Authority: National Cancer Act of 1971 (42 U.S.C. 282). Toxic Substances Control Act (P.L. 94-469).

The following aspects of the National Cancer Institute's (NCI's) carcinogenesis program were reviewed in response to a congressional inquiry: the roles and responsibilities of advisory groups to the carcinogenesis program and the relationships between advisory group members and organizations that could be affected by NCI activities, the extent to which advisory groups encourage NCI efforts to conduct and sponsor research in cancer prevention and identification of environmental carcinogens, and the effect of the Clearinghouse on Environmental Carcinogens on the program.

Findings/Conclusions: NCI uses public advisory groups composed of experts to assist in achieving its goal of preventing or curing cancer. The National Cancer Advisory Board, however, has shown greater interest in this research and made certain recommendations which resulted in the creation of the Clearinghouse on Environmental Carcinogens. A review of contract awards indicated that the awards did not appear to be influenced by a principal investigator's committee membership or organizational affiliation. A review of financial disclosure statements showed that, of the 10 advisory group members who served as principal investigators on contracts, 5 had some form of

interest in an organization which could possibly be involved with NCI. (HRD-78-143, 7-26-78)

Appropriations

Department of Labor
Department of Health, Education, and Welfare, National Institutes of Health.

Appropriations Committee Issues

For various reasons, four of the five advisory groups that can influence the programs have given little attention to cancer prevention and carcinogenesis research.

The procedure for appointing advisory group members needs to be changed in order to avoid potential conflict of interest situations. The clearinghouse has done little to emphasize carcinogenesis research because its role needs to be clarified.

The Secretary of HEW should require the Director, NCI to determine if there is a need for the Clearinghouse on Environmental Carcinogens and ensure that conflict of interest determinations are made before appointing advisors.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

PUBLIC HEALTH SERVICE

National Institutes of Health: National Cancer Institute

Need to Improve Administration of a Carcinogen Testing and Carcinogenesis Research Contract

Budget Function: Health: Health Research and Education (552).

Legislative Authority: National Cancer Act (42 U.S.C. 286d). F.P.R. 1-3.210.

In May 1973 the National Cancer Institute (NCI) renewed, for 18 months, a sole-source contract with the Eppley Institute for cancer research. Since the \$3.4 million renewal, the contract has been modified several times so that, as of November 1977, 36 months and \$9.4 million have been added to the contract period and cost. NCI awarded a 1-year, \$3.6 million extension to the contract in November 1977.

Findings/Conclusions: In renewing the contract, NCI used an ad hoc group to make technical reviews of the proposal rather than the standing committees chartered for this purpose. Recommendations were apparently disregarded in negotiating the scope and amount of the contract, and justification for noncompetitive procurement was not based totally on facts. Problems identified in contract administration and performance were: contract monitoring was ineffective; the contractor did not fulfill reporting obligations; Eppley officials carried out and financed 11 projects with contract funds without obtaining initial formal approval; Eppley made charges to contract funds for personnel, laboratory animals, supplies and equipment which were not used for contract work or were not adequately controlled; and Eppley received approval to refurbish its breeding facility which was breeding more animals than were needed for research. Eppley has taken some action to reimburse the contract for noncontract costs. A review of the contract by the Department of Health, Education, and Welfare (HEW) Audit Agency is under way.

In response to our recommendations, NCI took the following actions: NCI issued a contract renewal that clearly stated conditions for project approval, personnel use, modifications, and inventory control; the animal farm will not be refurbished; a monthly statement of labor hours is reviewed; NCI executed a project justification for noncompetitive procurement; three co-project officers, with well-defined areas of responsibility have been assigned to the Eppley contract, and contract monitoring has been emphasized. (HRD-78-44, 2-10-78)

Appropriations Committee Issues

In order to prevent recurrence of problems cited by GAO, NCI has taken or planned the following actions to improve its contracting policies and procedures.

1. The PHS has established a course for project officers that includes contract monitoring.
2. The NCI will conduct an internal review of all contracts over \$1,000,000 to assure that administration is current and that proper procedures were followed.
3. Reviews of all contracts over \$500,000 will be strengthened by a more careful examination of the procedures leading to the award of the contract.
4. The NCI has a seminar program for contract specialists. One of these seminars has been dedicated to improving contract administration using the draft GAO report on the Eppley contract as a case

study. The NCI also intends to conduct another seminar on that subject and new employees will have the opportunity to receive this training periodically.

5. The concerns expressed in the GAO report have been brought up to the attention of the NCI Executive Committee which is made up of division directors as well as staff of the Office of the Director, NCI, so that the division directors can emphasize these matters to their project officers.
6. The Research Contracts Branch of NCI has initiated publication on a regular basis of an information memorandum which highlights particular contracting concerns and problems.
7. The contracting officer and project officers conducted a site visit at Eppley. This visit included an examination of Eppley's

procedures to assure that it has adequate systems to control property usage, time and effort reporting, cost allocation, and leave charges. They also reviewed Eppley's procedures for assuring that it adheres to the contract's work statement.

8. NCI will assure that contract specialists attend the HEW training course on contract administration and other appropriate courses.
9. A semiannual survey of project officers' assignments will be conducted to assess their workload to assure efficient contract monitoring.
10. The NCI intends to completely phase out the 'umbrella' type of contract awarded to Eppley by November 1980. The majority of the research projects involved in this contract will be completed or phased out by November 1979.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE

Food and Drug Administration: National Center for Toxicological Research
National Institutes of Health: National Institute of Environmental Health Sciences

Proposed Facility Requirements for the National Center for Toxicological Research and the National Institute of Environmental Health Sciences

Budget Function: Health: Health Research and Education (552).
Legislative Authority: Toxic Substances Control Act.

A review was conducted at the National Center for Toxicological Research (NCTR), Jefferson, Arkansas, and the National Institute of Environmental Health Sciences (NIEHS), near Durham, North Carolina, concerning planned changes in research activities and the need for additional facilities during the next 10 years, estimated costs of the planned facilities, and overlap of research between the two activities. NCTR is jointly funded by the Food and Drug Administration and the Environmental Protection Agency. NIEHS is one of the research institutes of the National Institutes of Health.

Findings/Conclusions: Research at NCTR is divided into three phases over the 10-year period beginning in fiscal year 1978. Phase I includes programs in 12 major areas; Phase II will continue previous programs and will add programs in inhalation toxicology and behavioral toxicology. Phase III will continue research and will add the capability to test a total of 50 possible cancer-causing chemicals a year. No unintentional overlap of research between the two organizations was identified; however, their missions are similar. NCTR approaches the problems of toxicity based on the needs of the regulatory agencies. NIEHS' re-

search objective is to increase the body of knowledge in the field of toxicity. (HRD-78-29, 12-19-77)

Appropriations

Department of Health, Education, and Welfare, National Institutes of Health
Department of Labor

Appropriations Committee Issues

NCTR will need its existing facilities and new facilities. Renovation is planned to cost \$45,822,631, and new construction, \$63,252,014. A cost of \$13,042,536 for other items such as site utilities and electrical work is also planned. NIEHS plans for fiscal years 1979-83 provide for increased staffing of six major areas of current research when a new permanent facility is completed. NIEHS officials plan to continue to occupy existing facilities and to complete construction of a new permanent facility. As of July 30, 1977, \$70,892,500 had been appropriated for the design and construction of the permanent facilities.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE

National Institutes of Health: Clinical Center, National Cancer Institute, and National Heart, Lung, and Blood Institute

Services for Patients Involved in National Institutes of Health-Supported Research: How Should They Be Classified and Who Should Pay for Them?

Budget Function: Health: Health Research and Education (552).

Legislative Authority: Public Health Service Act, sec. 301(e).

The National Institutes of Health (NIH) incurs costs for the care of patients participating in research that should be paid by patients or insurers. NIH often does not know whether grantees are charging it reasonable rates for patient care services because of inadequate monitoring of financial management aspects of grants involving such services.

Findings/Conclusions: There are no Institute-wide guidelines on what patient care services can be paid with research and contract funds. NIH does not take sufficient action to ensure that grantees submit information required for grant administrators to make sound financial decisions.

Recommendations: The Secretary of Health, Education, and Welfare should take actions to establish an equitable basis for determining which patient care services NIH should pay for and to improve various financial management aspects of grants involving patient care services, including: establishing a uniform Institutes-wide policy on patient care costs, with implementing guidelines on allocation of charges for patient care between the Institutes and the patient or other parties; providing for

adequate enforcement of the new guidelines and, until they are implemented, requiring that grantees comply with existing guidelines; more vigorously enforcing the requirement that grantees submit satisfactory rate proposals and reports of operations; requiring that patient care rates be negotiated within a certain time; and establishing criteria for evaluating use of clinical research centers. (HRD-78-21, 12-22-77)

Appropriations

Department of Health, Education, and Welfare, National Institutes of Health
Department of Labor

Appropriations Committee Issues

The Congress should clarify section 301 (e) of the Public Health Service Act to specifically state whether study patients at the NIH Clinical Center and other Public Health Service institutions, hospitals, and stations can be charged for any services they receive.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Improvements Needed in AFDC's Program for Recovering Overpayments

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Social Security Act (42 U.S.C. 601). 45 C.F.R. 223.

The Social Security Administration estimates that over \$850 million, about one-half of which was Federal funds, was erroneously paid to recipients of the Aid to Families with Dependent Children (AFDC) program during 1976. The AFDC program is a cooperative Federal-State program which provides aid in the form of cash assistance and social services to needy, dependent children and their caretaker relatives.

Findings/Conclusions: States are not required to establish an AFDC program, but if they do, it must be approved by the Department of Health, Education, and Welfare (HEW). Federal regulations allow States to reduce a recipient's AFDC benefits to recover overpayments caused by willful withholding or misstating of information which could affect eligibility or benefit amount. States are allowed considerable latitude in recovering overpayments caused by recipients willfully withholding information. Some States require recipients to fully repay overpayments while other either waive the amount overpaid, seek voluntary repayment, or attempt recovery only if fraud is involved. States are not required to maintain either complete records of the amounts overpaid or the disposition of those accounts.

Recommendations: The Secretary of HEW should revise HEW's regulations to establish uniform and comprehensive overpayment re-

covery policies in the AFDC program, including requirements for States to: (1) maintain information on the total number and amount of overpayments involved and their disposition; and (2) establish a mechanism for assessing the effectiveness of their overpayment recovery efforts. The commissioner of the Social Security Administration should assist the States in establishing an appropriate mechanism for monitoring and evaluating the adequacy of recovery efforts. (HRD-78-117, 5-25-78)

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—supplemental security income.

Appropriations Committee Issues

Sufficient resources are presently not available in SSA's Office of Family Assistance to carry out the recommendations needed to strengthen SSA's administration of overpayment recovery. In view of the substantial funds which have been overpaid AFDC recipients, appropriate Federal mechanisms for effectively controlling and monitoring the resolution of these overpayments is needed. The Committee should review the adequacy of SSA plans for this area.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Information and Referral for People Needing Human Services: A Complex System That Should Be Improved

Budget Function: Education, Manpower, and Social Services: Social Services (506).

The Federal Government, as well as State, local, and private agencies, offers a variety of programs directed at providing human services to help improve the status of individuals. More than \$100 billion in Federal funds is spent annually on health, rehabilitation, employment, income maintenance, nutrition, education and other programs designed to assist people. Although many such programs are available, linking people with appropriate services is difficult. Information and Referral (I&R) services attempt to inform people about programs available and help them link up with programs appropriate to their needs.

Findings/Conclusions: Because of the number of I&R providers, the lack of coordination, and the lack of quality controls in I&R, there is no adequate assurance the individuals are receiving effective and efficient I&R or even getting the services they need. Inefficiencies permeate the system, and thousands of agencies repeatedly duplicate I&R functions. Lack of coordination among responsible Federal agencies has contributed to the fragmentation and ineffectiveness of I&R. Instead of promoting the consolidation of I&R activities into comprehensive community centers, most Federal agencies have acted independently in establishing or funding many types of I&R providers with limited scope and function. Without strong leadership to coordinate Federal support for I&R local efforts to improve efficiency and effectiveness through consolidation of I&R programs are unlikely to succeed.

Recommendations: The Director, Office of Management and Budget, the Secretary of Health, Education, and Welfare, and heads of other Federal agencies funding I&R activities should establish a task force to develop a national policy and plan requiring coordination

between agencies to consolidate I&R activities and promote the establishment of comprehensive centers. The policy and plan should cover: actions required to eliminate duplication of I&R services among Federal agencies; ways in which Federal resources can be redirected and pooled with State, local, and private resources to form and operate comprehensive I&R centers; strategies to elicit the cooperation of Federal, State, local, and private organizations to implement the plan; and evaluations of whether there are alternatives to comprehensive centers and whether they are more cost effective.

According to the Office of Management and Budget, the lack of responsiveness and administrative inefficiencies that we described are symptomatic of the problems with service delivery. The Office favors a study to examine the entire human service delivery system to provide a basis for examining a specific service, such as I&R. The Office stated that the president has directed his Reorganization Project, of which the Office is a part, to conduct a study of human services programs and submit recommendations to him by the spring of 1978. It felt that I&R is a part of the overall human services delivery system and can be incorporated in its efforts. HEW stated that coordination and consolidation of I&R might not be sufficient without a basic reorganization of human service systems.

In June 1978, the Office of Management and Budget advised the Committee on Government Affairs, United States Senate, and the Committee on Government Operations, House of Representatives that its study of the human services system will address many of the problems we identified. However, we have studied OMB's interim report on the Reorganization of Human

Services and agree with the general thrust of it, but we do not believe it will resolve the problems of fragmented and duplicative information and referral. Accordingly, we disagree with the Office of Management and Budget's approach, which tackles the entire system, with all of its overwhelming problems, at one time. (HRD-77-134, 3-20-78)

Appropriations

Office of Management and Budget—general and special funds.

Appropriations Committee Issues

We believe that I&R is a logical entry point to the human service system and should be addressed first to identify and evaluate what human services are available, what are not, and what more is needed.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Review of Social Security's Activities Related to Assessing the Continued Medical Eligibility of Disabled Supplemental Security Income Recipients

Budget Function: Income Security; Public Assistance and Other Income Supplements (604).

Legislative Authority: Social Security Act (P.L. 90-248)

The Social Security Administration's (SSA's) activities relating to assessment of the continued medical eligibility of over 2 million disabled Supplemental Security Income (SSI) recipients were reviewed. SSA was asked to evaluate two samples of SSI disabled recipients.

Findings/Conclusions: (1) an evaluation on medical evidence supporting the disability determination of 402 recipients who were converted to the SSI program from State disability programs; and (2) evaluation of more recent medical evidence on 175 recipients. Of the 402 converted recipients, only 152 (38 percent) had sufficient medical evidence in their files to support a disability decision. Thirty-six of the 152 cases (24 percent) were not disabled as defined by appropriate State disability criteria. About 10 percent of the 175 recipients for whom current medical evidence was obtained were no longer disabled. Once they are approved for the program, the vast majority of SSI disabled recipients are not subject to medical reexaminations. SSA assumes that these recipients have impairments which will not improve. While we did not review the 2.6 million disabled beneficiaries receiving benefits under the Social Security Disability Insurance program, the procedures for monitoring this program are similar to those used for the SSI program. Therefore, payments to beneficiaries who are no longer disabled could also occur under the Disability Insurance program and go undetected.

Recommendations: The Commissioner of the SSA should immediately establish appropriate mechanisms for systematically reviewing the disabled recipients' caseload so that persons no longer disabled can be removed from the rolls. SSA should establish and implement

systems for periodically reassessing the adequacy of guidelines for establishing diaries for the total disability case-load and reviewing, on a priority basis, the disability determinations for converted recipients.

SSA should incorporate in the present SSI quality assurance system operated by the Office of Quality Assurance, a mechanism for (1) reviewing the medical aspects of disabled recipients in the SSI program and (2) reflecting the results of these reviews in SSA's report to the Congress and others. In addition, a similar mechanism in the Office of Quality Assurance should be established for assessing and reporting on the Disability Insurance program.

SSA through its Bureau of Disability Insurance has taken a number of actions. They have instituted an ongoing sample of more than 3,300 cases a month to gain data on cases which have never had a medical reexam. This should help in updating their re-exam criteria. They have also validated our results on conversion cases in the State of Washington. In this regard they have recommended a 100 percent review of the converted cases from Washington with a projected annual savings of \$3 million. Finally, the Office of Quality Assurance is reviewing methods for best assessing the disability aspects of the title II and title XVI disability programs. (HRD-78-97, 4-18-78)

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—Supplemental Security Income.

Appropriations Committee Issues

The results of our review and the work performed by SSA in the State of Washington indicate that a substantial number of disabled recipients that were converted from the State rolls in January 1974 are not, in fact, disabled. The committee should review the adequacy of SSA's plans for reexamining all disabled cases that were converted.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Should Emergency Assistance for Needy Families Be Continued? If So, Program Improvements Are Needed

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Social Security Act, as amended (P.L. 90-248; 81 Stat. 893; 42 U.S.C. 603 (a); 42 U.S.C. 606(e)).—45 C.F.R. 233. *Mandley v. Trainor*, 545 F.2d 1062 (7th Cir. 1976).

The Emergency Assistance Program, administered by the Social Security Administration of the Department of Health, Education, and Welfare (HEW), was established to provide financial assistance and social services to meet emergency needs of needy families with children under 21. The legislative history indicates that the Congress intended that the program would assist families without available resources and that the assistance would be necessary to meet an immediate emergency need that would not otherwise be met. Assistance may be in the form of cash or such items as food, clothing, rent, utilities, or medical care provided or paid for by the agency administering the program.

Findings/Conclusions: Operation of the Emergency Assistance Program has been hindered because of conflicting interpretations of enabling legislation. The troublesome provisions pertain to recipients' eligibility and the type and extent of emergencies covered. As a result, participating States cannot rely on HEW instructions and interpretations, and because of this, at least four States have discontinued the program. Conflicts between HEW regional offices and the States often drag on for months because of a lack of HEW guidelines, uncertainties caused by litigation over the program, and insufficient HEW regional personnel to administer and monitor the program. Ten years after the program was enacted into law, HEW, the States, and the courts are still contesting the provisions of the law.

Recommendations: The Secretary of HEW should: pursue efforts, through the Congress if

necessary, to resolve the definitional and interpretational problems hindering the operation of the program, develop uniform guidelines for administering and monitoring the program, and monitor States' programs to insure compliance once definitive criteria and uniform guidelines are developed. The Congress should consider whether the Emergency Assistance program should continue, and if it determines that the program should continue, it should review the positions of HEW and the courts concerning eligibility and the type and extent of emergencies covered. It should then, if necessary, amend the legislation to clearly indicate congressional intent.

The U.S. Supreme Court ruled in June 1978 that under existing law and regulations, a State electing to participate in the Emergency Assistance program may define the type and extent of emergencies to be covered and establish eligibility standards for those to whom emergency assistance will be provided. HEW plans to follow this ruling in developing uniform guidelines for administering and monitoring the program.

The impact of this decision will be to make virtually unlimited the kinds of situations for which emergency assistance funds can be spent and could result in significant growth of the amount of Federal funds needed. Inequitable treatment of people in the same economic circumstances could also result, depending upon where they live, because of wide variations between States' emergency assistance programs in the types and extent of emergencies covered and eligibility. (HRD-78-65, 4-5-78)

Appropriations

Department of Health, Education, and Welfare—Public Assistance—maintenance assistance (State aid).

Appropriations Committee Issues

In light of the potential for growth in the need for Federal emergency assistance funds

and inequitable treatment of emergency assistance recipients, the Congress should review the positions of HEW and the courts, including the U.S. Supreme Court, concerning eligibility and the type and extent of emergencies covered. It should then, if necessary, amend the legislation to clearly indicate congressional intent.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Quality Assurance System: An Assessment of Its Problems and Potential for Reducing Erroneous Payments

Budget Function: Income Security: Public Assistance and Other Income Supplements (604)

Legislative Authority: Social Security Amendments of 1972 (42 U.S.C. 1381). Social Security Act, as amended (P.L.95-216).

The Social Security Administration established a quality assurance system in 1974 to provide information on how well its Supplemental Security Income (SSI) program is operating. Through this system, data were collected which indicated that, at the end of 1976, over \$1.4 billion had been overpaid and \$277 million underpaid to recipients in the program. The system also provides data for determining the liability of the Federal Government to States for incorrect State supplemental payments which are administered by SSA.

Findings/Conclusions: A sampling of 556 quality assurance cases showed 3.4 percent more cases with errors than were shown by the quality assurance system. Also, quality assurance made incorrect determinations on 32 of the 150 deficiencies it identified. Weaknesses which affected the system's reliability were: failure to follow procedures, an improperly structured form for documenting case findings, lack of review of case files, and inadequate personnel training. Error rate statistics are understated because SSA excludes cases from sampling which may bias findings and does not report certain errors. Resources used to obtain data on State supplements reduce quality assurance resources that could be used for corrective action analyses. The system's data base does not provide sufficient data for corrective action recommendations, and SSA does not have a formal corrective action system. Three other program evaluation groups within SSA with responsibility for evaluating the SSI program have redundant functions and lack coordination.

Recommendations: The Secretary of Health, Education, and Welfare should direct the

Commissioner of SSA to improve the uniformity, accuracy, and reliability of the quality assurance system's review process and data by: adopting a revised form to obtain, during the review process, all pertinent eligibility and payment data; assessing its case review policy and considering review of all sample cases and resolving problems of obtaining files through the SSI program; assessing exclusion policies in sampling; and reporting all errors found during review. He should also direct the Commissioner to: concentrate more resources on correcting specific problems by studying the feasibility of using some other mechanism for determining the Federal Government's liability to States, directing more resources to gather data on types and causes for errors, and establishing a formal corrective action system; and assess the need for four SSA groups to evaluate the SSI program.

HEW expressed general agreement with the report and indicated actions planned or underway to implement GAO's Recommendations. (HRD-77-126, 5-23-78)

Appropriations

Department of Health, Education, and Welfare, Social Security Administration—supplemental security income.

Appropriations Committee Issues

While implementation of our recommendations should significantly improve the identification of errors in Quality Assurance, the Committee should concern itself with the ade-

quacy of SSA's system for determining whether corrective action is warranted to reduce a particular error. In some cases, it may not be cost/effective to initiate necessary corrective action. Also, the adequacy of the QA system for establishing liability for misspent State supplemental

monies and for the settlement of such liabilities remains questionable. The Committee should review whether this is an appropriate system for establishing such liability or whether other mechanisms would be more appropriate.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION SOCIAL SECURITY ADMINISTRATION

Supplemental Security Income Overpayments to Medicaid Nursing Home Residents Can Be Reduced.

Budget Function: Health; Nursing Homes (557).

Legislative Authority: Social Security Act, as amended (42 U.S.C. 1382-1382f (Supp. V)). Social Security Amendments of 1972 (42 U.S.C. 1381 (Supp. II)). 20 C.F.R. 416.705.

When recipients of Supplemental Security Income enter nursing homes, their payments should be reduced because Medicaid pays the cost of nursing home care.

Findings/Conclusions: In 1975, overpayments of about \$7.6 million were made to SSI recipients in California and Florida because the Social Security Administration (SSA) did not know that the recipients had been admitted to nursing homes. The majority of these overpayments could have been prevented through timely reporting of nursing home admissions. Social Security regulations require the recipient, or person authorized to accept his payments, to report admissions, but only 3 percent of admissions reviewed by GAO were reported. The regulations do not establish other methods for obtaining the information. Some SSA district offices, on their own initiative, made informal arrangements with nursing homes to report admissions, and with proper encouragement, this was found to be an effective means of obtaining timely reports.

Recommendations: The Commissioner of SSA should: require the district offices to provide forms to nursing homes for reporting admissions; and actively work with the nursing homes to obtain timely reports. The Administrator of the Health Care Financing Administration should have the States establish procedures requiring nursing homes participating in the Medicaid program to report admissions of recipients to district offices promptly.

By letter dated March 6, 1978, the Department commented formally on our recommen-

dations. In agreeing with our recommendation to Social Security, the Department indicated that it took action in July 1977, to have SSA district offices (1) furnish copies of a special reporting form to all Medicaid facilities in their areas, and (2) work with those facilities to assure prompt reporting of SSI recipient admissions, discharges, etc. The Department only partially agreed with our recommendation to the Health Care Financing Administration, however, stating that there is no authority to mandate reporting by nursing homes themselves to SSA. As an alternative, the Department stated it would require States to have nursing homes participating in the Medicaid program report all SSI admissions to the single State Medicaid agency, which would in turn be required to report this information monthly to the SSA regional office. Because we are still not convinced that this alternative procedure will result in timely reporting of SSI recipient admissions to nursing homes and the corresponding avoidance of unnecessary SSI overpayments—toward which our recommendation was aimed—we plan to evaluate the impact of its implementation in the near future, as well as the need for amending the Social Security Act so that the Department has sufficient legislative authority to implement our original recommendation. (HRD-77-131, 8/23/77)

Appropriations

Social Security Administration—supplemental security income

Appropriations Committee Issues

The committee should consider that no full action has been taken on their recommendations and should be aware of same. We are also considering recommending legislative changes to require reporting by nursing homes.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Department of Housing and Urban Development Reorganization Plan: Some Accomplishments but More Needed

Budget Function: General Government: Central Personnel Management (805).

Legislative Authority: Housing and Community Development Act of 1977.

In June 1977, a report recommended that the Department of Housing and Urban Development (HUD) could streamline its organization through consolidating its 77 field offices and realigning regional and field office functions. A proposed reorganization, which is expected to affect less than 10% of HUD's field employees, is intended to modify the field structure and improve management. The proposed reorganization does not change the three-tier organizational structure. Under the proposed reorganization, regional offices are to supervise and evaluate area office management, mesh program and social goals, and provide regional representation. The central office will provide field offices with guidance on technical and program matters. In a cost-effective change, the regional and area offices in 8 of the 10 regional cities are to be colocated.

Findings/Conclusions: The reorganization is still in the implementation phase, but the implementation schedule has slipped; the movement of functions, responsibilities, and people has not begun; and specifics on who will move and where they will move are not firm. It is too soon to judge whether certain deficiencies have been corrected, but some observations can be made. The Department: did not downgrade all offices warranting such action, is maintaining a field presence in nearly every location where it existed before, made a limited review of central office organization and staffing, did not include reorganization costs in its

fiscal 1978 budget, will consolidate the multi-family insurance function, will reduce the regional offices' involvement in day-to-day program operations, is expecting to provide better coordination between housing and community planning and development programs, set program goals and objectives for 1978 that may be difficult to achieve due to the reorganization's implementation, and is retaining the 10 existing regional offices.

Recommendations: The Secretary of HUD should downgrade all field offices where workload does not justify its staffing and further reduce field office overhead through office consolidations.

The Department believes that their reorganization will achieve the Department's objectives and correct the deficiencies noted in our study without additional consolidations and downgrading of field offices. (FPCD-78-33, 4-10-78)

Appropriations

HUD—salaries and expenses.

Appropriations Committee Issues

The Department can improve its efficiency by further consolidation of its field office structure.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HUD's Evaluation System: An Assessment

Budget Function: Community and Regional Development: Community Development (451).

Legislative Authority: Housing and Community Development Act of 1974 (88 Stat. 633). P.L. 93-383.

To efficiently and effectively carry out its operations, each Federal agency should establish and maintain adequate internal control systems. Evaluation has been described as one of the most useful tools available to Federal officials in addressing policy questions, deciding on policies and programs, and providing information on the efficiency and effectiveness of policies and programs. An evaluation system's overall effectiveness depends on how well the components of the system specify program objectives and measures of effectiveness, plan and coordinate evaluation activities, design and conduct evaluation studies, and disseminate and use evaluation results.

Findings/Conclusions: Although the Department of Housing and Urban Development (HUD) has made strides in the area of evaluation, it is not realizing its full potential for providing decisionmakers with information on whether programs and activities are meeting their objectives. Although most HUD program evaluations describe program activity, they are not aimed at assessing progress toward the programs' goals. Performance evaluations had no established guidelines for measuring efficiency and effectiveness, and internal audits were only minimally concerned with assessing program effectiveness. Although little duplication was evident, many program evaluations did not address major program issues, internal audits were primarily concerned with compliance and economy and efficiency, and HUD's research and technology budget did not accurately show the resources spent on evaluating ongoing programs. Many program evaluations were research oriented and not designed to determine programs' achievements or objectives. In some cases, there were few or no

mechanisms for insuring that evaluation products were accurate and reasonable.

Recommendations: The Secretary of HUD should direct that: evaluation and program personnel work together to clarify program objectives, develop standards for measuring achievements, and identify data requirements for evaluation; priority for evaluation resources be given to issues identified as deserving attention; more evaluations be conducted on the effectiveness of programs in achieving objectives; department-wide guidelines and standards be established for conducting, contracting, monitoring, and reviewing program and performance evaluations; and deficiencies in the management information system as noted in internal reports be further investigated and corrected.

HUD found the GAO report to be very useful and concurred with most of the recommendations. (PAD-78-44, 7-20-78)

Appropriations

Department of Housing and Urban Development

Appropriations Committee Issues

In those cases where evaluations are to be mandated by legislation or are needed by a committee, the Congress should work with agency officials to seek clarification on program objectives, reach agreement on evaluation measures to be used, and establish a time schedule for the availability of evaluative information.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Work Measurement System of the Department of Housing and Urban Development Has Potential but Needs Further Work to Increase Its Reliability

Budget Function: General Government: Central Personnel Management (805).

The Department of Housing and Urban Development (HUD) began developing a system for work measurement standards in 1972, in order to establish a basis for manpower requirements for budget submissions and allocation of personnel.

Findings/Conclusions: HUD's original claims of extensive standards were not justified, as revised statements showed that standards were used to develop estimates for only about 42% of staff requirements. The reliability of standards varied because of weaknesses such as: (1) lack of studies on methods for achieving work efficiency, (2) variation in data produced by the questionnaire/interview procedures, (3) insufficient definition of tasks, (4) use of subjective judgments, (5) lack of documentation, and (6) lack of procedures to review and update standards. Discrepancies were noted in workload forecasts with some appearing excessive and some being understated when compared with prior years' accomplishments. The budgeting process seemed to inhibit reliable staffing estimates and led to use of contract personnel.

Recommendations: HUD should improve practices for developing work measurement standards by (1) performing methods studies on task efficiency, (2) improving data collection and analysis, (3) defining tasks in greater de-

tail, (4) assuring independence of individuals setting standards, (5) improving documentation, (6) formalizing a process for reviewing and updating standards, and (7) reevaluating staff resources to develop and maintain the system. The Subcommittee on HUD-Independent Agencies should encourage HUD to develop a more objective and reliable work measurement system, and require that the budget submission include a comprehensive plan and statement on the progress made in the system's development. The Department has implemented some of GAO's recommendations and plans to initiate others to improve the reliability of its work measurement system. (FPCD-77-53, 6-15-77)

Appropriations

Civil Service Commission—salaries and expenses

Department of Housing and Urban Development—operations and maintenance

Appropriations Committee Issues

In future authorization and appropriation requests, the Committee should assess HUD's progress toward improving the coverage and reliability of its work measurement system.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

Millions of Dollars in Delinquent Mortgage Insurance Premiums Should Be Collected by the Department of Housing and Urban Development

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Legislative Authority: National Housing Act of 1934 (12 U.S.C. 1709).

In a 14-month period ended March 1977, an average of \$38 million per month in mortgage insurance premiums was past due to the Department of Housing and Urban Development (HUD) because many lending institutions did not pay their bills on time. By changing its premium collection cycle from a yearly to a monthly basis, the agency could save the Government \$16.5 million in interest costs.

Findings/Conclusions: HUD does not: promptly identify delinquent premiums due and notify lending institutions of the delinquencies; use effective collection procedures; charge interest for late payments; or use its authority to suspend persistently delinquent lending institutions from the program. HUD's Assistant Secretary for Administration has outlined specific actions taken and planned to collect delinquent premiums, improve accounting and supporting computer systems, and get prompt payments of future premiums. However, HUD does not agree that insurance premiums should be collected monthly.

Recommendations: The Secretary of Housing and Urban Development should: collect all delinquent mortgage insurance premiums; identify all mortgage insurance premiums that have not been received at the agency within 15 days after the due date and promptly notify institutions that have not paid the premiums; amend agency regulations to provide for late payment charges on premiums paid more than 15 days after the due date; suspend from agency programs institutions that consistently pay premiums late; establish effective internal controls to help make sure that all mortgage transaction documents submitted by mortgagees

are properly entered in the master billing file; and consider collecting mortgage insurance premiums from institutions in the same month the premium installments are paid by homeowners and annually reconciling differences between institutions' insurance records and the agency's billing data base.

HUD agreed to implement all our recommendations except the one related to collection of mortgage insurance premiums from institutions in the same month the premium installments are paid by homeowners. It took the position that monthly collections of mortgage insurance premiums would present a cumbersome, if not impossible, reconciliation effort with mortgagees each month and would require major accounting and automatic data procedure changes. GAO disagrees with HUD's position, believing relatively minor changes would be required to collect the premiums that are principally paid by about 200 mortgage companies.

HUD agreed to consider the monthly collections after its new accounting and automatic data processing system becomes operational in 1979 and said it did not have the resources to act on the systems change before then. GAO has reservations about HUD waiting this long to make the change because it could reduce interest on the public debt by \$16 million annually if the monthly collections were made. GAO recognizes that mortgage companies will probably object to the change from annual to monthly collections but believes that the potential for such a large reduction in the public debts' interest cost justifies the change. (FGMSD-78-33, 9-8-77)

Appropriations

Department of Housing and Urban Development—salaries and expenses.

Appropriations Committee Issues

The Committees should direct the Secretary of Housing and Urban Development to collect

premiums monthly from mortgage companies rather than annually. The Secretary should be required to report periodically on the economic benefits from the change to provide controls for insuring that the agency complied with the committees' directions.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

Section 236 Rental Housing: An Evaluation with Lessons for the Future

Budget Function: Commerce and Transportation: Mortgage Credit and Thrift Insurance (401).

Legislative Authority: National Housing Act, sec. 236 (12 U.S.C.1715z-1). Housing and Urban Development Act of 1968.

The section 236 rental assistance program provided new and rehabilitated rental housing to low and moderate income tenants. This program, along with other housing initiatives, was created in 1968 to boost the Nation's existing housing supply. It joined Federal Housing Administration mortgage insurance with a direct mortgage interest subsidy, the usual tax incentives for residential development, and special tax incentives for low and moderate income housing. This combination of subsidies and a 40-year mortgage term resulted in lower rents than would have been possible in conventionally financed projects.

Findings/Conclusions: Section 236 has been effective in providing housing for moderate income families during a period when the supply of moderately-priced rentals has been shrinking. However, section 236 construction is complete, and the Department of Housing and Urban Development (HUD) has refused to make new commitments under the program. At the same time, current public policy provides housing assistance to low income households, and middle and upper income households benefit from tax expenditures for mortgage interest deductions and tax incentives for rental housing. Housing subsidy costs have been analyzed unsatisfactorily because little consideration has been given to indirect subsidies or long-term costs. Alternatives to construction continue to be stressed primarily because of short-term cost savings.

Recommendations: The Secretary of HUD should design positive measures to assure that moderate income households receive some equitable share of future housing assistance. HUD should revive section 236 to provide moderate income housing until workable alterna-

tives are developed. Congress should provide additional funding for section 236 to allow HUD to enter into new commitments under the program and amend present housing law to require some percentage of housing assistance funds to be used to subsidize moderate income households. (PAD-78-13, 1-10-78)

Appropriations

Department of Housing and Urban Development, Federal Housing Administration—Housing, Special Risk Insurance Fund annual contributions for assisted housing.

Appropriations Committee Issues

1. The absence of a HUD policy to effectively deal with the problems of moderate income households may require some action by Congress. The moderate rental stock continues to shrink rapidly.
2. In view of HUD's inability to adequately compare the costs of existing leasing to new production, some serious consideration should be given to the mix between existing subsidies and new construction subsidies to avoid long term damage to the cost and supply of housing units.
3. Although activity for nonprofit and rehabilitated projects seems to have fallen off under section 8, HUD continues to stress these options and has not made any significant improvement in its ability to screen out the inacceptably high risk projects. The Department shared GAO's view that the program was an effective means of assisting a segment of the housing poor. However, they felt the inflexibility of the Section

236 subsidy which tied payments to the mortgage debt and therefore could not accommodate operating cost increases, in combination with more general multifamily insurance problems, undermined the long term economic viability of Section 236. HUD also said that it was exploring other methods to aid moderate income households. They agreed with us that they had "a responsibility to respond to the housing needs of the entire range of housing deprived." The Department stated that it had been making cost comparisons for many

years and that they would continue to seek improvement in their methodology and data. HUD agreed that it needed to better understand the factors which make projects risky and said they would conduct a thorough study of multifamily default risk and would use this to analyse past performance and future initiatives. But they did not agree with the recommendation to suspend commitments for nonprofits, cooperatives and rehabilitated projects.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL INSURANCE ADMINISTRATION

Arson-for-Profit: More Could Be Done to Reduce It

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453).

Legislative Authority: Urban Property Protection and Reinsurance Act of 1968, as amended (12 U.S.C. 1749). Privacy Act of 1974.

Fair Access to Insurance Requirements Plans, authorized under Federal law, are privately-owned organizations which operate like private insurance companies but are established primarily by State legislation. They provide property insurance to areas where the insurance industry will not provide coverage. The Federal Riot Reinsurance Program provides private insurance companies who participate in Fair Access Plans with riot reinsurance to protect them against excess losses during riots.

Findings/Conclusions: Arson-for-profit is considered a serious problem in the plans, as well as in private insurance. Factors cited as contributing to the problem were: inadequate investigations of arson cases, overinsurance of property, exceeding market value; and provision of insurance coverage to almost anyone requesting it. The amount of coverage given to property owners varies with the plans—some base it on market value but some provide any amount requested. The plans can refuse to insure for the full amount requested, but three of nine visited do not. Plans may refuse coverage, but reasons for doing so are limited. Depreciation is considered in paying claims but, in some States, deterioration is not considered in settlements for total property losses.

Recommendations: The Secretary of Housing and Urban Development should direct the Administrator, Federal Insurance Administration, to revise regulations to: require that all plans establish property value at the time of underwriting and eliminate the practice of giving property owners any amount of insurance

desired; require all plans to obtain and consider information concerning the character of the property owner in its determination of insurability; and permit plans to use a 5-day cancellation notice with State insurance department approval in each instance. The Administrator should discuss the desirability of adopting the broad evidence rule basis with State insurance authorities in those States that require insurance payments at actual cash value without consideration of market value.

HUD stated that FIA would work with State insurance authorities and the insurance industry to improve underwriting mechanisms consistent with the objectives of the FAIR Plans. HUD also agreed with GAO that there is room for improvement in the FAIR Plans. The FIA does not, in HUD's opinion, have the statutory authority and staff resources to supervise day-to-day underwriting decisions to assure the availability of essential insurance to deserving FAIR Plan applicants and exclude those intending to commit fraud. (CED-78-121, 5-31-78)

Appropriations

Department of Housing and Urban Development, Federal Insurance Administration—National Insurance Development Fund.

Appropriations Committee Issues

The Committee should examine the Federal Insurance Administration's actions to improve its operations.

DEPARTMENT OF JUSTICE

War on Organized Crime Faltering—Federal Strike Forces Not Getting the Job Done

Budget Function: Law Enforcement and Justice: Federal Law Enforcement and Prosecution (751).

Legislative Authority: Organized Crime Control Act of 1970 (P.L. 91-452). Executive Order 11534.

The Federal effort to coordinate the fight against organized crime involved creation of Justice Department's strike forces. The operations of the strike forces located in Cleveland, Ohio; Detroit, Michigan; Los Angeles, California; New Orleans, Louisiana, and Brooklyn and Manhattan, New York were investigated.

Findings/Conclusions: The strike forces are located in areas of major organized crime activity and are composed primarily of representatives from Federal investigative agencies and attorneys of the Justice Department. Work at the strike force locations showed that the Government has not developed a strategy to fight organized crime; there is no agreement on what organized crime is; the strike forces have no statements of objectives or plans for achieving those objectives; individual strike forces are hampered because the Justice attorneys-in-charge have no authority over participants from other agencies; and a costly computerized organized crime intelligence system is of dubious value.

Recommendations: In order to improve the Federal effort to fight organized crime, the Justice Department should identify what and whom the strike forces are combating; develop a national strategy for fighting organized crime; centralize Federal efforts, giving someone the responsibility and authority for developing plans and overseeing their implementation; and establish a system for evaluating the effectiveness of the national and individual strike force efforts.

The Organized Crime and Racketeering Section is now operating with defined priorities, a definition of organized crime, and specific objectives have been selected for each Strike Force and for the program nationally. The National Organized Crime Planning Council has been established with the function, among others, of identifying and planning Strike Force efforts with respect to those problems which are national in scope and capable of being attacked with a centrally coordinated strategy. Also, the Council will annually visit the Strike Forces to evaluate their effectiveness. The Organized Crime Intelligence Unit, also, will now collect and analyze information which management needs to plan, implement, and evaluate effectively. (GGD-77-17, 3-17-77)

Appropriations

Department of Justice—Legal Activities, General Legal Activities;

Department of Labor, Labor-Management Services Administration;

Department of the Treasury, Internal Revenue Service

Postal Service.

Appropriations Committee Issues

The Committee should overview this new program in light of the additional resources and accomplishments.

DEPARTMENT OF JUSTICE

BUREAU OF PRISONS U.S. MARSHALS SERVICE

Housing Federal Prisoners in Non-Federal Facilities Is Becoming More Difficult

Budget Function: Law Enforcement and Justice: Law Enforcement Assistance (754).

Legislative Authority: S. 1245 (95th Cong.); Corrections Construction and Program Development Act of 1977.

The Attorney General contracts with State prisons, local jails, and halfway houses to house individuals who are awaiting trial for a Federal offense, serving short-term Federal sentences, or being transported between Federal facilities. Non-Federal facilities are also used to relieve overcrowding in Federal institutions, offer protection to Federal offenders in danger in Federal institutions, keep individuals near their homes, and provide programs not generally available in Federal institutions.

Findings/Conclusions: Housing Federal Prisoners in non-Federal facilities is becoming more difficult and costly. Many local jails, due to overcrowding and deteriorating conditions, do not have sufficient space for Federal offenders. Four alternatives for solving the local jail problem are: contracting with other available jails in the surrounding area and transporting prisoners as necessary, building and operating Federal facilities, providing some type of Federal assistance to local jails to expand and improve their facilities, and using excess or underused military correction facilities. The Bureau of Prisons' past contracting practices with local jails and halfway houses did not follow Federal Procurement Regulations. The regulations were inconsistently applied, causing some contractors to be overpaid and some underpaid.

Recommendations: The Attorney General should determine the most economical, long-range solution for each major metropolitan problem area by: determining whether smaller Federal facilities could be economically built and operated, investigating the possible use of excess and underutilized military correction facilities, and identifying instances where the situation could be alleviated through increased Federal assistance. The Attorney General should insure that contracting personnel use contractor cost data when negotiating contracts for the care of prisoners and should adopt a revised billing practice for contractors.

The Bureau of Prisons and the Marshals Service have developed contracting procedures which implement our recommendations. (GGD-77-92, 2-23-78)

Appropriations

Department of Justice—Legal Activities:
Support of United State Prisoners.

Appropriations Committee Issues

Program alternatives need to be explored so that the most economical solution to this problem can be achieved.

DEPARTMENT OF JUSTICE

EXECUTIVE OFFICE FOR UNITED STATES ATTORNEYS

U.S. Attorneys Do Not Prosecute Many Suspected Violators of Federal Laws

Budget Function: Law Enforcement and Justice: Federal Law Enforcement and Prosecution (751).

Legislative Authority: Speedy Trial Act of 1974 (18 U.S.C. 3161). (90 Stat. 2729; P.L. 94-577). Dyer Act (18 U.S.C. 2312). S. 1613 (95th Cong.). Federal Magistrates Act.

United States Attorneys are the chief law enforcement representatives of the Attorney General in 94 Federal judicial districts throughout the country. U.S. Attorneys handle a wide variety of litigation for the Government, ranging from prosecution of Federal criminal violations to representing the United States in environmental suits and other litigation. In addition, U.S. attorneys develop and investigate cases before grand juries and provide advice and assistance to enforcement and regulatory agencies. Because of increased crime and limited staff resources, far more criminal complaints are received than can be prosecuted, and the U.S. attorneys must decide which cases to prosecute and which to decline.

Findings/Conclusions: From 1970 to 1976, U.S. attorneys declined to prosecute about 62% of the 1.2 million criminal complaints referred to them. Many of these complaints could have been prosecuted if the U.S. attorneys had not believed that the circumstances of the cases did not warrant the cost of prosecution and/or staff was not available. In four judicial districts, at least 22% of the declined complaints during 1975 and 1976 were considered prosecutable. For many suspects, a judicial determination of guilt or innocence is never made; and, if guilty, suitable punishment is not imposed. Suspected violations of certain criminal statutes are generally not being prosecuted, and suspected violations of other criminal statutes are not being prosecuted uniformly by U.S. attorneys.

Recommendations: The Attorney General should: (1) review the priorities and guidelines of all U.S. attorneys to make them as uniform as possible; and (2) develop for congressional consideration a comprehensive proposal for dealing with complaints which are not being prosecuted because of workload.

The Department of Justice is reviewing various aspects of the exercise of prosecutive discretion by U.S. attorneys; however, it does not believe that complete uniformity of prosecutive decisions is either desirable or possible because of differences in needs and cases among the districts. The Department has contracted with the Institute for Law and Social Justice to develop a case weighting system which will allow a measurement of the man-hours necessary to complete certain types of cases. (GGD-77-86, 2-27-78)

Appropriations

Department of Justice—legal activities, U.S. attorneys and marshals.

Appropriations Committee Issues

Availability of resources for handling criminal complaints which are not being prosecuted because of workload.

DEPARTMENT OF JUSTICE

LAW ENFORCEMENT ASSISTANCE ADMINISTRATION

Evaluation Needs of Crime Control Planners, Decisionmakers, and Policymakers Are Not Being Met

Budget Function: Law Enforcement and Justice: Law Enforcement Assistance (754).

Legislative Authority: Omnibus Crime Control and Safe Streets Act of 1968. Juvenile Justice and Delinquency Prevention Act of 1974. Crime Control Act of 1976. Omnibus Crime Control and Safe Streets Act of 1976.

Since 1969 the Law Enforcement Assistance Administration (LEAA) has awarded over \$5 billion to State and local governments to reduce crime and delinquency. There have been various attempts to evaluate the impact and effectiveness of programs receiving these funds.

Findings/Conclusions: Evaluation activities of LEAA and the States have been inadequate to meet planning, decisionmaking, and policymaking needs of many users concerned with the intergovernmental block grant crime control program. For example: the amount and types of evaluation work have not been adequate, the quality of evaluation work was questionable, evaluation information needs of users were not being met, resources allocated for evaluation were inadequate, organization of evaluation functions lacked direction and effective management controls, and better coordination of evaluation program efforts was needed. LEAA should place greater emphasis upon building evaluation into programs and projects before they are started at the Federal, State, and local levels, and exercise greater leadership.

Recommendations: The Congress should consider expanding LEAA's research, development, demonstration, and evaluation role, with greater involvement from State and local governments. The Attorney General should direct LEAA to provide for substantive involvement of State and local officials in formulating evaluation policies, guidelines, and requirements. Such efforts should include establishing an evaluation coordinating committee and assessing evaluation information feedback needs of

States and localities periodically. The Attorney General should direct the Administrator of LEAA to: provide for the organizational placement of evaluation responsibilities minimally at the Deputy Administrator level and provide for additional resources for evaluation functions; increase the priority emphasis of research and development efforts; develop reliable data bases, evaluation measures, and assessment criteria to determine the impact of programs; develop and require standardized reporting systems; standardize quality control; and develop and implement impact evaluation information and reporting systems. The Attorney General should examine and consider proposing options for changes in legislation.

While the Department of Justice is not in substantive disagreement with GAO's conclusions overall, it believes it has taken steps to deal with some of the problems noted by GAO. However, given the current debate over the appropriate structure and thrust of Law Enforcement Assistance Administration programming, the question remains as to whether recent agency initiatives in evaluation will

- be fully implemented;
- have demonstrative effect on the quantity, quality, and utility of State and local evaluation efforts; and
- will meet the evaluation information needs of a variety of users at different levels in the intergovernmental Crime Control Act program.

During the 95th Congress legislation to reauthorize and restructure the Law Enforcement

Assistance Administration was introduced, but not enacted. (GGD-77-72, 7-14-78)

Appropriations

Departments of State; Justice; Commerce; Labor; Health, Education, and Welfare; and the Judiciary.

Appropriations Committee Issues

Program objectives and priorities are in need of congressional guidance.

DEPARTMENT OF JUSTICE

U.S. MARSHALS SERVICE

U.S. Marshals Service—Actions Needed to Enhance Effectiveness

Budget Function: Federal Judicial Activities (752)

Legislative Authority: 28 U.S.C. 1921

The law requires the Marshals Service to serve all process for the Federal Government and private litigants originating in Federal courts. Federal agencies are served free, but a private litigant must pay a fee, which varies by type of service. The fees charged private litigants, which are set by statute, have not been changed since 1962. Since fiscal year 1968, costs have exceeded revenues by about \$16 million. Therefore, the Congress should require the Attorney General to identify the current cost of serving process so that Service fees can be revised to approximate the cost of providing the service.

The Department of Justice agreed that fees should be revised and has endorsed two bills (S. 2016 and H.R. 8492, 95th Congress, 1st session) which would increase fees for services performed by U.S. marshals. The Senate passed S. 2016 on April 27, 1978 and sent the

bill to the House Committee on the Judiciary, Subcommittee on Courts, Civil Liberties, and the Administration of Justice. The Subcommittee did not take action on S. 2016, but began hearings on May 4, 1978, on H.R. 8492. The Subcommittee has not completed these hearings. (GGD-76-77, 7-27-76)

Appropriations

Department of Justice, U.S. Marshals Service.

Appropriations Committee Issues

If fees are to be kept current, the Attorney General should (1) be required to periodically analyze the cost of serving process, and (2) propose fee adjustments to the Congress or be given the authority to revise fees when necessary.

DEPARTMENT OF LABOR

Review of Compliance with Labor Standards for Service Contracts by Defense and Labor Departments

Budget Function: Income Security (600).

Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351). Fair Labor Standards Act of 1938, as amended (29 U.S.C. 201). =29 C.F.R. 4. A.S.P.R. 12-10. A.S.P.R. 10-104.2. A.S.P.R. 10-104.3.

The Service Contract Act of 1965 requires service employees working under Federal contracts worth over \$2,500 to be paid the minimum wages and fringe benefits earned by similar employees in the locality.

Findings/Conclusions: Most of 14 selected Department of Defense (DOD) procurement offices were not fully complying with the act and requirements in the Armed Services Procurement Regulation for obtaining wage determinations. Several offices did not request the determinations, some did not include them in contracts, many failed to make requests within the required time period, and some failed to give the Department of Labor (DOL) the required notices or contract award. Other DOD problems noted were: lack of personnel awareness of regulations for requesting wage determinations, minimal training related to the act, and little monitoring of compliance. DOL has had difficulty in enforcing compliance with the act and restoring employees' back wages. It does not have a direct enforcement program to review contractors or adequate staff to ensure compliance. The lack of a requirement for performance and payment bonds did not seriously

affect contractors' work but did hurt DOL efforts to restore back wages.

DOD officials agreed that the act and implementing regulations were not being fully complied with, and that corrective actions would be considered and taken. DOL officials stated that DOL does not have enough compliance officers to fully enforce the act, but a limited enforcement program has been started, including the training of field compliance personnel. (HRD-77-136, 1-19-78)

Appropriations

Departments of the Air Force, Army, and Navy.

Department of Labor, Employment Standards Administration—salaries and expenses.

Appropriations Committee Issues

DOL's enforcement of the labor standards provisions of the Service Contract Act is limited by staff shortage. Consideration should be given to DOL's need for additional staff resources for increased enforcement of the act.

DEPARTMENT OF LABOR

BUREAU OF INTERNATIONAL LABOR AFFAIRS EMPLOYMENT AND TRAINING ADMINISTRATION

Worker Adjustment Assistance under the Trade Act of 1974: Problems in Assisting Auto Workers

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Legislative Authority: Trade Act of 1974 (P.L. 93-618). Trade Expansion Act of 1962 (P.L. 87-794).

Congress has recognized that increased imports resulting from expanded international trade could adversely affect certain workers and firms within the United States and has directed that segments of the economy affected by increased import competition receive various forms of monetary and nonmonetary adjustment assistance. The Worker Adjustment Assistance Program is administered by the Department of Labor through State employment agencies and provides eligible unemployed workers with weekly allowances; training, counseling, and job referral; and job search and relocation allowances. As of June 30, 1976, 149,800 workers from the auto industry were certified as eligible to apply for adjustment assistance.

Findings/Conclusions: Few automotive industry workers took advantage of the training, job search, and relocation benefits through the adjustment assistance program because most layoffs in the industry were considered temporary, and most workers were either back to work or willing to wait for recall rather than accept another job. Most of the workers had returned to work long before their adjustment assistance payments were received. When the payments were received, a large part of the money was used to repay the company/union supplemental unemployment benefit fund. Program benefits were not always distributed equitably because of problems in identifying specific workers separated from jobs because of import competition. Some auto workers received program benefits for layoff periods unrelated to import competition.

Recommendations: The Secretary of Labor, before issuing certifications, should determine the extent to which affected workers can be

identified from employer records, and, when issuing certifications, should provide guidelines for determining which workers are eligible. Congress should amend the Trade Act of 1974 so that supplemental unemployment and similar benefits can be treated in the same manner as other earned income in computing weekly benefit entitlements.

Labor took no exception to the report recommendations but it has not pursued the recommendation regarding the treatment of company/union supplemental unemployment benefits. Labor has provided more specific guidelines to State employment security agencies to facilitate their interpretation of the specific coverage of certifications. Labor further recognized in its comments on our report that the current treatment of supplemental unemployment benefits in computing weekly benefit entitlements is an area of concern. However, Labor indicated that it would not want to see a change enacted without further study. In its response to congressional committees as required by the Legislative Reorganization Act of 1970, Labor simply restated its position and had not undertaken any study of the problem. (HRD-77-152, 1-11-78)

Appropriations

Grants to States for Unemployment Insurance and Employment Services.

Appropriations Committee Issues

Congressional action is needed to amend the Trade Act of 1974 so that supplemental unemployment and similar benefits can be treated

the same as other earned income in computing weekly benefit entitlements. This action would lessen the possibility of unemployed workers receiving a net income greater than they had received while working and prevent workers

from being in the position of having to repay retroactive trade adjustment assistance payments to supplemental unemployment benefit funds.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Job Training Programs Need More Effective Management

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Legislative Authority: Comprehensive Employment and Training Act of 1973 (29 U.S.C. 801).

Title I of the Comprehensive Employment and Training Act authorized the Department of Labor to fund and monitor locally administered programs to provide unemployed people with skills needed to find jobs. The act gave State and local authorities (prime sponsors) a large role in planning and managing employment and training programs. About \$1.8 billion of title I funds was spent for classroom and on-the-job training programs during fiscal years 1975-1977.

Findings/Conclusions: Of a sample of over 2,000 classroom training participants who left training during fiscal year 1976, 49% obtained jobs after completing training. About 32% of the sample retained their jobs for at least 6 months. Of a sample of 800 on-the-job training participants who left training during the same year, 58% were retained by their employers, and about 38% were with their training employer after 6 months. Classroom training costs ranged from about \$2,000 to \$15,100, and on-the-job training ranged from about \$1,500 to \$14,600 per placement. The success of training programs may be affected by factors beyond the sponsor's control such as the motivation and capabilities of individuals served and the economic conditions of the sponsor's area. The primary reasons, however, for wide variations in sponsors' performances were inadequacies in the training programs and related services. Participants left training or their jobs for such reasons as lack of motivation and transportation problems.

Recommendations: The Secretary of Labor should insure that prime sponsors offer training courses justified by labor market surveys, reexamine classroom training courses to assure that skill levels taught match requirements of job openings, design prevocational training

programs leading to vocational skill training, identify more accurately participants' employment needs and capabilities, document counseling sessions more precisely, and restructure job development services so that job searches begin well before training is completed. The Secretary should also: develop more specific and appropriate performance standards for each training activity, assure that prime sponsors have management information systems which provide adequate data and make adequate evaluations of program activities, and revise quarterly Federal reports to provide adequate information to evaluate training activities operated under title I.

In commenting on the report Labor generally agreed with our recommendations to improve CETA's employment and training programs. But Labor's response to some recommendations did not state what action would be taken with any specificity. Labor agreed to explore further or review many of the issues involved. Recognizing that there are many difficult issues involved in managing training programs we believe that the time has come for definitive actions to be taken.

Our recommendations dealt with two basic areas (1) the managerial shortcomings in the operations of these programs, and (2) the need for effective monitoring and evaluation of CETA's training activities. In regard to the first area, Labor said that the problems cited in the report varied widely among the sponsors and that there is no pattern of consistent managerial shortcomings which can be focused on. We believe that the pattern of shortcomings demonstrates the need for Labor to assist the sponsors in improving their programs because

the Department has many years of experience in managing training programs.

In regard to the second area, we recommended that Labor establish performance standards and revise its Federal reports to provide adequate information to monitor and evaluate CETA's training activities. Labor agreed with our recommendation to revise its Federal reports and said that the Department was studying how best to do this. Also, Labor agreed that performance standards are needed but pointed out that one difficulty in establishing standards is the gauging of whether the training programs result in appreciable improvements over their preprogram experience.

We agree. Our recommendation dealing with the need to establish more specific standards lists some of the basic ingredients which we believe are necessary for managers to effectively gauge the performance of training programs. Establishing specific standards on how many should get and retain jobs, we believe, is a necessary first step in evaluating training programs. Measuring accomplishment against

standards would serve as a "flag" for program managers to further examine and assess the individual training activities. With the amount of money being spent on training activities, these activities should not continue to operate, year after year, without specific performance standards. (HRD-78-96, 7-7-78)

Appropriations

Employment and Training Assistance.

Appropriations Committee Issues

Without performance standards and adequate management information on participant outcomes, neither Labor nor the sponsors can demonstrate that the large amounts of Federal dollars for these programs are being spent effectively. The committee should inquire as to what steps Labor has taken to assure itself that CETA's training funds are being effectively spent.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Poor Administration of the 1977 Summer Program for Economically Disadvantaged Youth in New York City

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Legislative Authority: Comprehensive Employment and Training Act of 1973, title III (29 U.S.C. 874).

The operation of New York City's 1977 Summer Program for Economically Disadvantaged Youth, funded by the Department of Labor, was reviewed. The program was established to enhance the future employability of economically disadvantaged youths by providing them with useful work experience. In 1977, the Department of Labor granted the city \$35 million to operate this program which provided 7 weeks of employment for about 70,000 city youths.

Findings/Conclusions: The program was poorly planned and poorly administered by both the Department of Labor and New York City. Some of the worksites were providing useful work experience to the enrolled youths, but over half of the worksites had serious problems, such as insufficient work or absent enrollees shown as being present. In these instances, program objectives may have been defeated by fostering bad work habits and paying salaries for little or no work. The following factors contributed to the problems: inadequate planning resulted in an insufficient number of productive jobs; project sponsors from previous years were generally funded with little consideration of their past performance; the methods used to register youths raised questions about income eligibility; and monitors were inadequately trained, many worksites were not visited, and problems noted were frequently not followed up with corrective actions.

Recommendations: For future summer youth employment programs in New York City, the Secretary of Labor should: set firm planning deadlines with specific Labor involvement, require that all sponsors' selections are based on merits of proposals and effectiveness of

past performance, work with the city to develop a better method of conducting registration, require the city to strengthen its monitoring procedures, require effective coordination with the Federal summer feeding program, require the city to revise the income eligibility form to provide a penalty for falsification of data, and require that the city devise a time card which specifies a penalty for falsification and ensure that project sponsors are informed that enrollees are not to be paid for work when they are absent. The Secretary should increase the number of monitors for the summer youth program in New York City and make certain that these monitors can devote adequate resources to oversight of the program.

Although comments were requested from the Department of Labor on May 18, 1978, they were not received at the time this report was printed. Labor's written statement on action taken on our recommendations to the appropriate Congressional committees, as required by the Legislative Reorganization Act of 1970, was due on September 26, 1978. The statement had not been submitted as of October 13, 1978. (HRD-78-123, 7-26-78)

Appropriations

Employment and Training Assistance

Appropriations Committee Issues

The Committee should require Labor to demonstrate that it has made the following types of determinations prior to funding SPEDY programs at individual prime sponsors locations: (1) subgrantees have meritorious writ-

ten plans which have been reviewed and evaluated by the prime sponsor, (2) subgrantees are selected on the basis of merit and have the administrative capability to perform effectively under the program, (3) subgrantees do not have a history of poor performance under Fed-

eral grant programs, and (4) the prime sponsor has a comprehensive and independent monitoring program in place designed to insure compliance with the plan and SPEDY regulations.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Questionable Need for Some Department of Labor Training Programs

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Legislative Authority: Comprehensive Employment and Training Act of 1973 (29 U.S.C. 801).

Under the Comprehensive Employment and Training Act (CETA) of 1973, the Department of Labor funds programs to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons. The Apprenticeship Outreach Program (ACP) was designed to recruit, counsel, tutor, and refer primarily minority youths to apprenticeship positions in construction trades. The National On-The-Job Training Program's (OJT's) primary objective is to provide training to unemployed, underemployed, and economically disadvantaged persons for jobs in skilled occupational shortage areas, many of which are construction related.

Findings/Conclusions: Conditions which existed when the Department of Labor began the apprenticeship program have substantially changed. Employment opportunities in the construction industry have declined, causing a change in placement emphasis to general jobs. This policy shift underlined the question of the continued need for ACP. The results of several construction related on-the-job training projects during 1975 and 1976 demonstrated placement and operational problems. In many cases, program participants were not receiving adequate training, nor were they aware of any on-the-job training to be obtained. Subcontractors have been using program funds instead of their own funds to support their regular apprenticeship systems. Some national contractors have used about one-third of the funds to pay for headquarters and regional administrative operations. Insufficient oversight and evaluation by the Department of Labor contributed to the problems of these programs.

Recommendations: The Secretary of Labor should eliminate the ACP in favor of less costly

alternatives. If the program is continued, performance criteria should be established that: include minimum requirements on the service level necessary to merit a placement claim, include minimum requirements for job suitability and job length necessary to warrant placement credit, and eliminate placement credit for referral to other programs and jobs with a large minority representation. The Secretary should reevaluate the need for the OJT Program and terminate contracts that are not achieving program objectives. He should: concentrate funding in trades having skilled worker shortages and low minority representatives, require that adequate job training be provided, implement guidelines which prohibit OJT funds from subsidizing apprenticeship programs, and reduce program administration costs.

Labor disagreed with our recommendations that the programs be eliminated or redirected but agreed with most of our recommendations for improving program management. We still believe that the Secretary of Labor should (1) eliminate the AOP concept in favor of less costly alternatives, and (2) terminate national on-the-job training contracts which are not achieving program objectives. (HRD-78-4, 4-10-78)

Appropriations

Employment and Training Assistance

Appropriations Committee Issues

The Committee should require Labor to fully justify the need for continued funding of the Apprenticeship Outreach and construction-related National On-The-Job training programs in

view of high unemployment in the construction industry, limited apprenticeship opportunities,

and the numerous program problems identified in our report.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Unemployment Insurance: Need to Reduce Unequal Treatment of Claimants and Improve Benefit Payment Controls and Tax Collections

Budget Function: Income Security: Unemployment Insurance (603).

Legislative Authority: Social Security Act (42 U.S.C. 501). Wagner-Peyser Act (29 U.S.C. 49). Federal-State Extended Unemployment Compensation Act of 1970 (P.L. 91-373, title II; 26 U.S.C. 3304). Emergency Unemployment Compensation Act of 1974 (P.L. 93-572; 26 U.S.C. 3304). Tax Reduction Act of 1975. Emergency Unemployment Compensation Extension Act of 1977. Emergency Jobs and Unemployment Assistance Act of 1974. Federal Unemployment Tax Act. P.L. 94-12, title VII. P.L. 95-19. P.L. 93-567. 26 U.S.C. 3301. 29 U.S.C. 961.

Unemployment insurance primarily provides temporary protection for qualified workers who lose jobs until they can either be rehired or find new employment. Although Federal involvement has increased, program administration varies among jurisdictions, resulting in unequal treatment of claimants and in substantial costs to the unemployment insurance program.

Findings/Conclusions: There are no uniform standards to determine who is eligible for unemployment insurance benefits and what amounts can be received. Greater effort is needed to assure that claimants look for work. Control of overpayments is weak, and improvements are needed to recover overpayments. Improvements are also needed in measuring payment timeliness and in tax collection efforts.

Recommendations: The Congress should establish uniform eligibility standards and methods for determining benefit amounts so that all claimants are treated equally. The Secretary of Labor should: disseminate results of new work test procedures which have been successful; encourage jurisdictions to establish special work test units; encourage jurisdictions to implement wage reporting to assure that data are available in all jurisdictions to identify overpayments through crossmatching; take appropriate steps to encourage jurisdictions to adopt the model crossmatch system; encour-

age jurisdictions to establish programs to detect overpayments to various groups of individuals, such as full-time students; encourage jurisdictions to develop and implement more aggressive techniques for recovering overpayments; revise regulations so that all jurisdictions measure timeliness and are evaluated in the same way; develop timeliness standards for payments made to ex-service personnel and Federal employees; encourage jurisdictions to adopt laws that provide agency officials with adequate authority to collect taxes; and require jurisdictions to develop and use more aggressive tax collection techniques.

Labor generally agreed with our recommendations and said that it would implement them. Labor disagreed, however, with our recommendation to Congress that it establish uniform eligibility standards and methods for determining benefit amounts so that all unemployment insurance claimants are treated equally. Labor said that although it believed some State law provisions produce inequitable results, it did not agree that the solution is uniform eligibility standards and methods of determining benefits amounts. (HRD-78-1, 4-5-78)

Appropriations

Grants to States for Unemployment Insurance and Employment Services

Appropriations Committee Issues

Congressional action is needed to establish uniform eligibility standards and methods for determining unemployment insurance benefit amounts. Implementation of this recommenda-

tion would assure uniform eligibility of claimants. However, differences in benefit amounts payable among the States will continue. We believe that implementation of this recommendation would achieve a desirable goal.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION Office of Workers' Compensation Programs

To Provide Proper Compensation for Hearing Impairments, the Labor Department Should Change Its Criteria

Budget Function: Income Security: Federal Employee Retirement and Disability (602).

Legislative Authority: Federal Employees' Compensation Act (5 U.S.C. 8101). Administrative Procedure Act (5 U.S.C. 551; 5 U.S.C. 554).

Millions of American workers have been exposed to occupational noise levels which may result in hearing impairment. Federal civilian employees are covered by the Federal Employees' Compensation Act which is administered by the Office of Workers' Compensation Programs (OWCP) in the Department of Labor. Between 1969 and 1976, about 36,000 claims for hearing impairment compensation were filed by Federal civilian employees for a potential liability exceeding \$185 million.

Findings/Conclusions: Most of this liability was due to Department of Labor modifications in 1969 and 1973 of a generally accepted hearing impairment formula developed by the American Academy of Ophthalmology and Otolaryngology (AAOO) and endorsed by the American Medical Association. The Act itself does not specify the criteria to be used in determining the extent of an employee's permanent impairment. It specifies that only the permanent portion of an impairment which must have been proximately caused by employment qualified for a scheduled award. These factors are often inadequately established and result in considerable overcompensation. While OWCP regulations require that compensation be provided for the full degree of impairment if the condition was aggravated by the occupational environment, agency officials have expressed concern as to whether the employer should be liable for the portion of impairment that existed before employment.

Recommendations: The Secretary of Labor should have the OWCP immediately adopt the AAOO's formula for determining hearing impairment. Any future changes in the hearing impairment formula should be based on appropriate scientific research and advice from other Government agencies and scientific and medical organizations. The OWCP should employ noise-exposure level standards recommended by the National Institute for Occupational Safety and Health as the basis for determining occupational relationship to noise-induced hearing impairment; and it should require the use of testing procedures which exclude temporary hearing loss and exaggerated responses in establishing degrees of hearing impairment.

The Department of Labor has not yet responded to this report. In April 1978, GAO testified on its review findings before the House Education and Labor Subcommittee on Compensation, Health and Safety. This matter is still under study by the Subcommittee. (HRD-78-67, 6-1-78)

Appropriations

Department of Labor, Employment Standards Administration—Special Benefits.

Appropriations Committee Issues

A more justifiable basis should be used in awarding compensation for hearing impairment.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION OFFICE OF WORKERS' COMPENSATION PROGRAMS

How to Improve Administration of the Federal Employees' Compensation Benefits Program

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)

Legislative Authority: Federal Employees' Compensation Act, as amended (5 U.S.C. 8101)

The Department of Labor uses an Employees' Compensation Fund to pay benefits on behalf of Federal employees of various Government agencies, instrumentalities, and other organizations (referred to here as agencies) for disability or death due to injury or disease sustained in performing their duties. Each agency, however, must reimburse the Fund through Labor for benefit payments made. Certain agencies not wholly dependent on annual appropriations from the Congress are required by law to pay an additional amount for their share of the cost of administration.

Findings/Conclusions: GAO reported to the Congress that administrative costs could be reduced if agencies receiving appropriated funds were not required by the Federal Employees' Compensation Act 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 their fair share of the Fund's administrative costs.

Recommendations: GAO recommended that Labor propose legislation to the Congress to have those agencies which should be required by law to pay but which cannot now be legally billed specifically enumerated in the act. GAO suggested that the Congress consider amending the Federal Employees' Compensation Act to (1) make the fair share surcharge applicable to agencies identified by Labor and (2) either

eliminate or strengthen the chargeback process for agencies dependent on appropriated funds.

The Department of Labor advised congressional committees that it was attempting to identify all agencies which should be required to pay their fair share, and if such an ultimate determination can be made, would submit to the Congress proposed legislative amendments to accomplish such. The Department has taken no action on eliminating the chargeback provision because it does not completely endorse or accept all of the recommendations of a study done by its contractor and believes continued study of the issue is needed. (MWD-75-23, 3-13-75)

Appropriations

Department of Labor, Employment Standards Administration—special benefits.

Appropriations Committee Issues

1. The Department of Labor is unable to obtain a fair share of Compensation Fund administrative costs from certain agencies.
2. Administrative costs could be reduced if agencies receiving appropriated funds were not required by the act to reimburse the Fund.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION OFFICE OF WORKERS' COMPENSATION PROGRAMS

Improvements Still Needed in Administering the Department Of Labor's Compensation Benefits for Injured Federal Employees.

Budget Function: Income Security: Federal Employee Retirement and Disability (0602)

Legislative Authority: Federal Employees' Compensation Act, as amended (5 U.S.C. 8101).

The Federal Employees' Compensation Act, as amended, provides for paying compensation benefits for the disability or death of Federal civilian employees injured or killed while performing their duties. These benefits include compensation for loss of wages, dollar awards for bodily impairment, medical care for an injury or disease, rehabilitation services, and compensation for survivors.

Findings/Conclusions: Although the number of civilian employees in the Government has remained fairly constant, from fiscal year 1970 through fiscal year 1977, injuries reported by employees increased by 72.1%; claims increased by 70.3%; persons drawing compensation for extended periods increased by 90%; and benefits paid increased by 315.1%. In about 41% of the 233 cases reviewed, the Office of Worker Compensation Programs (OWCP) awarded benefits without adequately establishing a causal relationship between the employee's disability or death and his or her employment. Many benefits were awarded without adequate supporting medical evidence, supporting medical rationale, or resolution of conflicting medical evidence. Other factors contributing to OWCP's improper determination of benefits involved a lack of onsite investigations and personal contact and a lack of agency appeal rights. District offices visited did not systematically review the condition and status of injured employees who received benefits for extended periods.

Recommendations: The Secretary of Labor should instruct all officials and employees of OWCP that they are responsible for making claims determinations that are equitable to the

employee, the Federal Government, and the taxpayers; and their responsibilities require that benefits be denied in all cases in which adequate medical and other evidence are not provided establishing that the employee's injury was work related. The OWCP should: make onsite investigations of all claims in which causal relationship is not conclusively shown, place as much emphasis on decisions to approve as those to deny benefits, and install a management information system. The Director of the Office of Management and Budget should consider placing specific monitoring and vocational rehabilitation responsibilities in the employing agencies. The Congress should amend the act to place in the employing agencies the authority to appeal any finding of causal relation which is not consistent with or supported by available evidence.

As of October 24, 1978, the Department had taken no action on GAO's recommendations. (HRD-78-119, 6-28-78)

Appropriations

Department of Labor, Employment Standards Administration—special benefits.

Appropriations Committee Issue

1. Claims for benefits are being approved without adequate evidence that the disability or death was work related.
2. Quality of Labor's claims determinations would be improved if employing agencies were given the right to appeal Labor's decisions.

3. Shifting responsibility for monitoring and vocational rehabilitation activities from Labor to the employing agencies might improve the program.

DEPARTMENT OF LABOR

LABOR-MANAGEMENT SERVICES ADMINISTRATION

Laws Protecting Union Members and Their Pension and Welfare Benefits Should Be Better Enforced

Budget Function: Education, Manpower, and Social Services: Other Manpower Services (0505).

Legislative Authority: Labor-Management Reporting and Disclosure Act (29 U.S.C. 401); Employee Retirement Income Security Act of 1974 (29 U.S.C. 1001).

The Labor Management Reporting and Disclosure Act (LMRDA) imposes Federal standards and reporting and disclosure requirements to help eliminate or prevent improper and corrupt practices by labor unions and their officers and representatives. The Employee Retirement Income Security Act (ERISA) regulates the private pension and welfare plan systems for providing working Americans with retirement income and welfare benefits.

Findings/Conclusions: Both LMRDA and ERISA clearly delineate the respective areas of investigative responsibility and jurisdiction for the Departments of Labor and Justice, and coordination between the departments is generally adequate. However, the Labor Management Services Administration (LMSA) has limited its enforcement of LMRDA and ERISA. Most of its enforcement effort under LMRDA is directed toward investigating election complaints and supervising election reruns. For ERISA, LMSA directed most of its efforts to activities other than enforcement and compliance of either the civil or criminal provisions of the act. LMSA's national office computerized report processing and desk audit systems are principally directed to achieving voluntary compliance with reporting and disclosure provisions of both laws and not to verifying the accuracy of the reported data. According to officials, insufficient investigative staff is a primary cause of the lack of enforcement of the two laws and of the limited field audit activity.

Recommendations: The Secretary of Labor should determine the additional resources needed to effectively enforce the criminal and civil provisions of both laws and provide this information to the Congress. He should direct the LMSA to: strengthen the area office audit activity; establish procedures to notify the Department of Justice of investigative activities to avoid duplication; establish procedures to re-

quire direct, continuous, and day-to-day coordination between internal investigative staffs at area offices; improve the timeliness of area offices; investigation of cases with potential criminal violations; and review the training of area office field staff to ensure that auditors and compliance officers receive the training needed to effectively carry out their duties. (RRS)

As of October 24, 1978, the Department of Labor had taken no action on GAO's recommendations. (HRD-78-154, 9-28-78)

Appropriations

Department of Labor, Labor-Management Services Administration—salaries and expenses.

Appropriations Committee Issues

Labor needs more vigorous enforcement to detect and investigate potential criminal and civil violations of the Labor-Management Reporting and Disclosure Act and the Employee Retirement Income Security Act. To make the improvements needed in its enforcement programs, including increasing its field audit activities at labor organizations (unions) and pension plan administrators, LMSA needs more staff than requested by Labor and OMB and approved by the Congress.

Whether LMSA should be provided additional staff to administer the two laws is a policy matter for the Congress to decide. The Congress should (1) consider requiring Labor to determine the additional resources needed to effectively enforce the criminal and civil provisions of both laws and provide this information to the Congress, and (2) based on this determination decide the level of staffing to be provided to enforce the acts.

DEPARTMENT OF STATE

Greater U.S. Government Efforts Needed to Recruit Qualified Candidates for Employment by U. N. Organizations

Budget Function: International Affairs: Conduct of Foreign Affairs (152);

The United States is the largest financial contributor to the United Nations and its specialized agencies, but few Americans are employed by the United Nations.

Findings/Conclusions: Only in the U.N. Secretariat is the United States within its "desirable range," the criteria for which are based on financial contributions, membership, and a geographically distributed allocation of positions. U.S. nationals held few senior management level and field-expert level positions. Constraints on hiring Americans are pressure from developing countries to hire more of their nationals and financial difficulties in the agencies which have caused personnel freezes. In addition, some agencies considered Americans' general lack of foreign language ability and international experience and the U.S. requirement of loyalty clearances to be drawbacks in hiring Americans. The U.N. system seemed to lack appeal to Americans, because there is no career development system, the selection period is too lengthy, and the resettling of a family in a foreign environment is traumatic. Salaries seem not to be a problem anymore. U.S. recruiting efforts are not coordinated among concerned agencies, are poorly emphasized, are oriented more towards finding jobs than qualified people, used narrow sources, and concentrated on undefined key positions. Recruiting efforts should be improved.

Recommendations: Realistic long-range targets for attaining optimum U.S. participation should be developed. An annual positive action plan detailing specific targets should be prepared. U.N. personnel systems should be reformed to streamline the long selection process and develop a better career system. Implementation of the positive action plan should be reported on annually.

State and other concerned agencies agreed

with GAO recommendations to:

- Press for needed reforms in the U.N. personnel systems to streamline the long selection process and develop a better career system.
- Develop realistic long-range targets for attaining optimum U.S. participation in the U.N. organizations.

However, they viewed as unhelpful the GAO recommendation to:

- Prepare an annual positive action plan detailing specific targets for improving participation and specific measures to be taken during the year to achieve those goals.

They view announcing targets to be detrimental to attaining them, since they claim much of their work is of a subtle, diplomatic nature. GAO considers the recommendation for a positive action plan sound since without specific targets, goals, etc., there is no way the Congress will be able to assess the efficiency and effectiveness of the U.S. recruiting program (ID-77-14, 5-16-77)

Appropriations

Departments of State, Justice, Commerce, and The Judiciary.

Appropriations Committee Issues

1. Whether the agencies' approach to recruiting for international organizations—monitoring the personnel scene and recruiting for selected positions—is the appropriate one for the United States to take.
2. Whether the U.S. recruiting system needs reorganization, resources, and fresh approaches to mount an effective recruiting effort.

DEPARTMENT OF STATE

U.S. Participation in International Organizations

Budget Function: International Affairs: Conduct of Foreign Affairs (152).

While the United States has unquestionable monetary and political interests in the United Nations (U.N.) and other international organizations, in recent years many members of Congress and the public have questioned the effectiveness of such organizations.

Findings/Conclusions: Studies of the management of U.S. participation in several international organizations reveal continuing problems: (1) inadequate staffing and constant rotation of personnel in the State Department's Bureau of International Organizations; (2) a need for policy objectives and priorities to support U.S. participation in international organizations; and (3) the United States, as a member government, does not receive timely and sufficient information on international organization activities. Management problems within the organizations also restrict U.S. participation. The U.N. system needs restructuring, with emphasis on centralized planning, programming, budgeting, and resource allocation. Improved evaluation is also needed in the U.N. system.

Recommendations: The President should: reaffirm the importance and priority accorded to U.S. participation in the U.N. family of organizations; charge the Secretary of State with the responsibility for formulating and directing U.S. policy for participation in these agencies; and establish a cabinet-level advisory committee to assist the Secretary of State in carrying out these responsibilities. The State Department and U.S. missions to international organizations should establish an order of priority for all restructuring, programming, and budget issues and problem areas that have been identified.

In general, the Department of State and OMB agree with the recommendations and cite a

number of actions that have been or are being taken to improve overall U.S. participation in the international organizations. However, certain questions and concerns remain.

Neither State nor OMB favors the establishment of a Cabinet-level advisory committee to assist the Secretary of State in carrying out his responsibilities regarding international organizations. They feel that busy Cabinet-level officers would not be able to devote the time and attention necessary to make such a committee effective. They both favor establishing an advisory committee at the Assistant Secretary level.

OMB's response cites the fact that the Secretary of State has already been made responsible for directing and coordinating the IO activities of the executive branch. OMB goes on to say that proposals are being developed whereby the President may further strengthen the responsibility of the Secretary of State in formulating and directing U.S. policy for participating in IO's. GAO is doing a followup review to evaluate the agencies' actions. (ID-77-36, 6-24-77)

Appropriations

Departments of State, Justice, and Commerce, the Judiciary, and Related Agencies—Foreign Assistance and related programs

Appropriations Committee Issues

Continuous overview of the international organizations operations is necessary to assure that they are managed in an economic, efficient, and effective manner.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Agency for International Development's Housing Investment Guaranty Program

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151).

Legislative Authority: Foreign Assistance Act of 1973. International Development and Food Assistance Act of 1975. Foreign Assistance Act of 1974. Foreign Assistance Act of 1961, as amended.

Under the Agency for International Development's (AID's) Housing Investment Guaranty Program (HIG), U.S. private lenders provide long-term financing at commercial interest rates for housing projects undertaken by developing countries with AID assistance. The U.S. Government provides a "full faith and credit" guaranty of repayment of principal and interest. Since its inception in 1961, the HIG program has made more than \$1 billion available to finance housing activities in 37 countries. AID has sought to introduce new, low-cost approaches to providing shelter and to finance the construction of housing affordable to groups at or below the median income of the recipient country.

Findings/Conclusions: Income levels of expected program beneficiaries generally range from the 15th to the 50th income percentiles. The very poorest income levels and those groups outside the income economy altogether can generally be reached only with direct humanitarian assistance. AID's accomplishments in the institution-building area have been primarily to help developing countries establish housing policies geared to serving low-income housing needs and local institutions capable of administering these policies. AID has not, however, been able to contribute to the development of housing finance systems to the point of assuring their ability to continue low-income housing efforts without the long-term, low-interest loans provided by AID. The HIG program has had a generally positive short-term impact on economic activity in recipient countries and a positive social impact in terms of satisfying the demand of low-income families for home ownership. Successful program management

requires a separate field organization in addition to the centralized Washington staff.

Recommendations: The Administrator of AID should: continue to explore opportunities for the use of U.S. funds in poorer countries to stimulate self-sustaining shelter improvement programs; as an initial part of the development of a shelter program, require a detailed analysis of the country's housing finance system and use, where appropriate, U.S. development assistance funds as seed capital and for technical assistance; and as part of the housing guaranty loan negotiating process, work more closely with host government officials to determine economic and social needs and act where necessary to integrate housing guaranty loans through the use of U.S. development assistance available for these purposes. The Administrator should also improve implementation of shelter programs and the integration of housing with other development efforts, help ensure the integrity of HIG by including a projection of estimated claim losses in the annual report to the Congress, and require that project reserve funds are fully and formally accounted for.

With regard to the requirement that 90 percent of the housing guaranty loan funds be used on housing suitable for families earning below the median income, GAO suggests that the Congress give the Housing Investment Guaranty Program greater flexibility in the income levels it can serve in the poorer developing countries.

The Agency has not yet formally commented on the report. (ID-78-44, 9-6-78)

Appropriations

Foreign Assistance and related programs

Appropriations Committee Issues

AID needs to give attention to a broader, more integrated approach to the challenge of meeting the shelter needs of the poor. The Agency's housing strategy and the HIG Pro-

gram's part in it need to be given greater attention in the Agency's development efforts.

The HIG Program needs greater flexibility in the income levels it can serve.

Project implementation could be improved by assigning housing officers directly to Agency missions.

The integrity of the Program can better be ensured through improved accounting, reporting, and auditing.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Legislative Changes Urged in Loan Program of the Agency for International Development

Budget Function: *International Affairs: Foreign Economic and Financial Assistance (151)*

Legislative Authority: *Foreign Assistance Act of 1961, as amended.*

The Loan Program of the Agency for International Development (AID) consists of foreign economic assistance lending activities: AID has been making and administering loans to foreign countries since 1961. The loans are repayable over periods of up to 40 years, including 10-year grace periods before repayment, and have variable interest rates which are generally low—some less than 1%.

Findings/Conclusions: Since 1971, AID has experienced increased problems in collecting both the principal and interest due on its loans. These problems have occurred primarily because borrower countries lack the ability to pay in accordance with their loan agreements. Collection problems have generally been resolved by adding uncollected interest to the loan balance and rescheduling principal due dates to defer payments. By June 30, 1975, borrowers in countries owing \$9.3 billion in dollar-repayable loans had missed payments on loans having unpaid balances totalling \$5.4 billion. Four countries—India, Pakistan, Chile, and Egypt—required debt relief on all their dollar-repayable loans. Since 1971, with the exception of India, AID has changed its lending pattern but has continued to lend to most countries having problem loans. Questions about the continued need for and age of some loans prompted AID to initiate loan reviews and establish new loan implementation criteria.

Recommendations: To provide for more realistic administration of foreign assistance lending as well as for more consultation with the Congress, GAO recommended that the Congress consider amending the Foreign Assistance Act of 1961 in the following manner.

1. Provide specific authorization for the use of any available loan funds—funds appropriated for loans but not yet obligated—to make debt relief loans, the proceeds of which shall be used by the borrowers to make payments on their existing loans.
2. Require AID to prescribe a systematic method of determining annual maximum levels for additional AID lending to borrowers receiving debt relief loans. The maximum level would automatically decrease and eventually reach zero as outstanding debt relief loans increased, and as outstanding debt relief loans decreased, the maximum level would increase.
3. Provide that any further lending to a borrower whose loans in any year have reached the prescribed maximum level be permitted only upon congressional review and approval of a written presidential justification of the proposed lending.
4. Provide an alternative way to alleviate debt repayment problems and preserve a country's ability to obtain additional AID assistance by amending section 620 (q) of the Foreign Assistance Act of 1961 to provide the following. Whenever a loan agreement has been revised to defer loan principal or interest payments, the prior payment provisions apply in determining default unless the borrower has agreed to pay a rate of interest on the deferred payment of no less than the average cost of money to the Treasury.
(ID-76-80, 1-5-78)

Appropriations

Foreign Assistance and related programs

Appropriations Committee Issues

The committee should consider current trends in providing debt relief and levels of

new lending to borrowers unable to make scheduled payments on prior loans.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Reducing Population Growth through Social and Economic Change in Developing Countries: A New Direction for U.S. Assistance

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151).

Legislative Authority: Foreign Assistance Act of 1961, as amended.

Over the past 12 years, the Congress has made more than \$1 billion available for population programs in developing countries. A major part of these funds has been used to finance population programs of the United Nations, private international organizations, and universities.

Findings/Conclusions: Although there has been a growing awareness of population problems and some progress in controlling them, birth rates must fall faster in order to achieve stability in world population. In the countries studied, contraceptive use was much lower than that considered necessary for population stability. The Agency for International Development (AID) has focused on providing family planning information and services, but it has not given sufficient emphasis to studies about linkages between fertility and development. AID has revised its population policy to place greater emphasis on social and economic change to influence birth rates. This policy, and congressional provisions requiring that development projects be designed to motivate smaller families, have not yet been implemented. Some constraints have been: lack of an entity dedicated to integrating population and development assistance, the variety of views within AID, and insufficient development of organizational and financial arrangements.

Recommendations: The Administrator of AID should establish an organizational structure under leadership that will emphasize integrating population and development assistance and developing knowledge needed to carry out such an approach. Development and use of

mission-level expertise is essential for this purpose. International, private, and voluntary organizations should be encouraged to consider population and development assistance relationships and the need to plan programs and projects accordingly. In the Sahel development, the Administrator of AID should incorporate considerations of population growth-development interrelationships, support projects associated with reduced fertility, and encourage family planning in the context of maternal and child health programs.

The Agency has indicated its agreement with the GAO recommendations and its intent to carry the thrust of the recommendations. The impact of actions in these areas will be manifested slowly, however, and will need to be evaluated over a period of time. (ID-78-6, 4-5-78)

Appropriations

Foreign Assistance and related programs

Appropriations Committee Issues

Progress in overcoming the impediments or constraints to effectively implementing section 104(d) to the Foreign Assistance Act of 1961, as amended, which requires identification of the potential impact of development assistance projects on population growth and that projects be designed to build motivation for smaller families.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S. Participation in International Agricultural Research

Budget Function: International Affairs: Foreign Economic and Financial Assistance (151)

The Agency for International Development (AID) expanded its funding for food and nutrition technical assistance and research programs for developing countries from \$25 million in 1974 to about \$71 million in 1978. These programs are conducted by U.S. universities and other institutions and by international agricultural research centers. Several previous studies have recommended stronger Agency action in the area of research.

Findings/Conclusions: AID needs to make further improvements in its agricultural research plans and programs for food deficient countries. The Agency should: identify specific problems for U.S. financing, establish the relative priority of problems, and determine which problems should be pursued through international agricultural research institutions or in similar ways. AID contributions to the Consultative Group on International Agricultural Research (CGIAR), a consortium which finances international agricultural research centers, were \$18 million in 1977. The Agency has participated in CGIAR and contributed to international centers without the benefit of specific overall objectives and priorities to guide its participation. Issues involved in contributions to international agricultural research centers include areas in which to expand and the extent to which such centers help developing countries improve their capabilities in research. Greater involvement by AID's missions in developing countries in setting research funding priorities should make research programs more

responsive to the needs of those countries. AID should disclose more fully to the Congress the prospect of broadened international financial support and the likelihood that a long-term Agency commitment will be needed.

The Agency for International Development said that it generally agrees with most of the specific recommendations and is taking or will take steps to implement them. The Agency said it is moving, through an evolutionary process, toward the definition of an agricultural research strategy; it will expand its coverage of the international centers in the annual congressional presentations; it plans to continue funding the two international centers which are not internationally supported. (ID-77-55, 1-27-78)

Appropriations

Foreign Assistance and Related Programs
Appropriations Act

Appropriations Committee Issues

Progress in developing a definitive agricultural research strategy. Long-term AID funding of international agricultural centers not receiving broad international support. Better congressional presentation disclosure of total AID involvement in international agricultural research centers' activities. Research centers movement toward developmental activities.

DEPARTMENT OF STATE

BUREAU OF CONSULAR AFFAIRS

Consular Services Abroad Can Be Improved, Process of Evaluating Need for Posts Questioned

Budget Function: International Affairs. Conduct of Foreign Affairs (152).

Legislative Authority: Immigration and Nationality Act, as amended (8 U.S.C. 1101; 8 U.S.C. 1201). P.L. 95-45.

U.S. consular officers carry out a variety of activities in foreign countries such as assisting U.S. citizens living and traveling abroad, issuing immigrant and nonimmigrant visas, and handling passport and citizenship cases. As of July 1977, the State Department had 130 Embassies, 64 consulates general, 48 consulates, and 15 consular agencies.

Findings/Conclusions: The need to maintain some consular agencies, or constituent posts, appears to be questionable. Although the Department makes periodic evaluations, it uses only general criteria to determine if a post is needed. Inadequate screening of applicants for nonimmigrant visas can result in persons entering the country who intend to violate the terms of their entry. The effectiveness with which nonimmigrant visa applicants have been screened has been reduced because of consular officers' limited time and lack of experience. Appropriate visa checks have not been made, and visa issuance equipment has been controlled properly. The effectiveness and efficiency of nonimmigrant visa operations could be improved by consolidating these activities at some posts. Consular services to detained Americans could be improved in some countries by: giving more prompt attention to arrested Americans, visiting imprisoned Americans on a regular basis, and maintaining better records on arrest cases.

Recommendations: The Secretary of State should: direct that more specific criteria be developed for determining the need for constituent posts; review policies for the expeditious

processing of nonimmigrant visas to determine if consular staffing is adequate to carry out policies while allowing for effective screening of applicants; study the feasibility of consolidating nonimmigrant visa issuance operations at one or two posts in a country; review existing consular treaties to identify those needing clarification and review consular relations in countries in which the United States has no treaties to determine the feasibility of negotiating such a treaty; and direct that a uniform system be developed for use by posts for collecting and preparing information for Consular Package submissions.

The Department of State informed us that action has been taken or is planned on all of our recommendations with the exception of our recommendation concerning the need to assign arrest and detention officers on a long-term basis to those countries where special problems exist because of limited manpower resources. (ID-77-52, 12-29-77)

Appropriations

Department of State

Appropriations Committee Issues

The Committee should review the method used to determine consular staffing requirements to assure that they are consistent with duties being performed prior to appropriating funds for this activity.

DEPARTMENT OF STATE

INTERNATIONAL JOINT COMMISSION

How the United States Can and Should Improve Its Funding of International Joint Commission Activities

Budget Function: International Affairs: Conduct of Foreign Affairs (152).

The International Joint Commission assists the United States and Canada in solving water use problems along their common border. The two governments are asking the commission to become more involved in working out solutions to increasingly complex matters.

Findings/Conclusions: The ability of the Commission to fulfill its responsibilities has been hampered by the ineffective means by which the United States funds Commission studies. The indirect funding method has forced the Commission to rely on Federal agency funds to carry out the U.S. portion of the studies, resulting in one instance of the United States' being unable to meet its commitment. Indirect funding has also caused the true cost of Commission studies to lose visibility. Congress has no awareness of the total cost of Commission studies. The resources provided to the U.S. Secretariat have not kept pace with increasing demands. Lack of adequate staff and funds has hampered the U.S. Secretariat in providing assistance to the U.S. Commissioners, and the Secretariat has had to rely on Federal agencies for staff and funds to carry out some of its responsibilities. The Canadian Government has been more responsive to Commission needs.

Recommendations: The Secretary of State, with the concurrence of the Director of the Office of Management and Budget, should: establish a separate fund to ensure that funds are readily available promptly to begin needed studies; and include direct funding of Commission board activities in the State Department budget submission to Congress. Agency budgets should no longer include separate funds for Commission studies.

All of the agencies involved agreed with our

recommendation that the Secretary of State establish a separate fund to help insure availability of funds to promptly begin needed studies that had not been requested at the time the budget was prepared.

The Department of the Interior stated that it endorsed the recommendation that the Department of State increase its support for the U.S. Secretariat of the International Joint Commission and undertake direct funding of the Commission's studies. Officials from the Department of State, Office of Management and Budget, Army Corps of Engineers, and the Environmental Protection Agency, however, disagreed with the recommendation.

Excerpt from the "Joint Explanatory Statement of the Authorizing Committee of Conference" states: "The Secretary of State is requested, no later than January 20, 1979, to submit to the Committee on Foreign Relations of the Senate and the Committee on International Relations of the House a report on ways to improve budgetary procedures governing U.S. participation in the activities of the International Joint Commission." (ID-78-10, 2-8-78)

Appropriations

Department of State

Appropriations Committee Issues

The Committee should review the Secretary of State's response to the Senate Committee on Foreign Relations and the House Committee on International Relations concerning ways to improve budgetary procedures governing U.S. participation in the activities of the International Joint Commission prior to appropriating funds for this activity.

DEPARTMENT OF STATE

OFFICE OF FOREIGN BUILDINGS

The Department of State Has Continuing Problems in Managing Real Estate Overseas

Budget Function: International Affairs: Conduct of Foreign Affairs (152).

Legislative Authority: Foreign Service Building Act of 1926, as amended (22 U.S.C. 292).

The Department of State's Office of Foreign Buildings is responsible for acquiring, constructing, selling, maintaining, and operating about \$3 billion worth of U.S. Government-owned and leased properties in 215 cities and 135 countries.

Findings/Conclusions: The overseas construction program is not effective because of a lack of reliable, long-range planning; poor cost estimating; external pressures; and insufficient technical personnel. Management of employee housing is fragmented and lacks adequate criteria, centralized review, and a uniform policy. This results in higher costs because employees are provided with housing that exceeds space standards and living quarters allowances. Properties are not properly maintained and managed because of a lack of qualified personnel to make inspections, weak maintenance criteria, and deficient information used by managers. In spite of plans to establish a real property management information system, the Office had not established a reliable system 8 years after GAO expressed concerns on this subject. It is estimated that it will be at least 5 more years before such a system is operational. A recent appointment of a new Office of Foreign Buildings' Director offers the opportunity for improved management.

Recommendations: The Secretary of State should assign to the Office the responsibility for developing real estate plans and criteria for determining whether ownership or leasing arrangements best satisfy requirements; ask the Congress for full funding to cover a project site, design, and construction; issue a directive that changes not be made to buildings plans and projects after they have been approved; encourage the establishment of overseas regional offices; centralize funding and control of

overseas housing; develop uniform criteria for reviewing leases; review leases to ensure compliance with space criteria and standards; develop training programs; develop cost-benefit analyses to support the Capital Fund concept; establish maintenance criteria and procedures; direct posts to submit required information; assure adequate Office management staffing; have real estate matters at posts assigned to the General Services Officer; have missions establish a simple cost accounting system until an automated system is operational; and require documentation of architect selection. The Director of the Office should require the use of current data in developing cost estimates.

The Department of State agreed with the report findings and is taking steps to implement the recommendations. (ID-78-16, 7-12-78)

Appropriations

Department of State—acquisition, operation, and maintenance of buildings abroad.

Appropriations Committee Issues

- Two areas which need to be monitored are:
- (1) the progress of the Department of State's installation and use of its Real Property Accounting and Management Information System which is now being tested at several large missions abroad, and
 - (2) the progress of setting up overseas regional offices for the Office of Foreign Buildings to be able to more closely monitor and manage its overseas properties.

DEPARTMENT OF THE INTERIOR

American Samoa Needs Effective Aid to Improve Government Operations and Become a Self-Supporting Territory.

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).

Legislative Authority: Comprehensive Employment and Training Act of 1973 (29 U.S.C. 801). P.L. 95-134. S. 2955 (95th Cong.).

American Samoa is largely dependent on Federal funds as the base for its economy. Well-conceived goals and priorities for its development do not exist. The American Samoa Government has neither an effective financial management system nor an adequately trained work force to carry out its operations.

Findings/Conclusions: The Department of the Interior has been responsible for the administration of the Government of American Samoa since 1951, but has not been effective in helping American Samoa progress toward becoming a self-supporting territory. The level of funds American Samoa has received from the United States has exceeded its capability to manage its programs. The funds have also contributed to changes in the Samoan culture. About 82 percent of American Samoa's revenues in 1977 came from the Federal Government. Efforts to develop private enterprise have been largely unsuccessful, and the territory has been unable to effectively plan, develop, operate, manage, and maintain capital improvement projects. People from outside the territory comprised 25 percent of the work force. Despite high unemployment, American Samoans are unwilling to accept certain jobs.

Recommendations: The Secretary of the Interior should: clarify the U.S. Government's roles and responsibilities for carrying out Interior's objectives of self-government and self-support in American Samoa; make sure that the territorial government establishes goals and priorities for the territory's development as well as a plan to accomplish them; establish a

separate organization to provide American Samoa technical assistance and preserve the integrity of audit objectivity; make sure the territory has made an adequate evaluation of Federal grant programs, that there is a need for them, and that they can be effectively administered; proceed on the best possible approach to have information made available from other Federal agencies on the purpose and intent of all Federal funds and other assistance to be provided American Samoa; assist American Samoa in developing and carrying out a comprehensive manpower development program; and assist the territory in developing a comprehensive hiring and employment program. (CED-78-154, 9-22-78)

Appropriations

Department of the Interior, Office of Territorial Affairs—Administration of Territories.

Appropriations Committee Issues

American Samoa receives Thousands of federal dollars each year through various grant programs. In most cases these funds are not effectively administered and have not been evaluated to determine if there is a need for them. The Committee should direct Interior to take whatever action is necessary to assure that there is an adequate evaluation of federal grant programs, that there is a need for them and that they can be effectively administered.

DEPARTMENT OF THE INTERIOR

Inadequacies in Data Processing Planning in the Department of the Interior

Budget Function: Miscellaneous: Automatic Data Processing (1001).

Legislative Authority: Brooks Act (P.L. 89-306). Federal Land Policy and Management Act of 1976. OMB Circular A-71. H. Rept. 95-392.

In fiscal year 1977, the Department of the Interior spent over \$50 million for acquisition, operation, and use of automatic data processing (ADP) resources. The Department uses computer systems for processing scientific, statistical, engineering, land management, enforcement, and safety programs, but it is not as economical or effective in its acquisition and use of ADP resources as it should be.

Findings/Conclusions: Although the Department began to establish a Department-wide ADP planning framework in 1974 to provide better management control over computer and related resources, control still remains primarily at the Bureau level. Weakness in management planning and organization has resulted in underutilization and duplication of computer facilities and resources, lost opportunities for savings estimated at \$20 to 25 million over the past five years and lost opportunity for achieving greater effectiveness in several important missions. Top management has not been sufficiently involved or committed to management control of these resources, and the central management office had insufficient resources and authority. No formal Department-wide plan or planning process was ever developed, and departmental strategy and component organizations' objectives, plan, and actions were not harmonious.

Recommendations: The Secretary of the Interior should: establish a formal planning process for the direction, coordination, and control of ADP activities and resources; reestablish an executive ADP management committee with responsibility for the formulation and execution of a Department-wide strategy; assign to the

Office of ADP and Telecommunications Management the responsibility for supporting the executive ADP management committee; establish an evaluation and review process that acquires feedback on implementation of plans and establishes accountability at all management levels; and take direct action to control the operation of all computers primarily used for administrative purposes.

The Interior Department generally agreed with our conclusions and recommendations and has provided a statement of actions being taken to alleviate the problems within the Department's resource constraints. House Report 95-392 also noted problems caused at least in part by insufficient resources devoted to Interior's ADP management planning and control. (FGMSD-78-41, 6-23-78)

Appropriations

Department of Interior—ADP systems and activities

Appropriations Committee Issues

In view of the weaknesses in management planning and control over ADP expenditures at both the Departmental and Bureau levels identified in our report and the House Report 95-392, the Committees should consider strengthening Interior's Office of ADP and Telecommunications Management either by adding personnel or directing a reallocation of personnel resources within the Office of the Secretary.

DEPARTMENT OF THE INTERIOR

Interior Programs for Assessing Mineral Resources on Federal Lands Need Improvements and Acceleration

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).

Legislative Authority: Federal Land Policy and Management Act of 1976. National Forest Management Act of 1976. 43 U.S.C. 31. 30 U.S.C. 1.

Information about reserves of mineral deposits is essential for developing Government policies on resources and land use. The Department of the Interior's Geological Survey is the main Government information source on domestic mineral resources. The Bureau of Land Management (BLM) and the Forest Service, the two largest Federal land managing agencies, expect to spend about \$200 million preparing their land use plans through fiscal year 1986.

Findings/Conclusions: Unless Survey programs are accelerated, many of these plans will not be able to incorporate Survey information on possible mineral resources on Federal lands, and additional costs could be incurred if revisions to the plans are necessary. Survey programs could help the Congress decide which Federal lands should be established as wilderness areas, supply information important in carrying out a potential leasing program for mining nonfuel minerals on Federal lands, and benefit the domestic mining industry. The following shortcomings should be corrected: Survey lacks a structured, formal plan for completing its mineral resource assessment; it has not consulted Federal and State land managing agencies or the mining industry to determine their information needs; it could benefit from establishing a committee of leading experts who have a direct interest in the mineral industry; and more coordination is needed in land use planning schedules and mineral assessment schedules. The Survey did not always have adequate scientific expertise to work on the programs.

Recommendations: The Secretary of the Interior should establish an advisory committee

or other suitable mechanism to help Survey prepare a long-range plan for completing the mineral resource assessment and submit to the appropriate congressional committees a detailed plan and funding proposal for completing the assessment in the minimum feasible time. The Secretaries of Agriculture and the Interior should direct the Forest Service and BLM to coordinate their land management planning schedules to the extent feasible to meet timely objectives to use Survey mineral data and provide in their budget justification or completed land management planning those actions taken or progress achieved in their use of Survey mineral data.

The Department of the Interior cited certain actions it was taking to improve the planning and coordination of the programs. It also said that the programs could be gradually accelerated, and that it was requesting an additional \$1 million for fiscal year 1979. It indicated that under maximum acceleration, the appraisals would still take 20 years to complete (versus the 50 years under present funding levels). (EMD-78-83, 7-27-78)

Appropriations

Department of the Interior and Related Agencies

Appropriations Committee Issues

The appropriation committees should inquire closely into the levels of funding given these programs to assure that they are completed in an expeditious time period.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Bureau of Indian Affairs Not Operating Boarding Schools Efficiently

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).

Legislative Authority: Snyder Act of 1921 (25 U.S.C.13).—25 C.F.R. 31.

During fiscal year 1977, the Bureau of Indian Affairs (BIA) spent about \$157 million to operate schools, including 15 off-reservation and 57 on-reservation boarding schools. These provide instruction and residential facilities for students who have inadequate day school opportunities or special education and/or social problems.

Findings/Conclusions: The off-reservation boarding schools are underutilized; six schools visited have a combined membership of 2,654 but could easily accommodate 3,890 students. BIA has not established criteria for optimum capacities for boarding schools and has not yet established staffing and funding criteria. Per-pupil costs and staffing are greater at off-reservation than at on-reservation schools which are more fully utilized. Eligibility criteria for admitting students, based on availability of public or Federal day schools or special problems, have been largely ignored. Many questionable purchases have been made at the schools because of inadequate management controls. Four Navajo schools reviewed were in poor condition because of problems resulting from the centralized maintenance system. The off-reservation schools were in better condition, with more staff and funds for maintenance.

Recommendations: The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to instruct area offices, agency offices, and boarding schools to follow established eligibility criteria and admission procedures; develop space utilization, staffing, and funding criteria for boarding schools that will insure efficient operation and that the education needs of Indian children will be met; consolidate boarding schools and dispose of un-

needed facilities in accordance with established criteria and procedures; include provisions for linking procurements to specific education needs; develop a system to provide information with which to monitor program expenditures and/or determine need for evaluations; monitor and evaluate expenditures at the school level periodically; reevaluate staffing and funding of maintenance at Navajo area schools and make necessary adjustments for adequate maintenance; and implement plans to decentralize and simplify the Navajo area maintenance system.

The Department has not formally responded to this report.

During hearings on BIA's fiscal year 1979 appropriations, the Subcommittee on the Department of Interior and Related Agencies, Senate Committee on Appropriations and the Subcommittee on Interior, House Committee on Appropriations made several references to the report. (CED-78-56, 2-15-78)

Appropriations

Department of the Interior, Bureau of Indian Affairs—Operation of Indian Programs (Education).

Appropriations Committee Issues

Millions of dollars in unnecessary costs of operating boarding schools could be avoided through better use of existing schools, consolidation of underutilized schools, and improved administration. The Committees should direct BIA to take action to improve operation of boarding schools so that the savings can be realized.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Controls Are Needed over Indian Self-Determination Contracts, Grants, and Training and Technical Assistance Activities to Insure Required Services Are Provided to Indians

Budget Function: General Government: Other General Government (806)

Legislative Authority: Indian Self-Determination and Education Assistance Act, Title I (25 U.S.C. 450; P.L. 93-636). Buy Indian Act of 1910 (25 U.S.C. 47). =25 C.F.R. 271. S. Rept. 93-762. S. 1071 (93rd Cong.).

The Indian Self-Determination Act called for the Bureau of Indian Affairs (BIA) to contract with Indian tribes to assume responsibility for planning, conducting, and administering programs and services provided by BIA.

Findings/Conclusions: BIA does not have adequate controls over contracts and grants awarded to the tribes or the related training and technical assistance activities. BIA has not met the legislative mandate to supervise tribal performance even though self-determination contracts and grants in fiscal year 1977 accounted for about 25% of its budget for the operation of Indian programs. Contracts and grants were awarded retroactively, and adequate criteria for measuring performance were not always included. Also, supervision and monitoring of performance were not effective, and BIA has not developed a management reporting system which would help control activities related to individual contracts and grants and the use of assistance funds. BIA guidelines are not adequate for defining employee responsibilities in supervising and monitoring contracts. An example of management deficiency was the award of a \$4 million contract to a tribe to operate a higher education scholarship program even though tribal auditors reported that the tribe had not been able to operate the program properly. BIA has permitted the use of training and technical assistance funds for activities other than those intended by legislation.

Recommendations: The Secretary of the Interior should direct the Assistant Secretary for Indian Affairs to develop a management reporting system to help monitor and control self-

determination contracts, grants, and training and technical assistance activities. The Assistant Secretary should also be directed to revise BIA's policies, regulations, procedures, and practices to: prohibit award of contracts in which the starting date precedes the date of award; require that all contracts and grants include specific criteria against which to measure performance; require that contracts and grants are effectively supervised and monitored; and prevent training and technical assistance funds appropriated for self-determination purposes from being used for purposes other than those intended by legislation.

On May 19, 1978, the Department of the Interior, in responding to the report, stated that in general BIA concurred with the recommendations and had taken or planned to take actions to correct the weaknesses. The Department advised that BIA had completed and implemented the management information system but pointed out that the system was a tool only, not a panacea.

Using hearings on BIA's fiscal year 1979 appropriation, the Subcommittee on the Department of Interior and Related Agencies, Senate Committee on Appropriations and the Subcommittee on Interior House Committee on Appropriations made several references to the report. (CED-78-44, 2-15-78)

Appropriations

Department of the Interior, Bureau of Indian Affairs

Appropriations Committee Issues

Since Indian tribes are taking over control of Federal programs under contract with BIA, it is imperative that proper controls be established

to insure that funds are used properly. The Committees should direct BIA to make the improvements needed to insure that funds appropriated for Indian programs are used effectively.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Information on Organization and Functions of the Indian Education Resources Center

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).

Legislative Authority: Education for All Handicapped Children Act (P.L. 94-142). Elementary and Secondary Education Act, Title I. Johnson-O'Malley Act of 1934.

The purpose of the Indian Education Resources Center in Albuquerque, New Mexico, is to provide technical services of monitoring, curriculum evaluation, research and development, and dissemination of information to Bureau of Indian Affairs (BIA) schools. The Center has four divisions in Albuquerque and one in Utah. In June 1976, the current Director of Indian Education initiated a reorganization which divested the Center of many of its functions and attempted to centralize staff and operations in Washington, D.C. This proposed reorganization has not taken place, and a 1976 Civil Service Commission review found that about half of the Center's personnel positions were overgraded due to an erosion of duties and responsibilities largely attributable to a gradual reduction in staff and funds assigned to the Center. The Commission directed BIA to take no further actions to reorganize the Center.

Findings/Conclusions: Assistance provided by the Center was generally considered satisfactory by its clientele—mostly BIA field offices and schools. However, the Center was not, on its own initiative, monitoring and evaluating BIA-operated schools or insuring that area offices were adequately performing these functions. Additional needed services such as the monitoring and evaluation of school activities

have not been provided because of staffing problems or travel fund limitations. Two of the Center's four divisions currently located in Albuquerque are appropriately located, but there is no reason why the Center's other two divisions need to be located in Albuquerque. However, if these two divisions perform additional monitoring and evaluation, they also will have to perform more travel and may need to be located in the field.

We did not submit this report to the Department of the Interior for formal review and comments, because it did not contain any recommendations to the Department. (CED-78-57, 2-15-78)

Appropriations

Department of the Interior, Bureau of Indian Affairs—operation of Indian programs (Education).

Appropriations Committee Issues

Needed services, such as monitoring and evaluation of school activities, have not been provided by BIA because of staffing problems and/or travel fund limitations.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

More Effective Controls over Bureau of Indian Affairs Administrative Costs Are Needed

Budget Function: General Government: Central Fiscal Operations (803).

Legislative Authority: Budget and Accounting Procedures Act of 1950.

The Bureau of Indian Affairs was asked by congressional committees to reduce costs of administering Indian programs for fiscal years (FYs) 1977 and 1978 by about \$8.5 million because evidence suggested that costs were excessive.

Findings/Conclusions: BIA reduced costs by about \$900,000 and then, rather than reduce the remaining administrative costs as directed, it reduced funds for Indian programs. It also avoided reductions in administrative costs by such actions as: netting the reduction against other program costs and allocating them to the many BIA offices without identifying the amount of reduction; reducing funds for computer operations and recovering funds by receiving reimbursement from Indian programs for services; and failing to reduce personnel, claiming that reductions would have prevented it from providing essential services. BIA's arguments for maintaining its administrative costs level are inconsistent with audit report disclosures that shortcomings in personnel organizations' operating budgets to management and other adverse conditions have resulted in unnecessarily high costs. Weaknesses in the Bureau's financial management system prevented it from controlling costs effectively and contributed to its high administrative costs.

Recommendations: Congress should exercise better controls over BIA's administrative costs by changing its method of appropriating funds for this purpose, using either separate appropriations or a dollar limitation, and should also specify amounts for personnel costs. If either of these recommendations is adopted, the Secretary of the Interior should require BIA to change its budgets and related justifications to show total administrative costs and personnel by specific offices and program

category. He should also direct BIA to: revise its accounting system to use its organizations' operating budgets to control costs and prevent unauthorized deviations from operating budgets, establish fund controls that will keep area offices within amounts budgeted and require prior approval for significant deviations, act immediately to reduce its administrative costs for FY 1978 by the \$4 million requested by the committees, discontinue plans to show reimbursement for computer operations as reductions in administrative costs, and identify and eliminate overlapping positions and unqualified personnel.

The Department of Interior agrees that the Bureau's financial management system has serious weaknesses and said that action would be taken on GAO's recommendations to improve the system. However, Interior disagrees with the need to implement other recommendations in the GAO report, and issued comments to several congressional committees, including the House and Senate Appropriations Committees, that contained its rationale for objecting to the recommendations. GAO has evaluated Interior's rationale and is preparing a separate report that explains why the recommendations should be implemented. (FGMSD-78-17, 2-15-78)

Appropriations

Bureau of Indian Affairs—operation of Indian programs.

Appropriations Committee Issues

Committees should adopt one of the alternatives suggested in GAO's report for appropriating money to the Bureau for its administrative

expenses. They should also direct Interior to act positively on all GAO recommendations to provide greater control over the Bureau's administrative costs, and require periodic reports

on the status of actions until there are reasonable assurances that controls have been improved to the Committees' satisfactions.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

More Federal Efforts Needed to Improve Indians' Standard of Living through Business Development.

Budget Function: General Government: Other General Government (806).

Legislative Authority: Indian Financing Act of 1974.

The Indian Financing Act of 1974 was enacted to stimulate economic development on Indian reservations by increasing the availability of funds for starting and expanding business enterprises.

Findings/Conclusions: Eight Federal agencies administering 25 grant, loan, and technical assistance programs have not been very successful because the Indian reservations are not generally well suited for business development. Some of the reservations have little potential for success without long-term Federal assistance. From fiscal years 1975 through 1977, the Economic Development Administration (EDA) and the Bureau of Indian Affairs (BIA) have provided \$294 million through loans and grants to help establish businesses on Indian reservations. In 45 industrial parks financed by EDA, the number of businesses decreased since 1973. Deficiencies in BIA administration have caused the loan and grant programs to suffer from delinquencies, inadequate accounting systems, poor analysis of loan and grant applications, missing documents in loan and grant files, inadequate loan servicing, short repayment terms, and limited provision of technical assistance. About 300,000 Indians are not eligible for loans because of certain prohibitions in the act.

Recommendations: The Administrator of EDA and the Assistant Secretary for Indian Affairs should be directed cooperatively to: (1) conduct an economic feasibility study that identifies reservations most likely to support self-sustaining economic development and carry out a comprehensive business development program; and (2) decide whether long-term Federal support should be provided to develop other reservations or whether alternative strate-

gies are needed and, if so, new strategies should be developed and proposed to the Congress. The Assistant Secretary for Indian Affairs should be directed to: establish procedures to preclude making revolving fund loans to tribal relending organizations that have experienced continuous problems, take action to correct deficiencies in accounting and computer systems, require documentation before making or guaranteeing loans and grants, establish a policy for participation in the loan program; and assure necessary technical and management assistance. Congress should: determine whether restrictive provisions in the act should continue and, if not, amend the act; and consolidate Federal Indian economic development programs and place them in a single agency.

On May 26, 1978, the Department of Commerce, in responding to the report listed several actions under consideration. Commerce stated that a study was being formulated that will evaluate EDA's past and present efforts on Indian reservations, to better relate EDA's efforts to other Federal Indian economic development efforts.

On July 21, 1978, the Department of the Interior stated that economic development efforts on Indian reservations, by any reasonable standard, had been a failure. Interior stated that it will continue to support economic development and will target its efforts to those communities which do have the desire, the commitment, and the capacity to make development a success.

During hearings on BIA's fiscal year 1979 appropriations, the Subcommittee on the Department of Interior and Related Agencies, Senate Committee on Appropriations and the

Subcommittee on Interior, House Committee on Appropriations made several references to the report. (CED-78-50, 2-15-78).

Appropriations

Department of the Interior, Bureau of Indian Affairs—economic development and employment.

Appropriations Committee Issues

If economic development is to be successful on Indian reservations, funds appropriated for that program must be used effectively to stimulate economic growth. Close oversight is needed by the Committees.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Questionable Need for All Schools Planned by the Bureau of Indian Affairs

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).

Legislative Authority: Snyder Act of 1921 (25 U.S.C. 450h). Indian Self-Determination and Education Assistance Act (P.L. 93-638). 20 U.S.C. 631. 25 U.S.C. 458.

The Bureau of Indian Affairs' (BIA's) policy is that, wherever adequate school facilities are available, Indian children should be enrolled in local public schools. The Bureau has estimated that, as of January 1978, about \$300 million would be needed to renovate or construct school facilities for educating Indian children. Much of this expenditure could be avoided if Indian children were enrolled in nearby public schools.

Findings/Conclusions: A review of justifications for 19 planned schools indicated that adequate public school space was already available in 12 of the localities. These 12 planned schools would cost an estimated \$42 million. BIA has not complied with its own policy and allowed these schools to be included in construction plans because BIA has allowed Indian tribes to influence the decision to construct schools regardless of cost and compliance with policies. There is strong tribal feeling toward replacing or obtaining tribal schools regardless of the existence of available space in nearby public or other BIA schools. BIA did not use comprehensive planning data in developing the fiscal year 1979 school construction priority list or verify information submitted on construction request applications. Unless a policy on attendance boundaries is developed, setting priorities on school construction will remain extremely difficult.

Recommendations: The Secretary of the Interior should compare the costs and cultural and academic benefits of constructing small, scattered schools as opposed to larger, centralized schools before schools are scheduled

for construction. The Secretary should direct the Assistant Secretary for Indian Affairs to: enforce the policy of having Indian children attend nearby public schools where adequate facilities are available, establish a policy which would require use of available space in nearby Bureau schools before new schools are built, require comprehensive planning data to justify school construction priorities, require verification of all data, and clarify and enforce the BIA's policies on school attendance boundaries.

The Department has not formally responded to this report.

During hearings on BIA's fiscal year 1979 appropriations, the Subcommittee on the Department of Interior and Related Agencies, Senate Committee on Appropriations and the Subcommittee on Interior House Committee on Appropriations made several references to the report. (CED-78-55, 2-15-78)

Appropriations

Department of the Interior, Bureau of Indian Affairs—construction

Appropriations Committee Issues

Millions of dollars in unnecessary school construction costs could be avoided through better use of existing space in nearby BIA and public schools. The Committee should require that appropriate school construction priorities be set and followed and that such priorities consider available space.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

The Bureau of Indian Affairs Needs to Determine How Well Its Indian Training Program Is Working and Assist Tribes in Their Training Efforts

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Legislative Authority: Snyder Act of 1921 (25 U.S.C. 450h). Indian Self-Determination and Education Assistance Act (P.L. 93-638). 20 U.S.C. 631. 25 U.S.C. 458.

The Bureau of Indian Affairs' (BIA) Indian Action Team program was designed to train Indian people living on reservations for employment and provided a new approach, calling for Indian self-determination, as an alternative to the past policy of terminating services to Indian tribes as promptly as possible. Through the Indian Technical Assistance Center, BIA awarded contracts to tribal groups to provide marketable training skills to Indian people. Total funding for the program through fiscal year 1978 has been \$85.5 million.

Findings/Conclusions: BIA does not have a system for determining the effectiveness of the program and does not require appropriate recordkeeping from the Indian contractors. Overall trainee employment success rates could not be identified because of inadequate records, and varying rates were identified by program directors. Some of the directors stated that BIA had provided little technical assistance and some that they had difficulty obtaining qualified instructors because of the low wage scale. The program has produced benefits other than training, such as capital improvements to facilities from on-the-job training projects and the pride experienced by Indian people from learning a trade. Although the program has operated for 5 years, the Center does not have sufficient staff to evaluate the program or provide proper technical assistance. BIA has awarded contracts to the same contractors each year and has been unable to fund new proposals because of the lack of a system for evaluating program effectiveness or identifying contracts which should not be renegotiated.

Recommendations: The Assistant Secretary for Indian Affairs should carry out recommendations of BIA's management review team that the Center be reorganized, qualified staff acquired, and clear operating procedures established. The Chief of the Center should be instructed to: establish, with the Indian contractors, measurements to evaluate the effectiveness of the program; modify contracts to reflect criteria established and reporting requirements; require that contractors submit necessary reports for evaluation; evaluate contractors' performance; evaluate proposed Indian Action Team programs and fund the most promising ones if funds become available; and review contracts to determine if technical assistance is needed and provide such assistance.

On June 21, 1978, the Department, in responding to the report, stated that the report correctly identified the issues facing the Indian Action Program and BIA concurred with our recommendations. The Department listed several steps they planned to improve weaknesses in the program. One of the actions which should help bring about the improvement is the plan to reorganize the Indian Technical Assistance Center.

During hearings on BIA's fiscal year 1979 appropriations, the Subcommittee on the Department of Interior and Related Agencies, Senate Committee on Appropriations and the Subcommittee on Interior, House Committee on Appropriations made several references to the report. (CED-78-46, 2-13-78)

Appropriations

Department of the Interior, Bureau of Indian Affairs—Operation of Indian Programs, Economic Development and Employment.

Appropriations Committee Issues

BIA does not know if its Indian Training program is working. Therefore, continued funding of the program may not be cost effective.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

The Bureau of Indian Affairs Should Do More to Help Educate Indian Students

Budget Function: Education, Manpower, and Social Services: Higher Education (502).

Legislative Authority: 25 U.S.C. 13.

In providing grants to Indian students to attend colleges and universities, the Bureau of Indian Affairs (BIA) knows little about the students' preparation for and performance in college or about the colleges they attend. The program has grown from 4,300 students receiving about \$4 million dollars in 1970 to 16,000 students receiving about \$33 million in 1976.

Findings/Conclusions: Investigations conducted at seven educational institutions that enrolled about 2,000 Indian students showed that the Indian students, on the whole, had lower assessment test scores and cumulative grade point averages than the general student population. The Indian freshmen particularly need help, as evidenced by the fact that the rate of Indian freshmen not continuing their education at these schools was higher than that for the general student population. The Bureau has neither devoted enough staff to the program nor provided students with needed supportive services.

Recommendations: The Secretary of the Interior should direct the Bureau of Indian Affairs to: develop and implement a system for gathering information on Indian students and the colleges they attend to help these students plan their education; encourage Indian counselors to perform duties that enhance the Indians' opportunities to further their education; encourage colleges and universities without Indian counselors to see that Indian students are

receiving adequate supportive services; develop regulations based on the higher education program manual and require BIA personnel to follow them; and sufficiently staff the higher education program so that needed services can be provided to Indian students.

The agency agreed with our findings and pointed out a number of steps to help Indians obtain a higher education. However, the agency noted that additional resources would be needed to develop an information system for tracking prospective Indian students and staffing the higher education program so that needed services could be provided to Indian students. The report findings formed the basis for H.R. 9158, The Tribally Controlled Community College Act. (HRD-77-155, 11-3-77)

Appropriations

Department of Interior and Related Agencies.

Appropriations Committee Issues

Bia believes additional funds are needed to sufficiently staff the BIA higher education grant program and develop an information system that would help track Indian students' educational progress.

DEPARTMENT OF THE INTERIOR

BUREAU OF INDIAN AFFAIRS

Tribal Participation in the Bureau of Indian Affairs Budget System Should Be Improved

Budget Function: General Government: Other General Government (806).

Legislative Authority: Indian Reorganization Act of 1934 (25 U.S.C. 461; 25 U.S.C. 476). Indian Self-Determination and Education Assistance Act of 1975 (25 U.S.C. 450).

The degree to which the Bureau of Indian Affairs' (BIA's) budget reflects tribal needs and priorities depends on the extent of effective tribal involvement. Tribal participation and effective tribal input in BIA's fiscal year 1979 funding decisions varied from total involvement to no involvement at all. Therefore, BIA's fiscal year 1979 budget represents some, but not all, tribal funding priorities.

Findings/Conclusions: Participation or effective input by some tribes was limited because BIA: did not give the tribes needed funding data and information to identify all programs and funding sources, did not identify funds for trust responsibilities and essential services that could not be eliminated, varied the programs subject to direct tribal input, imposed a severe time constraint on the tribes for identifying funding priorities, did not give some tribes an opportunity to participate or limited tribal input to review and comment, and did not give tribes an opportunity to participate in developing new programs and making major revisions to existing programs. The conditions that limited participation in the 1979 budget will again limit tribal participation in developing the fiscal year 1980 budget.

Recommendations: The Assistant Secretary of the Interior for Indian Affairs should: give the tribes complete funding data and information, inform the tribes of the exact amount of funds available to change the mix of programs and funding priorities, narrow the criteria for excluding a program from the funding priority-setting process, give the tribes more time to

develop program-funding priorities, revise procedures and requirements for setting program-funding priorities to make sure that tribal officials are given an opportunity to identify their priorities, and give the tribes an opportunity to participate in developing new programs and making major revisions to existing programs.

On May 12, 1978, the Department of the Interior, in a letter to the Senate Subcommittee on the Department of the Interior and Related Agencies, Committee on Appropriations, told the Chairman that with minor exception the Department agreed with our recommendations and had taken or would take positive steps to implement them.

During hearings on BIA's fiscal year 1979 appropriations, the Subcommittee on the Department of Interior and Related Agencies, Senate Committee on Appropriations and the Subcommittee on Interior House Committee on Appropriations made several references to the report. (CED-78-62, 2-15-78)

Appropriations

Department of the Interior, Bureau of Indian Affairs.

Appropriations Committee Issues

The Committees should direct BIA to make improvements in its budget process that are necessary to fully reflect tribal priorities.

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Benefits Derived from the Outer Continental Shelf Environmental Studies Program Are Questionable

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1331).

The Outer Continental Shelf (OCS) environmental studies program was established in 1974 to provide information about the OCS environment which would give Federal agencies a basis for making decisions on resource development, predicting the impacts of OCS development, and modifying leasing stipulations and regulations for OCS development.

Findings/Conclusions: The program has been costly, exceeding \$200 million since its inception, and it may have little effect in minimizing environmental damage during exploration, development, and production in the OCS. There is little agreement among Federal and State agencies on how the studies can best be used in decisionmaking and what information is needed to assess the environmental impact of OCS development. Research on effects of pollutants is widely dispersed among Federal agencies and is not coordinated with overall marine research needs. State agencies are concerned about the lack of data describing coastal and nearshore environments on which to base lease decisions. Uncertainties about information management are exemplified in the Alaska studies program, the largest of the programs. The Bureau of Land Management (BLM) has not provided adequate program guidance to the National Oceanic and Atmospheric Administration (NOAA) to develop the necessary information, and NOAA has not used its resources to develop environmental information effectively.

Recommendations: The Secretary of the Interior should: reassess the program for how

the studies can best be used in the OCS development decisionmaking process and what information is needed to assess the impact of development; in cooperation with Federal and State agencies, develop coordinated plans that identify OCS environmental information needs and focus relevant marine research activities on these needs; and require the Director, BLM, to define specific Alaska program goals, priorities, and research needs, and improve program guidance to NOAA. The Secretary of Commerce should direct the Administrator of NOAA, in line with BLM guidance, to improve the operational design, implementation, and control of the Alaska program, with greater emphasis on: long-range research planning, an interdisciplinary approach, integration of research results with Department of the Interior decision points, use of outside expertise, procedures to assure consideration of previous research, and consideration of users' needs.

Officials of the Department of Interior and the National Oceanic and Atmospheric Administration generally agreed with GAO's recommendations. The direction of the OCS environmental studies program has been reevaluated as recommended by GAO and new emphasis placed on key information requirements.

The Subcommittee on General Oversight and Alaska Lands, House Committee on Interior and Insular Affairs, followed-up on GAO's report and found that program changes have been made. The Committee plans to hold hearings to determine the extent of the change. (CED-78-93, 6-1-78)

Appropriations

Department of Interior, Bureau of Land Management and Resources—energy and minerals management.

Various other agencies

Appropriations Committee Issues

Little agreement exists among Federal and State agencies on how environmental studies

can best be used in OCS decision making and what information is needed to assess environmental impact. The Committee may wish to consider the status of improvements in the program when evaluating agencies appropriation requests for funding of OCS environmental studies.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Appraisal Procedures and Solutions to Problems Involving the 160-Acre Limitation Provision of Reclamation Law

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Legislative Authority: The Reclamation Act of 1901.

GAO reported to the Chairman, Senate Select Committee on Small Business, and the Acting Chairman for the Westlands Hearings, Senate Committee of Interior and Insular Affairs, that improvements were needed in the Bureau's appraisal techniques to ensure that large landowners in the Westlands Water District do not sell their excess lands at values which include enhancement resulting from the project.

- Findings/Conclusions:** The Bureau did not
- adequately support its basis, or give consideration to all appropriate factors, in establishing land values without project benefits,
 - consider the usefulness to the purchaser of farm facilities and equipment in estimating their value, and
 - adequately document the basis for its independent valuations.

GAO concluded that establishing a governmental purchasing system of excess land for resale to family farmers probably had the potential for being more effective than two other solutions suggested to GAO by the Chairmen for solving problems in administering the 160-acre limitation provision. This would be particularly true if the owner were also required to be the farm operator. Because of the lack of basic data and the subjective considerations involved, the Federal cost of such a solution is unknown.

Reclamation law limits to 160 acres the land on which any one owner is entitled to receive water from a Federal water resources project. Owners of more than 160 acres in the Westlands Water District in California may receive water on such excess land from the Bureau of Reclamation's Central Valley Project if they sign recordable contracts agreeing to sell such

excess lands within 10 years to eligible buyers at prices based on the actual bona fide value of such lands without reference to the construction of the Federal project. In a previous report to the Chairmen (RED-76-98, 4-9-76) GAO estimated that the Federal subsidy applicable to the Westlands Water District would be about \$658 million on a simple-interest present-value basis.

Recommendations: GAO recommended that the Secretary require the Bureau to:

- Undertake a formal study in the Westlands Water District to ascertain the value of excess lands—by class and location, without project enhancement—giving consideration to the decreasing ground water supply that would have resulted if the Federal project had not been constructed.
- Obtain from the seller supporting data for values assigned by the seller and to document in the sales files the basis for valuations assigned by the Bureau's appraiser.
- Issue detailed guidelines setting forth the criteria and procedures for evaluating excess land sales.

GAO also recommended that the Secretary require that his internal audit staff schedule reviews of the appraisal activity in the various Bureau regional offices.

The Bureau generally agreed with GAO's recommendations on documentation, detailed guidelines, and internal reviews of the appraisal activity; and revised procedures were submitted for publication in the *Federal Register* on August 22, 1977. Although the Bureau believed that the formal study to ascertain the value of project lands without project enhancement would be beneficial, it believed that such a study would be difficult to justify, given what

it believed to be speculative assumptions required to consider the declining groundwater table. Despite the Bureau's position, the San Luis Task Force, established by Public Law 95-46 (June 15, 1977) pursued this matter further and adopted the GAO recommendation. Final implementation has been delayed pending completion of an EIS concerning this matter and others involving the 160-acre provision of reclamation law. (RED-76-119, 6-3-76)

Appropriations

Department of the Interior, Bureau of Reclamation—operation and maintenance.

Appropriations Committees Issues

Because of the substantial amount of Federal subsidy provided to the recipients of irrigation water from Bureau of Reclamation projects and to ensure that large landowners do not sell their land at values which include enhancement resulting from these Federal irrigation projects, the Committees should see that the GAO recommendations are included in the final regulations.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Bureau of Reclamation's Procedures and Practices for Computing Authorized Cost Ceilings and Project Cost Estimates Need Improvement

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

The authorizing legislation for Bureau of Reclamation construction projects usually allows the Bureau to increase the authorized cost ceiling for its projects to recognize inflation. GAO estimated that this inflation increase amounted to \$1.4 billion for 1974.

In a report to the Chairman of the Conservation, Energy, and Natural Resources Subcommittee, House Committee on Government Operations, GAO concluded that the Bureau had used procedures that allowed costs not subject to inflation, such as expended funds, to increase the authorized cost ceiling unnecessarily. Also, the Bureau had misapplied its procedures in preparing the estimates of the authorized cost ceiling and total Federal obligations for the fiscal year 1976 budget submissions. Because of the weaknesses in the misapplications of the Bureau's procedures, GAO estimated that the total Federal obligations in two of the projects reviewed—the Colorado River Storage Project and the Garrison Diversion Unit—would exceed the authorized cost ceiling by \$26.9 and \$40 million, respectively.

GAO recommended that the Secretary direct the Bureau of Reclamation to:

- change its procedures to prevent costs not subject to inflation from unnecessarily increasing the authorized ceiling and to make the computation more comparable to the estimate of total Federal obligations and
- establish an independent internal review process which would verify compliance with Bureau procedures and identify procedural weaknesses.

The Bureau revised its procedures in August 1976 for indexing authorized cost ceiling and estimating project costs. These procedures include provisions for limiting the indexing of expended funds to incomplete contracts (one of three methods suggested by GAO) and establishing an internal review process to determine compliance as well as consistency in the internal review process.

Using GAO's preferred method for limiting the indexing of expended funds, the Subcommittee determined, with the assistance of the Bureau and GAO, that 19 of the Bureau's 35 projects for fiscal year 1977 would exceed the authorized cost ceilings by a total of \$675 million. (RED-76-49, 11-17-75)

Appropriations

Department of the Interior, Bureau of Reclamation — Construction and Rehabilitation and Operation and Maintenance.

Appropriations Committee Issues

In their review of the fiscal year 1979 project data sheets for Bureau projects, the Committees should determine if the computations were reviewed by the independent internal review process that was to be established and whether the review showed any noncompliance with revised procedures or any new procedural deficiencies. The question as to whether a project exceeds its authorized cost ceiling may depend on the methods used in computing the ceiling.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Managing Recreation Facilities at Bureau of Reclamation Reservoirs

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Legislative Authority: Federal Water Project Recreation Act (16 U.S.C. 4601)

GAO reported to the Chairman of the Conservation, Energy, and Natural Resources Subcommittee, House Committee on Government Operations, on (1) the Bureau's policy of assigning management of recreation areas at its reservoirs to non-Federal agencies and (2) its supervision of such management.

At several reservoirs, the Bureau had been unable to interest either Federal or non-Federal agencies in assuming responsibility for developing and operating recreation facilities. As a result, these reservoirs had limited recreation facilities. Also, at a few reservoirs, public access to the lakes was restricted because concessioners had developed mobile home parks.

GAO recommended that the Secretary

- Obtain statutory authority to develop, operate, and maintain recreation facilities at Bureau reservoirs when (1) other Federal or non-Federal agencies are either unwilling or unable to assume such responsibility or (2) management by a non-Federal agency would be unsatisfactory.
- Establish a policy on developing mobile home parks at Bureau reservoirs to ensure that such development does not restrict public use of the reservoirs.

The Bureau generally agreed with the recommendations. Interior advised the Subcommittee that a legislative proposal was being developed to provide the needed statutory authority and that its regulations were being revised to cover mobile homes in its cabin site policy. In October 1978, Bureau Officials informed GAO that Interior was further considering the legislative proposal and revised regulations. (RED-74-235, 7-29-74)

Appropriations

Department of the Interior, Bureau of Reclamation—construction and rehabilitation and operation and maintenance.

Appropriations Committee Issues

The Bureau of Reclamation may need additional funds if it obtains the statutory authority 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 would be unsatisfactory.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

More Effective Procedures Are Needed for Establishing Payment Terms and Development Periods for Irrigation Projects.

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: Reclamation Act of 1962 (43 U.S.C. 391), Reclamation Project Act of 1939 (43 U.S.C. 391 a)

GAO reported to the Secretary on the Bureau's procedures and practices for determining the payment terms and development periods used to recover that portion of multipurpose water resource project costs allocated to irrigation.

Findings/Conclusions: Water users are required to repay, over a period of about 50 years, only that part of irrigation costs which they have the ability to pay. A development period, not to exceed 10 years, is allowed for the irrigators to develop their land and achieve the financial position necessary to meet any added costs before the start of the repayment period. The irrigators' ability to pay is determined by estimating the difference between their incomes with and without an irrigation project. Such determinations involve projections of farm sizes, type and quantity of crops, and crop prices. Thus, the determinations are based on subjective evaluations—each of which can substantially affect the amounts determined to be available for repayment.

GAO concluded that financial data applicable to all farm sizes and types of crops had not been used in computing irrigators' ability to pay, and that inconsistent criteria had been used for establishing development periods. Also, the Bureau's long-term contracts with irrigation districts in the Pacific Northwest, Upper Colorado, and mid-Pacific regions generally did not contain provisions for adjusting the construction cost obligation and water rates during the 40-year life of the water contracts. Finally, the subjective nature of the Bureau's determinations of the irrigation districts' ability to pay and the changing economic conditions that occur over a long period indicate that the

determinations should be periodically updated.

Recommendations: GAO recommended that the Bureau be required to:

- Prepare and issue to its regional offices uniform guidelines for establishing irrigation payment terms and development periods.
- Make provisions in future irrigation contracts for periodically adjusting the total construction cost obligation, the related water rates, and other payments on the basis of changes in irrigators' ability to pay.

GAO's recommendations have been adopted by the San Luis Task Force (established in accordance with P.L. 95-46, June 15, 1977) and by the President's Water Policy Statement issued June, 1978. Further, the Bureau is drafting new policy directives to implement this recommendation. (RED-75-372, 5-23-75)

Appropriations

Department of the Interior, Bureau of Reclamation—Construction and Rehabilitation and Operation and Maintenance.

Appropriations Committee Issues

To ensure more equitable treatment of all multipurpose water resource project customers and to avoid interest costs to the Government which result from unnecessarily long development periods, the Committees should inquire into the status, of the Bureau's implementation of GAO's recommendations.

DEPARTMENT OF THE INTERIOR

NATIONAL PARK SERVICE

The Status and Problems in Constructing the National Visitor Center

Budget Function: Natural Resources, Environment, and Energy—Recreational Resources (0303).

In a report to the Congress, GAO pointed out that the cost to renovate and construct the National Visitor Center and parking facility had increased from \$16 million to over \$44 million. The scope of the parking facility had been reduced from 4,000 cars to 920 cars before the construction was terminated due to insufficient funds.

The Departments of the Interior and Transportation are both interested in continuing construction but with different end uses of the facilities. GAO believes that before the Congress authorizes any additional construction, there should be an agreement among the Congress and these two departments on the final project designs, cost limits, and which agency should be responsible to finish the project.

GAO recommended that the Congress require the agency responsible for construction to:

- Submit to the Congress periodic status reports on this project similar to the Selected Acquisitions Reports (SAR) submit-

ted by the Department of Defense on major weapon systems.

- Use fixed price contracts to avoid further cost overruns and to establish better control of construction.

A Bill authorizing construction to begin again, under the supervision of the Department of the Interior, was not passed by the 95th Congress. Therefore, construction cannot be resumed at this time. (PSAD-77-93, 4-4-77)

Appropriations

Department of the Interior—construction

Appropriations Committee Issues

If construction resumes, the responsible agency should submit Selected Acquisition Reports to the Congress, and the construction should be performed under fixed-price contracts.

DEPARTMENT OF THE INTERIOR

UNITED STATES GEOLOGICAL SURVEY

Lower Cook Inlet: Another Example of More Data Needed for Appraising Outer Continental Shelf Oil and Gas Resources

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1331). Department of Energy Organization Act of 1977 (42 U.S.C. 7101). S. 9 (95th Cong.). H.R. 1614 (95th Cong.).

The Nation greatly relies on the Outer Continental Shelf (OCS) leasing program for meeting near-term domestic energy needs, particularly while new energy technologies and conservation actions are being developed. Decisions regarding where to lease and at what rate have a significant impact on the future production of OCS resources. The Department of the Interior's October 1977 sale of 135 oil and gas tracts on the OCS off the southern Alaskan coast, commonly known as the Lower Cook Inlet Sale CI, was reviewed and compared with previous sales of 1975 and 1976.

Findings/Conclusions: Analysis of the data available for tract selection in Sale CI provides little assurance that the best tracts were selected for leasing. Industry nominations continue to be the predominant factor influencing the Department's tract selection. Much of the area considered for lease was inadequately examined, and tracts were included in the sale despite their apparent low promise of resources. The present program leases land on the basis of minimal geologic information, and the Department of the Interior has not made significant efforts to obtain additional geologic knowledge through stratigraphic drilling. Although the oil industry paid a significant amount of capital for leasing rights to Sale CI tracts, there is no assurance that energy resources will be found or that fair market value was achieved.

Recommendations: The Secretary of the Interior should direct a geological exploration program with a systematic plan for appraising OCS oil and gas resources which would identify

fy the level of stratigraphic drilling necessary to provide a minimal level of data. The Secretary should then encourage private industry to explore areas identified in the plan and share with the Department the information developed. If any data are still needed, the Department should take the necessary actions to obtain it. The Geological Survey and Bureau of Land Management should be required to obtain the necessary information to make reliable tract values before lease. The Department should then offer for lease only those areas for which it has collected and analyzed sufficient information to identify where the resources are, their estimated value, and potential for development.

The Department commented that the proposed leasing schedule indicates to industry potential areas of interest, and their commitment to closely adhere to that schedule provides a basis for private pre-lease exploration decisions. Further definition of lease areas by tentative tract selection procedures also aids in selecting locations for test drilling as well as other geological and geophysical data collection. The Department concluded that it is unlikely that these steps will result in the type of comprehensive drilling program that GAO has in mind. (EMD-78-48, 6-8-78)

Appropriations

Department of the Interior—surveys, investigations, and research.

Appropriations Committee Issues

The Department has not (1) developed an overall appraisal plan, (2) identified the levels of stratigraphic drilling needed to assess the

OCS, or (3) determined the extent to which private industry is willing to perform such drilling. The Department needs to evaluate these issues before the potential cost of this plan can be estimated.

DEPARTMENT OF THE INTERIOR

UNITED STATES GEOLOGICAL SURVEY

Outer Continental Shelf Sale 40: Inadequate Data Used to Select and Evaluate Lands to Lease

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1331). S. 9 (95th Cong.). H.R. 1614 (95th Cong.).

The Department of Interior's policy of leasing Outer Continental Shelf (OCS) lands that have not been properly evaluated because of insufficient data has led to problems.

Findings/Conclusions: A review of Sale 40 indicated that the Department had insufficient data with which to value the tracts. There was only one deep stratigraphic test off-structure for Sale 40. The reliability rating showed that only one of the three major parameters for resource evaluation could be identified by seismic data. A number of tracts (49%) received only one or two bids each. The differences in values assigned by the Department and by industry to the minimum valued tracts' leased differed by an average of almost 2,000%.

Recommendations: The Secretary of the Interior should direct a geological exploration program to develop and implement a plan for appraising OCS oil and gas resources, and then encourage industry to drill with information shared with Interior on a confidential basis. If any data are still needed, Interior should take necessary actions, including public financing of stratigraphic drilling, to obtain it; offer for lease only those areas adequately assessed; and determine whether it is in the national interest to have prelease exploration be either on-structure or offstructure. Congress should

favorably consider pending legislation on OCS leasing.

The Department commented that they are committed to enhancing competition and assuring the public a fair return for its resources; promoting timely and efficient exploration and development; and improving planning for efficient and environmentally sound national energy policy. In addition, the Department was to undertake a broad review of alternatives for achieving these objectives. (EMD-77-51, 6-28-77)

Appropriations

Department of the Interior—surveys, investigations and research.

Appropriations Committee Issues

The Department has not (1) developed an overall appraisal plan, (2) identified the levels of stratigraphic drilling needed to assess the OCS, or (3) determined the extent to which private industry is willing to perform such drilling. The Department needs to evaluate these issues before the potential cost of their plan can be estimated.

DEPARTMENT OF THE TREASURY

Inequities in the Federal Withholding Tax System

Budget Function: General Government: Central Fiscal Operations (803).

Legislative Authority: Tax Reduction Act of 1975. Tax Reduction and Simplification Act of 1977.

The present system for withholding individual income taxes causes most low-income wage earners to be overwithheld. The primary reasons are complex tax laws and inadequate information provided to the taxpayers.

Findings/Conclusions: From 1966 to 1973, 80% to 90% of the taxpayers subject to withholding had more money withheld than they owed. The average amount overwithheld for 1973 was \$380. The Federal Paperwork Commission reported that in 1975 more than 8 million individual income tax returns showing no tax liability were filed solely to claim refunds. About 90% of taxpayers earning under \$5,000 had too much money withheld. Although the system does not generally compel overwithholding, it strongly encourages it. Congressional options for solving the problem of overwithholding include: simplifying the income tax law to allow a closer match of amounts withheld with actual tax liabilities; continuing the present system, but paying interest on the refunds; and revising the present system to give wage earners the freedom allowed to others under the estimated tax by allowing as many withholding exemptions as necessary and by requiring employers to withhold specific additional amounts for wage-earners also claiming withholding exemptions.

Recommendations: *The Secretary of the Treasury should:* provide better information on

the withholding system to employers and employees; conduct surveys of employers to determine the withholding methods used and whether these methods could be modernized; and recommend to the Congress revisions to the Internal Revenue Code which would allow quick refunds to the unemployed.

Treasury agreed with the basic facts we reported, but disagreed with the point of view adopted in two respects:

(1) they prefer to view withholding as a convenient way to pay the individual income tax rather than as a separate tax; and (2) they consider underwithholding to be as great a problem as overwithholding. They agreed in a general way to try to improve the system, without actually accepting any specific recommendation. (PAD-78-5, 12-2-77)

Appropriations

None directly.

Appropriations Committee Issues

There were no cost-saving recommendations in the report. One recommendation-the survey of withholding methods - would increase costs, but Treasury did not agree to this anyway.

DEPARTMENT OF THE TREASURY

BUREAU OF ALCOHOL, TOBACCO AND FIREARMS

Occupational Taxes on the Alcohol Industry Are Not Being Adequately Enforced, but Repeal Appears Preferable to Additional Enforcement

Budget Function: Central Fiscal Operations (803)

Legislative Authority: Federal Alcohol Administration Act (26 U.S.C. 5146).

Alcoholic beverage occupational taxes collected in fiscal year 1975 amounted to \$21.5 million.

Findings/Conclusions: Taxpayer compliance with the alcohol-related occupational tax has dropped below acceptable levels and enforcement by the Bureau of Alcohol, Tobacco and Firearms is inadequate. Although additional manpower in this area would undoubtedly increase both revenue and compliance, repeal of the occupational taxes appears preferable to increased enforcement.

Recommendations: Congress should repeal all occupational taxes in section 5081 through 5148 of the Internal Revenue Code on retail and wholesale dealers in distilled spirits, wines, and beer; manufacturers of non-beverage alcoholic products; brewers; manufacturers of stills; and rectifiers. Congress should also amend the Federal Alcohol Administration Act to clarify the authority of the Bureau of Alcohol, Tobacco and Firearms to investigate possible consumer and/or unfair trade practice violations of the act prior to a permit hearing.

The Treasury Department is opposed to the repeal of the occupational tax authority. Further, its reply to the Office of Management and Budget on the report, The Department stated that the GAO report raised a broad issue concerning whether the entire practice of regulating the retail liquor industry should revert to the Federal Trade Commission or to State authorities. (GGD-75-111, 1-16-76)

Appropriations

Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms—salaries and expenses.

Appropriations Committee Issues

Whether additional funds, if requested, to enforce collection of occupational taxes on the alcohol industry is in order.

DEPARTMENT OF TREASURY

BUREAU OF GOVERNMENT FINANCIAL OPERATIONS

Need for a Uniform Method for Paying Interest on Government Trust Funds

Budget Function: Interest: Interest on the Public Debt (901).

Legislative Authority: Permanent indefinite appropriations (31 U.S.C. 711(2) and 732)

Trust fund receipts are deposited in the general account of the Treasurer of the United States. To the extent trust fund balances are not needed for trust fund purposes, such balances are available for general Federal Government purposes and reduce the amount of funds the Treasury would otherwise have to borrow from the public. Most borrowings from the trust funds are evidenced by special obligations issued by the Treasury which have fixed interest and maturity dates. The basis for the interest rate is prescribed by statute for 11 of 17 major trust funds. Interest rates are established administratively for the six remaining major trust funds.

Findings/Conclusions: The interest rates established by law or administratively are not uniform; in recent years the relationship between lender and borrower has not been equitable. A better system would be to pay interest to each fund at stated intervals on average balances at rates determined by the Secretary of the Treasury after considering the market yields of Treasury securities.

Recommendations: Congress should enact a 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. Also Congress should consider whether any other trust or special funds should be included in this law.

The Department disagreed, stating that the system recommended is not supported by adequate analysis. However, GAO believes it has demonstrated the need for a uniform method for paying interest on Government trust funds. (GGD-75-34, 1-10-75)

Appropriations

Interest on the Public Debt.

Appropriations Committee Issues

The Committees should consider the need to establish a uniform system to pay interest on borrowings from trust funds.

DEPARTMENT OF THE TREASURY

UNITED STATES CUSTOMS SERVICE

Achieving Needed Organizational Change: A Customs Service Dilemma

Budget Function: General Government: Central Fiscal Operations (803).

Legislative Authority: 1 Stat. 29.

The United States Customs Service is organized on four levels, or tiers—headquarters, 9 regions, 45 districts, and 303 ports. The four-tier structure stems from the Stover report, the result of a Department of the Treasury management study, which gave the impetus for the 1965-66 reorganization.

Findings/Conclusions: While the four-tier structure has contributed to management efficiency, the Stover report and later studies recommended a reduction in the number of regions and districts. Customs has been unwilling to make the reductions because of external opposition to consolidation. Fewer regions and districts would allow Customs to reduce overhead and reassign personnel to day-to-day operations. This could be achieved without eliminating a Customs presence at affected communities, and it would improve services.

Recommendations: The Secretary of the Treasury should direct the Commissioner of Customs to: reduce the number of regions and districts in keeping with workload requirements and sound organizational principles, clarify the

responsibilities of organizational levels and units, realign responsibilities for functions among and within organizational levels, and establish definitive criteria for reviewing port status and use these criteria to identify unneeded ports.

The Department of Treasury agreed with and endorsed our recommendations, but stated that internal restructuring has been held off pending a possible Presidential reorganization proposal which would create a new border management agency. (FPCD-78-29, 3-30-78)

Appropriations

Department of the Treasury—operations and maintenance

Appropriations Committee Issues

Customs Service can improve its efficiency and reduce overhead by reducing the number of its regional and district offices.

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

Customs' Efforts to Develop a System for Assigning Inspectors Need Top Management Support

Budget Function: General Government: Executive Direction and Management (802); General Government: Central Personnel Management (805).

Legislative Authority: National Productivity and Quality of Working Life Act (P.L.94-136).

The method the U.S. Customs Service uses to allocate inspectors to ports-of-entry has created staffing inconsistencies and the potential for their inefficient use. Although Customs has been aware of these shortcomings for many years, only recently have efforts been made to correct the problem. In August 1976, Customs established the Productivity Task Force to develop an approach to productivity management.

Findings/Conclusions: Despite the magnitude of its responsibilities, Customs does not have a system which provides detailed information on its inspection efforts and which relates such efforts to accomplishments, considering such factors as volume, processing complexity, enforcement risks, and facility restrictions. In addition, Customs terminology has not been standardized, thereby hindering the conversion of workload data to staffing requirements. A review of Customs operations at several locations showed no apparent correlation between the number of inspectors assigned to a port-of-entry and the workload in terms of activity levels, work complexity, or enforcement risks. Efforts to correct these problems through the Productivity Management and Improvement Program appear to be weakening, and top management support is needed if Customs is to make a more rational allocation of inspectors.

Recommendations: The Secretary of the Treasury should direct the Commissioner of Customs to provide the Productivity Task Force the necessary leadership and the authority, guidance, and personnel to accomplish its objectives: monitor the progress of the Productivity Management and Improvement Program; and develop standardized Customs terminology for current and proposed information systems.

Treasury agrees in part with the GAO recommendations. Customs believes that although the GAO report recommendations and comments are well intended, today there would be considerable difference in the report's conclusions. Customs said it is now concentrating its efforts to develop a system for assigning inspectors. (GGD-78-48, 5-2-78)

Appropriations

Department of the Treasury, U.S. Customs Service—salaries and expenses.

Appropriations Committee Issues

Need for better system of assigning inspectors to achieve more effective and efficient use of inspection staff.

DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

Import Duties and Taxes: Improved Collection, Accounting, and Cash Management Needed

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Legislative Authority: Customs Procedural Reform Act of 1977; H.R. 8149 (95th Cong.). 19 U.S.C.1. Reorganization Plan 1 of 1965.

The U.S. Customs Service collected over \$6 billion in duties, taxes, and fees on imported merchandise during fiscal year (FY) 1977, and revenues are projected to increase to \$7 billion by the end of 1980.

Findings/Conclusions: During FY 1976, delays in collections allowed by Customs procedures cost the Government an estimated \$9.6 million in interest costs. The Government is entitled to duty payments when goods are released to importers. However, Customs allowed importers to defer payments an average of 12.4 days, and proposed changes may delay collections up to 30 days. The Government could have reduced its interest costs by up to \$7.3 million if it had collected, when due, the \$3.3 billion in FY 1976 collections deferred. Also, about \$563 million in importers' alcohol taxes was deferred in FY 1976 which could have reduced interest costs by an estimated \$2.3 million if collected on time. Other delays in collections have resulted from: lengthy reviews by Customs of documentation for imported items, slow collections of amounts due from importers, and incorrect or late bills and receivable reports.

Recommendations: The Secretary of the Treasury should consider developing methods to reduce collection delays, including requiring importers to pay duties when goods are released or be charged interest on late payments. He should also review the policy allowing alcohol tax deferrals for an average of 23 days and, if deferrals are allowed to continue, consider

levying interest charges on importers who elect to defer taxes. The U.S. Customs Service should reduce processing delays, improve controls over bonds, verify that bond coverage is adequate on all transactions, improve billing and collection procedures, and levy interest charges on overdue bills.

The Department of the Treasury generally agreed with us and said that Customs has begun studies on ways to develop corrective action. Corrective actions should provide that deferrals on duties and taxes be either eliminated or that interest be charged on amounts deferred, and that the delay in collecting supplemental duties be shortened and interest charged on accounts 30 days past due. (FGMSD-78-50, 8-21-78)

Appropriations

U.S. Customs Service—salaries and expenses.

Appropriations Committee Issues

The committees should require the Customs Service to demonstrate their progress in eliminating delays on collection of duties and taxes or in collecting interest on the amounts deferred. In addition, the committees should require the Service to demonstrate that delays in collecting supplemental duties have been shortened and that interest is charged on accounts 30 days past due

DEPARTMENT OF TRANSPORTATION

Making Future Transportation Decisions: Intermodal Planning Needed

Budget Function: Commerce and Transportation (400).

Legislative Authority: Federal-Aid Highway Act of 1962 (P.L. 87-666; 76 Stat. 1145; 23 U.S.C. 134). Airports and Airways Development Act of 1970 (P.L. 91-258; 84 Stat. 219; 49 U.S.C. 1712). (P.L. 89-670; 80 Stat. 931; 49 U.S.C. 1651). Regional Rail Reorganization Act of 1973 (P.L. 93-236; 87 Stat. 985). Railroad Revitalization and Regulatory Reform Act of 1976. P.L. 94-210. 90 Stat. 31.

Recognizing that they cannot continue to focus on the isolated needs of individual transportation modes. Federal, State, and local governments have begun to take a broader approach to planning their transportation programs and to consider each mode as an integral part of an overall transportation system. This broader planning perspective is called intermodal.

Findings/Conclusions: The Federal Government has taken some positive steps toward intermodal planning, but State transportation agencies have made little progress in intermodal considerations. Factors inhibiting States from taking an intermodal planning approach are: (1) Federal capital, operating, and planning grant programs for transportation are modally separate; (2) Federal transportation planning assistance, about \$200 million annually, is available for airport, highway, rail, or transit planning but not for intermodal planning; (3) imbalances in Federal funding and staff assistance impeded State efforts to develop a more balanced intermodal planning capability; (4) States have their own institutional and legal barriers; and (5) States lack the technical knowledge for many of the intermodal analyses they want to perform.

Recommendations: To promote intermodal planning by State and local transportation agencies, the Secretary of Transportation should: seek congressional legislation to consolidate airport, highway, railroad, and transit planning grants into a block grant for all transportation planning; merge existing modal plan-

ning staffs into a single, all-mode unit and build an all-mode field capability; develop unified planning regulations for all transportation planning; sponsor the development of and serve as a clearinghouse for good examples of intermodal planning; and conduct training programs for State and local transportation planners to acquaint them with proven intermodal planning methods.

The Department of Transportation agreed that additional steps were needed to promote intermodal planning and concluded that carrying out GAO's recommendations would be a major step in improving State and local transportation planning. It proposed legislation—H.R. 10578 S. 2440, and S. 2441—that would consolidate highway and transit planning funds for use in all transportation planning activities. The Department has not consolidated its planning functions at this time. (CED-78-74, 3-16-78)

Appropriations

Department of Transportation, Federal Highway Administration—Federal-Aid Highways (trust fund); Urban Mass Transportation Administration—Urban mass transportation fund.

Appropriations Committee Issues

The Committee should be concerned about the Department of Transportation's attempt to unify the planning staffs of Federal Highway Administration and Urban Mass Transportation Administration.

DEPARTMENT OF TRANSPORTATION

CONSOLIDATED RAIL CORPORATION FEDERAL RAILROAD ADMINISTRATION

Commuter Railroad Safety Activities on Conrail's Lines in New York Should Be Improved

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Locomotive Inspection Act (45 U.S.C. 22). Accident Reports Act (45 U.S.C. 38). Hours of Service Act (45 U.S.C. 61). Signal Inspection Act (49 U.S.C. 26). Federal Railroad Safety Act of 1970. 45 U.S.C. 431. 49 C.F.R. 213. 49 C.F.R. 230. 49 C.F.R. 236. 49 C.F.R. 217. 49 C.F.R. 228.

The Federal Railroad Administration (FRA) is responsible for regulating safety functions, investigating accidents and issuing reports on them, and administering railroad safety laws. The Consolidated Rail Corporation (Conrail), which operates commuter services in the New York metropolitan area, is responsible for implementing safety requirements through inspection, setting of standards, accident reporting, and recordkeeping.

Findings/Conclusions: Conrail did not conduct all safety activities prescribed by FRA regulations. Conrail's commuter railroad inspectors failed to inspect track and switches at required intervals, conduct followup inspections, and correct deficiencies noted. Although Conrail generally inspected equipment within the required 30-day period, records did not reflect defects, repairs required, or corrective action taken. Conrail could not effectively determine its employees' understanding of safety rules since they were not graded on this knowledge. Accident/incident reports showed a direct relationship between deficient inspection procedures and subsequent accident/incidents. FRA has not been effective in its regulatory role. Its inspections are ineffective because of limited territorial coverage, limited followup, and Conrail's failures to correct deficiencies and keep required records. FRA has not taken corrective action on deficiencies noted in a previous GAO report.

Recommendations: Conrail should adhere to FRA standards concerning required inspections and mandate followup on the deficiencies noted, keep adequate records on the 30-day

equipment inspection describing the condition of the equipment, and grade or evaluate employees' test results to determine whether they know railroad operating rules. FRA should monitor Conrail compliance with safety regulations rather than only conduct inspections supplementary to Conrail's.

Conrail disagreed with many of GAO's conclusions but GAO evaluated Conrail's position and found no basis for revising its conclusions. Conrail stated that it had made many improvements in its way of doing things.

The Department of Transportation (DOT) acknowledged that FRA's inspection force was small which limited the amount of coverage devoted to commuter activities. DOT said that all instances of Conrail's failure to correct repeated deficiencies would be verified. DOT stated that FRA's inspectors did review carrier's records — which GAO did not agree was happening—and that instructions had been issued emphasizing the importance of follow-up inspections. (CED-78-80, 3-15-78)

Appropriations

Department of Transportation, Federal Railroad Administration—Railroad Safety.

United States Railway Association—Purchase of Conrail securities.

Appropriations Committee Issues

The Senate Committee on Appropriations, in its report on FRA's fiscal year 1977 appropria-

tions, directed FRA to make every effort to fill all authorized safety positions. FRA had requested increases in positions, but DOT and

the Office of Management and Budget had reduced FRA's request. The Committee should continue to monitor the situation.

DEPARTMENT OF TRANSPORTATION

CONSOLIDATED RAIL CORPORATION UNITED STATES RAILWAY ASSOCIATION

Conrail's Attempts to Improve Its Use of Freight Cars

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Regional Rail Reorganization Act of 1973, as amended (45 U.S.C. 701).

Conrail (the Consolidated Rail Corporation) began operating important sections of six railroads in the Northeast in April 1976 under a reorganization plan known as the Final System Plan. This plan was developed by the United States Railway Association and approved by the Congress in November 1975. It provided for Government investment in Conrail of up to \$2.1 billion through the end of 1979 by the purchase of stock and debentures. The plan included financial projections through 1985 that Conrail would begin to make a profit by 1979 and would remain profitable through 1985. The plan shows that, to make a profit by 1979 and remain profitable thereafter, Conrail would need to greatly improve its rate of use of freight cars over its predecessors' 1973 rate. A projected 28% improvement would save Conrail \$1 billion in capital expenditures through 1985 because 26,000 new freight cars would not be needed.

Findings/Conclusions: Although Conrail's use rate for the first 7 months of 1977 was about 13% less than the 1973 rate, the Final System Plan did not anticipate significant improvement in car use during Conrail's first 3 years of operations. The plan estimated that a major part of the improvement would come in 1979 when a new operating control system was to be installed and operating. The control system will not be fully operational before at least 1982 or 1983, thus delaying the benefits antici-

pated in the plan. Conrail is meeting most of the other recommended improvements called for in the plan. It appears that certain improvements, such as rehabilitating the freight car fleet, may cost more than estimated. Track rehabilitation during 1976 slightly exceeded the goals of the plan. Whether the improvements Conrail is making will be sufficient to provide for a 28% improvement in freight car utilization by 1981 cannot be determined with certainty at this stage. Conrail has stated that it will need additional funding to become self-sustaining and that its financial position does not allow it to proceed with the new control system until additional funding is available.

Conrail in its latest business forecast has stated that it will need an additional \$1.3 billion in Federal funds through 1982 to achieve financial self-sufficiency. GAO has issued a report entitled "Conrail Faces Continuing Problems" (CED-78-174, 10-6-78) which discusses Conrail's performance to date and its needs for additional funding. (CED-78-23, 1-24-78)

Appropriations

United States Railway Association.

Appropriations Committee Issues

Conrail will probably not become profitable unless it improves its car utilization.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Improved Controls Needed over Private Pilot Licensing

Budget Function: Commerce and Transportation: Air Transportation (405).

Legislative Authority: The Federal Aviation Act of 1958 (49 U.S.C. 1422). Department of Transportation Act (P.L. 89-670; 80 Stat. 931; 81 Stat. 224; 49 U.S.C. 1430).

To insure that pilot licenses are issued only to competent, safe pilots, the Federal Aviation Administration requires that pilots undergo initial flight tests and biennial flight reviews.

Findings/Conclusions: Nearly all such flight tests and reviews are conducted by non-FAA examiners and instructors; however, GAO reported to the Congress that FAA did not have an effective system for determining whether the tests and reviews complied with FAA standards.

Recommendations: GAO recommended that the Secretary of Transportation direct the Administrator of FAA to: (1) clarify its biennial review standards, (2) obtain information on pilots completing biennial flight reviews in order to enforce requirements, and (3) obtain information on the content of flight tests and reviews and on pilots' performance appraisals, and use such information to evaluate the quality of the tests and reviews.

Based on GAO's recommendation, FAA issued advisory guidelines for biennial flight re-

view standards. Also, the Department of Transportation agreed to study a system for obtaining information needed to evaluate flight tests and reviews. The Department, however, disagreed with GAO's recommendation that information be obtained to enforce biennial review requirements. (RED-76-65, 2-26-76)

Appropriations

Department of Transportation, Federal Aviation Administration—operations.

Appropriations Committee Issues

Committee interest and concern is needed to assure that FAA obtains information needed to enforce biennial flight review requirements. In approving FAA's budget request, the Committees should assure that progress is being made in improving control over private pilot licensing.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Second-Career Training for Air Traffic Controllers Should Be Discontinued

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Legislative Authority: (P.L. 92-297; 5 U.S.C. 3381). 5 U.S.C. 5337.

The Federal Aviation Administration (FAA) employs over 18,000 air traffic controllers. In the interest of aviation safety, controllers must meet specific health and performance standards or be removed from duty. Since limited opportunities exist outside the Government for the specialized knowledge and experience of controllers, the Congress established the Second Career Program in 1972 to provide air traffic controllers with up to 2 years of training for a new career.

Findings/Conclusions: About 50% of controllers eligible for the Second Career Program have declined training. An analysis in three FAA regions showed that only 7% of the controllers had completed training and obtained employment in new careers for which they trained under the program. Program costs averaged \$370,000 for each successful program participant. About 98% of the controllers removed from duty had mental and physical impairments; many were the victims of advancing age. Most of the controllers removed from duty chose to use income security and training benefits available under other Federal programs rather than begin a second career. In addition, controllers were not adequately counseled by the Agency, and no effort was made to find employment within the Federal Government.

Recommendations: The Congress should discontinue the Second Career Training Program for air traffic controllers. Concurrent with the discontinuance of the program, the Administrator of the FAA should: adopt and implement a policy to reassign, to the fullest extent possible, controllers removed from air traffic control duty within the FAA; and assist controllers to choose a course of action, considering the potential for reassignment within the FAA or

reemployment in another Federal agency and eligibility for benefits from other Federal programs.

In August 1978 the Department stated that it generally agreed with our findings and actions on our recommendations to the Secretary were awaiting a decision by the Congress on whether to discontinue the Second Career Program. It also stated that FAA had undertaken a reevaluation of the program as directed by the Senate Committee on Appropriations and that the reevaluation results would be submitted to the appropriations and authorizing committees of the House and Senate.

For fiscal year 1979, the Congress limited Second Career Program funding to controllers in the program as of September 30, 1978 and reduced FAA's budget request \$7.8 million. In response to this action, FAA issued interim procedures for handling controllers becoming eligible for, but barred from, participation in the Second Career Program during fiscal year 1979. Under the interim procedures, disqualified controllers are to be considered for reassignment to other duties not directly involved in the control of live air traffic and counseled on potential employment opportunities within or outside the Federal service and the numerous other benefits which may be available. A disability retirement was to be requested for disqualified controllers not able or willing to be reassigned and failing to exercise another option available to them. (CED-78-131, 6-29-78)

Appropriations

Department of Transportation, Federal Aviation Administration—operations.

Appropriations Committee Issues

The limitations on Second Career Program funding for fiscal year 1979 and the effects of FAA's intermin procedures should be assessed

for their impact on disqualified controllers and FAA operations to determine whether funding limitations should be extended to future appropriations.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Stronger Federal Aviation Administration Requirements Needed to Identify and Reduce Alcohol Use among Civilian Pilots

Budget Function: Commerce and Transportation: Air Transportation (405).

Legislative Authority: Federal Aviation Act of 1958, as amended (29 U.S.C. 1301). (P.L. 89-563; 80 Stat. 730).

During the period from 1965 to 1975, the National Transportation Safety Board, an independent agency responsible for investigating and determining the probable causes of aircraft accidents, cited alcohol impairment of pilot judgment and efficiency as a probable cause of aircraft accidents, cited alcohol impairment of pilot judgment and efficiency as a probable cause or contributing factor in 485 general aviation accidents, of which 430 resulted in fatalities. General aviation involves all civilian flying except by U.S. airlines.

Findings/Conclusions: Studies by the Federal Aviation Administration (FAA) show that the consumption of alcohol adversely affects pilot performance. However, the FAA does not routinely check the pilots' State traffic conviction records for alcohol-related motor vehicle convictions. Instead, pilots are relied on to disclose these convictions in their medical histories and often conceal them. The establishment of minimum blood-alcohol levels and implied consent regulations to test the presence of alcohol would: help the FAA to more precisely identify alcohol's role in accidents so that appropriate measures can be taken, improve enforcement to enable better identification of violators, reduce the investigatory time required to obtain evidence to sustain violations of FAA regulations, and serve as a deterrent to pilots who may consider drinking before and during flight.

Recommendations: The FAA should: establish minimum blood-alcohol levels so that "flying under the influence of alcohol" can be

clearly defined; and require pilots to submit to mandatory sobriety tests or have their licenses suspended the same as required for motorists in every State. The Congress should make the National Driver Register accessible to the FAA.

The Department agreed that medical research on alcoholism was beneficial but stated that it had not yet identified laboratory studies which could be used routinely to diagnose alcoholics. It stated, however, that FAA was investigating psychological screening techniques and would implement those which proved beneficial. It also agreed that FAA should revise its regulations to include a minimum blood alcohol level, adopt implied consent provisions, and seek the cooperation of law enforcement authorities to administer sobriety tests, but issuance of such regulations had been delayed due to other rulemaking priorities. The Department stated that FAA would allocate safety education resources in its Accident Prevention Program to a degree commensurate with the magnitude of the alcohol problem but disagreed that attendance at safety seminars and clinics should be mandatory. It stated alcohol use is covered in refresher clinics for flight instructors; and that although flight instructors are not required to cover this subject in the biennial flight review for pilots, they are strongly encouraged to do so during their refresher clinics.

The proposed Surface Transportation Assistance Act of 1978 (H.R. 11733) contains provisions that would give FAA access to the National Driver Register. (CED-78-58, 3-20-78)

Appropriations

Department of Transportation, Federal Aviation Administration—operations.

Appropriations Committee Issues

The Committee should determine whether (1) sufficient resources are being devoted to the

rulemaking process, (2) the effectiveness of the Accident Prevention Program could be enhanced by requiring pilots to periodically attend safety seminars and clinics, and (3) FAA will be able to devote sufficient resources to use the National Driver Register should Congress grant them access.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

The Federal Aviation Administration Should Do More to Detect Civilian Pilots Having Medical Problems

Budget Function: Commerce and Transportation: Air Transportation (405).

Legislative Authority: Federal Aviation Act of 1958 (49 U.S.C. 1421)

The Federal Aviation Administration's medical examination procedures do not identify all airmen who are medically unfit. Additional medical screening techniques are available and should be required.

Findings/Conclusions: Nineteen of 28 scheduled American passenger airlines require medical examinations which exceed Federal requirements and the International Civil Aviation Organization has published medical standards for airmen which exceed those of the FAA. More extensive medical screening is required of air traffic controllers and military pilots than of civilian pilots. Other sources of information are available which could further help to identify pilots medically unfit to fly. The FAA often is restricted from obtaining this information.

Recommendations: GAO recommended that the Congress should provide the Secretary of Transportation with authority to furnish FAA motor vehicle driver data, which the Department maintains in its National Driver Register, for use in evaluating the medical fitness of airmen. GAO also recommended that FAA evaluate the recommendations of various medical studies which urge more extensive medical screening, conform to international airmen medical standards as closely as possible, and enforce existing regulations requiring airlines to only use airmen who they know meet Federal medical standards.

The Department agreed to reconsider recommendations of the various medical studies, review the merits of adopting international medical requirements, and notify airlines that Federal Aviation Regulations require the airlines to use airmen who they know meet Federal stand-

ards. It also said that it would start action if its evaluation showed that safety can be improved by more extensive medical screening.

After its evaluation was completed, FAA's Office of Aviation Medicine prepared a position paper that concluded (1) more extensive medical screening was not justified considering such things as accident experience, cost, inconvenience to the airmen and technical difficulties in processing, interpreting and storing data, (2) regulations were generally equivalent to international standards and (3) FAA regulations could neither be interpreted as requiring airlines to remove from flying status airmen who airlines know do not meet FAA medical standards nor was information available to indicate that this was a problem that warranted regulatory changes. The paper also stated that reservations existed concerning the availability of resources for adequate use of the National Driver Register and that our recommendation could neither be supported nor opposed until the costs and benefits could be evaluated.

The proposed Surface Transportation Assistance Act of 1978 (H. R. 11733) contains provisions that would give FAA access to the National Driver Register. (CED-76-154, 11-3-76)

Appropriations

Department of Transportation, Federal Aviation Administration—operations.

Appropriations Committee Issues

More extensive medical screening is needed to detect medically unfit airmen; however, if FAA can not justify additional screening, then

the Committee should determine whether the existing medical examination produces sufficient benefits to justify the cost to FAA and airmen. Because the National Driver Register could prove to be a more valuable source of information in identifying medically unfit air-

men than the medical exam itself, the Committee should determine whether FAA will be able to devote sufficient resources to use of the National Driver Register should Congress grant them access.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Highway Construction Zone Safety: Not Yet Achieved

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Federal-Aid Highway Act of 1976 (P.L. 94-280). Highway Safety Act of 1966 (80 Stat. 731).

The Federal Highway administration has expressed concern about construction zone safety for over 11 years, but this concern has not always been reflected in the safety provisions made by State highway agencies.

Findings/Conclusions: Unsafe conditions existed at all of the 26 construction sites visited in 7 States. Designs for worksite safety varied widely from State to State and from project to project. Although the Highway Administration has taken some actions to improve driving environments, these actions do not fully address the problems observed. By developing additional guidance on how and when to use traffic control devices, by improving field office inspection procedures, and by providing training, the Highway Administration and the States can greatly improve the safety of motorists, pedestrians, and work crews in highway construction zones.

Recommendations: The Secretary of Transportation should: direct the Administrator of the Federal Highway Administration to revise the Manual on Uniform Traffic Control Devices to include specific guidance on how and when to use traffic control devices in construction zones; require training to help insure that Federal and State officials are made aware of the importance of construction zone safety and have the capability to plan for, implement, and inspect these safety measures; and establish field office inspection procedures to identify

hazardous conditions and insure that they are corrected.

The Federal Highway Administration is addressing the need for additional guidance and training by developing an informational handbook. It is also requiring training for all persons responsible for traffic control at highway work sites. If properly administered, the handbook may provide the additional knowledge intended by our recommendation even though the material would not be included in the manual. However, although the Federal Highway Administration intends to require States to evaluate their progress in increasing levels of safety at work sites, it has not taken any specific steps to intensify its field inspections of actual safety practices. (CED-78-10, 12-23-77)

Appropriations

Department of Transportation, Federal Highway Administration—Federal-aid highways.

Appropriations Committee Issues

Considering the interest expressed about highway work site safety practices, the Committee should determine how Federal Highway Administration inspection practices will be bolstered to insure safe highway construction and maintenance activities.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Obstacles to Billboard Removal

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Highway Beautification Act of 1965 (P.L. 89-295; 23 U.S.C. 131). Federal-Aid Highway Act of 1958.

The Highway Beautification Act of 1965 encouraged States to control outdoor advertising according to national standards and provided for the forfeit of 10% of Federal highway funds for noncompliance. The act exempts signs which are located on-premise or in zoned and unzoned industrial and commercial areas and meet State permit requirements as to size, lighting, and spacing

Findings/Conclusions: Since the act's passage, States have reported removing about 440,000 signs at a cost of about \$82 million to the Federal Government. Illegal signs were removed with relative ease, but only about 78,000 of 298,000 signs which were legal but did not comply with State laws passed after the Federal act were removed as of March 31, 1977. It could take an additional 21 years to remove all these nonconforming signs and could cost over a billion dollars. Objectives of the program may not be reached because of lack of support, legal complexities, the numerous exemptions, and differences in State and local rules. The most significant exception to

the sign removal law is for signs that are on premises. Zoning has a significant effect on highway signs because areas are often zoned for commercial or industrial use even though they have not been developed for these uses.

Recommendations: The Congress should reassess the sign removal program and, if it wants to strengthen it, encourage the States to remove all signs except those on-premise and landmark signs; or remove all signs, except on-premise signs, landmark signs, and signs in areas of actual commercial or industrial use. (CED-78-38, 3-27-78)

Appropriations

Department of Transportation, Federal Highway Administration—highway beautification.

Appropriations Committee Issues

Funding levels for the program should reflect the extent to which States are able and willing to participate in the program.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

Rail Crossing Safety: At What Price?

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Railroad Safety Act of 1970 (P.L. 91-458). Highway Safety Act of 1966 (P.L. 89-564). Highway Safety Act of 1970 (P.L. 91-605). Highway Safety Act of 1973 (P.L. 93-87). Highway Safety Act of 1976 (P.L. 94-280).

Highway safety legislation includes provisions for supplementing State spending for safety measures at rail-highway crossings. The Federal Highway Administration (FHWA) has designated several types of safety improvements that may be federally funded, including better warning devices or elimination of crossings. The Highway Safety Act of 1976 reduced the percentage of highway safety funds available for high-hazard locations and roadside obstacles and more than doubled the funding for improvements at railroad crossings although only 2% of highway deaths occur at grade crossings.

Findings/Conclusions: FHWA has not told States what level of safety they should provide at crossings. As a result, States have widely divergent policies for improving crossing safety. During 1975, about 38% of crossing accidents occurred at locations having active warning devices. Improvement in law enforcement and drivers' education may offer alternatives to warning devices. State and Federal officials favor nationwide safety standards but anticipate difficulties in agreeing on a goal and in funding. Highway legislation established specific funding levels for various programs, but such categorical funding does not give States the necessary flexibility to meet their most critical needs. States contended that high-hazard projects were the most cost beneficial, but some crossing projects were also considered sound investments. FHWA has proposed legislation that would combine six categorical safety programs into a unified fund.

Recommendations: The Secretary of Transportation should require FHWA, the Federal Railroad Administration, and the National High-

way Traffic Safety Administration to cooperate with the States and railroads in establishing a nationwide level of safety acceptable for rail-highway crossings and determining the best mixture of methods, including education and enforcement, to achieve that level. The Congress should authorize States who are selecting safety projects according to cost-effectiveness to treat the categories as a single safety fund; as an interim solution, reassess the current allocation of funds among the categorical safety programs; require the Department of Transportation to provide it with a cost estimate for reducing accident risk at grade crossings to a uniform level; and if categorical safety funding is retained, amend the Highway Safety Act of 1973 to distribute crossing safety funds among States in proportion to their needs.

The Federal Highway Administration is currently considering developing uniform national criteria for selecting traffic control devices at rail-highway grade crossings and has asked for public comments. It, along with the National Highway Traffic Safety Administration and the Federal Railroad Administration, is cooperating with a National Safety Council campaign to develop a program outline for the Operation Lifesaver Program, a coordinated education, enforcement, and engineering effort to enhance safety at grade crossings.

Thus far, congressional action has been limited to adopting a provision distributing half the grade crossing funds according to each State's

percentage of the national total of grade crossings. CED-78-83, 4-25-78)

Appropriations

Department of Transportation, Federal Highway Administration, Federal Railroad Administration, National Highway Traffic Safety Administration.

Appropriations Committee Issues

The Committee should ascertain how much construction is still necessary. Further, we believe tangible benefits remain to be derived from consolidation of safety funding.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION

The Federal Motor Carrier Safety Program: Not Yet Achieving What the Congress Wanted

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Motor Carrier Act of 1935, as amended (49 U.S.C. 301 et seq.). Department of Transportation Act (49 U.S.C. 1651-1659). Hazardous Materials Transportation Act (49 U.S.C. 1801). Noise Control Act of 1972 (42 U.S.C. 4901-4918). Executive Order 11836. 49 C.P.R. parts 390-396.

Although highway safety has increased since 1966, in 1977 the Federal motor carrier safety program had not been improved as much as the Congress wanted. Problems which raised congressional concern in 1966 still exist.

Findings/Conclusions: Over one-third of the 54,800 trucks and buses inspected by Federal personnel during 1974 and 1975 were unsafe and taken off the road until repaired. Little assurance exists that most motor carriers are operating in compliance with Federal safety regulations.

Recommendations: The Congress should provide the Bureau of Motor Carrier Safety with additional authority to enforce the Federal motor carrier safety regulations. The Secretary of Transportation should require the Administrator of the Federal Highway Administration to develop an information system to identify motor carriers most in need of safety surveys; to establish systematic procedures for developing enforcement cases to insure that cases will be uniformly and adequately prepared; to reduce the delays in the Bureau's civil processing time; to instruct Bureau regional directors and regional counsels to negotiate civil penalties closer to the maximum allowed; to take stronger enforcement actions against carriers

and drivers who fail to prepare or properly maintain driver logs; and to use road check, safety survey, and accident reports provided by the States when formulating work schedules.

Subsequently, the Department and the Federal Highway Administration implemented GAO's recommendation to improve the management effectiveness of the motor carrier safety program. Also, the Congress has approved a Department proposal for a demonstration program to be conducted in two or three States to test the efficacy of a financial assistance program for State enforcement of safety and weight regulations. (CED-77-62, 5-16-77)

Appropriations

Department of Transportation, Federal Highway Administration—motor carrier safety.

Appropriations Committee Issues

The Committee should determine whether funds will be required to encourage the States to assist the Bureau in carrying out its safety responsibilities.

DEPARTMENT OF TRANSPORTATION

FEDERAL HIGHWAY ADMINISTRATION URBAN MASS TRANSPORTATION ADMINISTRATION

Why Urban System Funds Were Seldom Used for Mass Transit

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Federal-Aid Highway Act of 1970 (84 Stat. 1713). Federal-Aid Highway Act of 1973, § 121 (23 U.S.C. 142). Urban Mass Transportation Act of 1964 (49 U.S.C. 1601). Federal-Aid Highway Act of 1976 (90 Stat. 425). B-180617 (1974).

Since 1973, few communities have used Highway Trust Fund monies made available by the Congress for mass transit under the Urban System program.

Findings/Conclusions: Only 13 urban areas in 8 states used the program for mass transit projects such as buying buses and rail passenger cars. Most communities continued using Urban System funds for local roads because Urban Mass Transportation Administration grants were available for mass transit projects and because highways needed work. Other reasons Urban System funds were not used for mass transit included the fact that less matching shares were required for Federal mass transit than for highway programs; Federal regulations for implementing mass transit projects were not issued; and some smaller communities experienced delays or confusion in obtaining project approval.

Recommendations: The Secretary of Transportation should establish procedures for setting target dates for issuing regulations which implement Department of Transportation programs, especially those requiring coordination by Department agencies; and require the agencies to report periodically to the Secretary on their programs. To improve the administration of the Urban System program, the Secretary should direct the Federal Highway and Urban Mass Transportation Administrations to issue,

as soon as possible, final regulations on the use of highway funds for mass transit projects. If the Congress wants more Urban System funds to be used for mass transit, it should provide further incentives to local communities.

Although the Department of Transportation agreed with GAO's recommendation to establish and monitor target dates for issuing program regulations, by September 1978 it still had not established formal procedures to set target dates for issuing regulations which (1) require coordination by Department agencies and (2) required implementing agencies to report periodically to the Secretary on their progress. However, on September 20, 1977, the Department issued final regulations on the use of highway funds for mass transit projects. (CED-77-49, 3-18-77)

Appropriations

Department of Transportation, Federal Highway Administration—Federal-aid highways (trust fund)

Urban Mass Transportation Administration—urban mass transportation fund.

Appropriations Committee Issues

Committee interest and concern is needed to assure timely issuance of regulations implementing Department programs.

DEPARTMENT OF TRANSPORTATION

FEDERAL RAILROAD ADMINISTRATION

The Alaska Railroad: Its Management Is Being Improved, Its Future Needs to Be Decided

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Economy Act of 1932 (40 U.S.C. 303 (k)). Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66a). Alaska Native Claims Settlement Act (P.L. 92-203). Railroad Revitalization and Regulatory Reform Act of 1976. Federal Property and Administrative Services Act of 1949. 43 U.S.C. 975. 28 U.S.C. 4515. 5 U.S.C. 5584. 41 U.S.C. 252 (c). 41 C.F.R. 1. 4 C.F.R. 102. 49 C.F.R. 1320. Executive Order 11107. OMB Circular A-25. OMB Circular A-09. F.P.M. Letter 630-22. DOT Order 4200. 10. B-114886 (1956). F.T.R. (FPMR 101-7).

The Federal Government has owned and operated the Alaska Railroad (ARR) since 1923. The ARR has played an important role in developing Alaska and in meeting national defense needs; it has become an integral and essential part of Alaska's transportation system. The environment in which the ARR now operates has changed considerably since 1923, however, and competing transportation modes have grown rapidly.

Findings/Conclusions: Because it operates in a competitive environment, the ability of the ARR to attract customers is essential. The railroad had management weaknesses, including: no overall marketing plan, a tariff structure which did not insure that it could meet costs and reinvestment needs, and unreasonably low real estate rental rates. The ARR did not have an adequate system of internal controls; as a result, the potential for improper financial transactions existed; potential operating revenues were lost; and property and materials were not adequately protected. Financial management procedures and practices were inadequate, resulting in inaccurate and unreliable accounting data. Pay scales were unreasonably high in relation to other Federal agencies in Alaska.

Recommendations: The Secretary of Transportation should direct the General Manager of the ARR to: periodically make a systematic assessment of transportation needs in its service area, develop a plan for actively marketing its services, determine the actual cost of prov-

iding service on specific commodities so that its tariff can be set fairly, and evaluate the effect of the railroad's marketing and rate policies on consumers and competitors. The General Manager of the ARR should assess its procedures and implement an effective management and control system. He should also establish procedures designed to give reliable accounting data, adequate control over the expenditure of funds, and compliance with Federal regulations. The Congress should decide whether the Federal Government should continue its ownership and operation of the ARR.

The Department of Transportation (DOT) agreed with most of GAO's findings and has worked with the Alaska Railroad to correct many of the problems discussed in the report. They have revised real property rentals which should increase annual revenues by up to \$475,000 annually by 1981. They are also improving internal controls and financial management. (CED-78-137, 7-27-78)

Appropriations

Department of Transportation, Federal Railroad Administration

Appropriations Committee Issues

The expenditure level for maintenance and capital improvement on the Alaska Railroad should be determined based on the railroad's

future. The Congress should decide whether the Federal Government will continue its ownership of the railroad or sell it, so that proper spending decisions are possible.

DEPARTMENT OF TRANSPORTATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Amtrak's Subsidy Needs Cannot Be Reduced without Reducing Service

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Rail Passenger Service Act of 1970 (45 U.S.C. 501). Federal Employer's Liability Act (45 U.S.C. 51).

Amtrak's operating costs have outstripped its revenues, and increasing Federal subsidies are required for continued operations. Amtrak planned service reductions because it had received less money from the Congress than it had requested in 1977. The Congress provided some additional funding, but Amtrak stated that it was still not adequate and that substantial service curtailments will be needed if additional funding is not approved.

Findings/Conclusions: Amtrak can improve its operating efficiency but this would not substantially reduce its subsidy need. The following areas require attention: direct labor costs are high because of certain union work rules; maintenance costs are the largest single area of expense and could be better controlled; and losses on food and beverage service are substantial. Amtrak's route profitability system (RPS) provides reasonable estimates of its route-by-route revenue and costs, but it could be further improved. Amtrak's classification of its costs as "avoidable" or "unavoidable" is reasonable. Its 1977 5-year plan contained improved estimates, but the improved methods were not explained. Amtrak's ridership and revenues have not kept pace with its growth. It has not been permitted to exercise the route and service criteria the Congress approved as a method of evaluating and eliminating routes if necessary. Since Amtrak cannot operate its present route system for much less than it has requested, the Congress can give Amtrak what it has asked and allow it to continue the present system, give it less than it asked for and allow the system to be reduced, or give it more money to allow expanded service.

Recommendations: The Congress should: require Amtrak to provide information that bet-

ter explains its operating and capital plans for improving the quality of dining services and for bringing its cost and revenues closer together; consider a more rapid debt retirement program or relieve Amtrak of the debt entirely; and require that 5-year plans Amtrak submits annually be comparable from year to year or provide sufficient information to illustrate changes. Amtrak should further improve its route profitability system by: adding data on ridership and train miles operated for each route to operational results reports, add comparisons with past performance to the current performance data, inform recipients of RPS reports of changes in allocating methods, and allocate all corporate overhead if a reasonable technique can be established.

Congress directed the Department of Transportation (DOT) to restudy the Amtrak route system. In a May 1, 1978, preliminary report, DOT recommended reducing Amtrak's 27,000 route-mile system to 18,900 route-miles. The Interstate Commerce Commission's Rail Services Planning Office reviewed the DOT recommendations and urged DOT to consider social factors and human needs in its final recommendations, because they may indicate rail passenger service even if a substantial part of such service would be borne through Federal funding. Congress has directed Amtrak to continue operating the existing system without modifying or restructuring it until October 1, 1979. (CED-78-86, 5-11-78)

Appropriations

Department of Transportation—National Railroad Passenger Corporation grants.

Appropriations Committee Issues

Because Amtrak cannot substantially reduce its operating costs without reducing the size of

its route system, the Committee needs to determine if the social benefits of maintaining the present route system justifies the cost.

DEPARTMENT OF TRANSPORTATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Should Amtrak Develop High-Speed Corridor Service outside the Northeast?

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Rail Passenger Service Act of 1970 (P L. 91-518). Regional Rail Reorganization Act of 1973 (P.L. 93-236). Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). Amtrak Improvement Act of 1974 (45 U.S.C. 644).

If Amtrak (the National Railroad Passenger Corporation) were to extend its Northeast corridor to 16 other corridors, the following would be anticipated: improved and more convenient services to the public through greater train speed and better on-time performance, lower deficits through increased ridership, improved energy conservation through the public's greater use of the energy-efficient train, lower air pollution as fewer people use their automobiles, employment resulting from the labor-intensive railroad operation, preservation of some railroad rights-of-way in and between urban areas, and maintenance of a mode of transportation that can be converted away from oil in a crisis. The Congress must decide whether these possible benefits justify the high cost associated with establishing and maintaining corridor rail service.

Findings/Conclusions: The anticipated benefits from developing high-speed corridors outside the Northeast may not be available or worth the cost. Greater speed and better on-time service could reasonably be expected to result, but increased ridership and lowered deficits probably would not result. Ridership on Amtrak has increased primarily because more trains were available, but load factors have not increased and losses continue. Amtrak cannot expect substantial increases in ridership in the proposed corridors unless one of the other transportation modes is disrupted. Amtrak officials believe that implementing the corridor concept outside the Northeast would be very costly. Amtrak's prospects for improving its finances by either increasing revenues or reducing costs are bleak. Only the Congress

can make the judgments and tradeoffs necessary to determine the value of the benefits that would result from such services and the proper level of the Federal subsidy.

Recommendations: The Congress can: stop providing capital or operating subsidies for Amtrak so that only those services that pay for themselves, or that local governments subsidize, would continue; provide subsidies to sustain existing services without further improvement; provide diminishing subsidies that require specific levels of contribution from riders through fares or from local governments; subsidize only particular routes that meet established criteria for patronage, population density, quantity of intercity travel, local interest, or other elements believed important; or provide additional subsidies so Amtrak can improve its services and expand its corridor route system.

Congress directed the Department of Transportation (DOT), to restudy the Amtrak route system. In a May 1, 1978, preliminary report, DOT recommended reducing Amtrak's 27,000 route-mile system to 18,900 route-miles. The Interstate Commerce Commission's Rail Services Planning Office reviewed the DOT recommendations and urged DOT to consider social factors and human needs in its final recommendations, because they may indicate a demand for intercity rail passenger service even if a substantial part of such service would be borne through Federal funding. Congress directed Amtrak to continue operating the system existing January 1, 1978, until October 1, 1979, without restructuring or modifying it. (CED-78-67, 4-5-78)

Appropriations

Department of Transportation—National Railroad Passenger Corporation grants.

Appropriations Committee Issues

The Committee should determine the level of funding it will provide for rail passenger serv-

ice. Amtrak's prospects for improving its finances by increasing revenues or reducing costs are bleak.

DEPARTMENT OF TRANSPORTATION

RESEARCH AND SPECIAL PROGRAMS ADMINISTRATION

Pipeline Safety: Need for a Stronger Federal Effort

Budget Function: Commerce and Transportation: Other Transportation (407):

Legislative Authority: Transportation of Explosives Act (18 U.S.C. 831). Natural Gas Pipeline Safety Act of 1968, as amended (49 U.S.C. 1671). Transportation Safety Act of 1974, title I (49 U.S.C. 1801).

A review of the Federal pipeline safety program identified a number of significant problems and weaknesses in the program. The Office of Pipeline Safety Operations (OPSO) in the Department of Transportation has regulatory authority for the safe transportation of essentially all gas and hazardous liquids, but it has not fully or effectively exercised this authority.

Findings/Conclusions: OPSO has not: issued safety regulations governing all hazardous material pipelines, issued comprehensive Federal standards for liquefied natural gas facilities, issued stringent safety standards for the transportation of highly volatile liquids, revised the liquid pipelines safety regulations, or systematically reviewed existing pipeline safety regulations to assure that they are effective. In addition, OPSO has not provided the States with specific guidance for conducting pipeline safety programs or established minimum program quality criteria for State participation. Improvements are needed by OPSO to ensure operator compliance with established pipeline safety standards. OPSO has not developed an effective data collection and analysis system, and only limited use has been made of data collected in the Federal pipeline safety program. OPSO's ability to conduct a comprehensive program has been adversely affected by staffing problems and the continued absence of a permanent director.

Recommendations: The Secretary of Transportation should direct OPSO to: issue safety regulations covering all gas and hazardous liquid pipelines, promptly develop and issue more comprehensive standards for liquefied natural gas facilities and more stringent standards for highly volatile liquids, revise existing liquid

pipeline regulations to be specific and comprehensive, undertake a systematic and thorough review of all Federal pipeline safety regulations, expedite current efforts to develop guidance for States in conducting adequate inspection and enforcement programs, establish minimum program quality criteria for State participation in the Federal gas pipeline safety program, conduct adequate operator compliance inspections, conduct a more active enforcement program against operators who do not comply with established safety standards, and develop a more comprehensive and accurate data system.

The Department of Transportation generally agreed that the report accurately identified Federal actions which may enhance the public safety, and initiated a number of actions to accomplish that objective. Actions taken include: a review of current and anticipated regulatory needs and issues and the establishment of the first annual plan of regulatory actions; the development of guidance for States participating in the Federal gas pipeline safety program and consideration of options designed to foster improved State pipeline safety programs; improved compliance efforts through expansion of field staff and through emphasis on problem areas and operators; and improvements in data system content and usage. (CED-78-99, 4-26-78)

Appropriations

Department of Transportation, Research and Special Programs Administration—research and special programs.

Appropriations Committee Issues

Although the Department has initiated a number of actions to improve the effectiveness of the Federal pipeline safety program, careful and continuous attention should be given to ensuring that the actions initiated are implemented and completed in a timely manner.

Also, considering the magnitude and growth in the Department's pipeline safety responsibilities in recent years, and the impact of the Federal pipeline safety program upon the public safety, serious attention needs to be given to the adequacy of the program staffing to carry out these responsibilities in a comprehensive, effective, and timely manner.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Coast Guard Response to Oil Spills: Trying to Do Too Much with Too Little

Budget Function: Commerce and Transportation: Water Transportation (406).

Legislative Authority: Federal Water Pollution Control Act (33 U.S.C. 1321).

The Federal Water Pollution Control Act requires the Coast Guard to contain and clean up oil spills in coastal waters, minimize the environmental damages, and prepare regional and local contingency plans for responding to oil spills.

Findings/Conclusions: Although the Coast Guard has tried to meet its responsibilities in responding to oil pollution, it could have been more effective in about 38% of cases in terms of response time, monitoring and cleanup operations, action when spills occurred, attempts at removing spills, and investigations of minor spills. Because of staff shortages, some spills have not been investigated, and personnel performing investigations have sometimes been diverted from other marine safety responsibilities. There are also needs for: better equipment for marine safety offices and strike teams, improved research and development on oil spill containment, immediate "first aid" action to contain and clean up spills, improved regional and local contingency plans, and reporting requirements and dissemination of information on major oil spills.

Recommendations: The Coast Guard should investigate all oil spills, insure that containment and cleanup action is taken, direct local units to be prepared to take first aid action, monitor spill cleanup action, and assume Federal responsibility for cleanup on a more timely basis. It should also improve its personnel resources by determining and reducing staff shortages, establishing a position classification for the marine safety area, improving the marine safety training programs, and increase the diving capabilities of strike teams. The Coast Guard should also: provide adequate transportation and containment equipment for marine safety offices; provide better oil transfer equipment;

improve the process for carrying out research and development, finalize and issue instructions for regional and local contingency plans, and require local units to prepare required reports on all major oil spills and disseminate them to all personnel concerned with oil spill containment and cleanups.

Coast Guard agreed that the effectiveness of their oil spill response can be improved. Since the report, they have issued a notice emphasizing that timely and effective response should be taken and stating that the coordinator must be prepared to deploy Coast Guard equipment if the spiller does not take action or if a commercial firm is not performing effectively. The Coast Guard believes their current efforts in analyzing staff needs, utilizing the strike teams, developing regional and local contingency plans, and preparing and analyzing reports on pollution incidents are adequate. Coast Guard disagrees with our recommendations concerning the need to establish a marine safety job classification, to improve the training programs, and to improve the research and development program. They also pointed out that they are currently evaluating alternatives to the present situations for the diving teams and conducting a study on the need for more equipment at the local units. (CED-78-111, 5-16-78)

Appropriations

Department of Transportation and Related Agencies

Appropriations Committee Issues

If Coast Guard is to achieve the objectives of this program, additional funding must be prov-

ided to reduce staff shortages and provide adequate transportation and containment equipment. Coast Guard must also take the recommended management actions concern-

ing job classifications, training programs, the research and development program, and contingency plan preparation to assure effective utilization of such resources.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Marine Approaches to U.S. Ports: A Flexible and Obstruction-Free System Is Needed

Budget Function: Commerce and Transportation: Water Transportation (406).

Legislative Authority: River and Harbors Act of 1890 (33 U.S.C. 403). Outer Continental Shelf Lands Act of 1953 (43 U.S.C. 1333(f)). 14 U.S.C. 2.

The Outer Continental Shelf (OCS) is a major area of potential oil and gas resources. Some OCS areas which are leased and being explored for these resources or are scheduled to be leased are located in the path of shipping routes traditionally followed by maritime interests.

Findings/Conclusions: OCS development has created a controversy between energy and maritime interests—the need for ensuring unencumbered exploitation of sealed resources versus safety at sea. Both agree that there should be obstruction-free shipping routes, but energy interests want the routes established after a reasonable amount of exploration for the delineation of the location and extent of resources, and maritime interests want the routes established before exploration. There is also disagreement between the Corps of Engineers and the Coast Guard—the Coast Guard believes that routes should be established before exploratory drilling. In order to resolve these controversies, the Inter-Governmental Maritime Consultative Organization (IMCO) recommended assessing potential interference with marine traffic, establishing obstruction-free shipping routes through offshore exploration areas at all stages of exploitation, and relocating or adjusting these routes to accommodate exploration. These recommendations are sound but, in order to carry them out, the jurisdictional problem between the Corps and the Coast Guard must be resolved.

Recommendations: The Congress should: authorize the Coast Guard to designate ob-

struction-free shipping routes on the OCS along the lines of IMCO recommendations; require the Coast Guard to relocate or adjust designated shipping routes when necessary for the exploration and development of oil and gas deposits; and authorize the Coast Guard to veto decisions made by the Corps which would obstruct designated shipping routes until the Coast Guard can relocate or adjust the routes and provide adequate notification to concerned parties. In implementing these recommendations, the Coast Guard should realize time restrictions imposed by lease agreements.

Both the Coast Guard and Corps of Engineers agreed with the report's conclusion and recommendations. The House Merchant Marine and Fisheries Committee considered and accepted the recommendations as part of the proposed 1978 amendments to the Ports and Waterways Safety Act of 1972. (CED-78-107, 5-2-78)

Appropriations

Department of Transportation, Coast Guard—operations and maintenance fund.

Appropriations Committee Issues

The recommendations to the Congress are for changes in legislation which require consideration by the legislative committees. The changes suggested, however, may increase the amount of funds needed by the Coast Guard.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Need for More Federal Leadership in Administering Nonurbanized Area Public Transit Activities

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Urban Mass Transportation Act of 1964 (49 U.S.C. 1601).

In November 1974, the Congress amended the Urban Mass Transportation Act of 1964 to authorize \$500 million for exclusive use for nonurbanized areas (less than 50,000 population) during fiscal year 1975 through 1980. The \$500 million is available for planning, demonstration, and capital investments supporting small town and rural area transit services.

Findings/Conclusions: State and local officials believe that few requests for the \$500 million have been made because of the absence of Federal financial assistance for projected operating deficits, a belief that Urban Mass Transportation Administration (UMTA) grant application procedures and requirements are too complex, the absence of knowledge about available UMTA financial assistance, and the absence of policy regarding Federal mass transit assistance. UMTA does not manage the \$500 million set-aside as a separate program; it has no separate policy, procedures, personnel, grant delivery system, or organizational entity relative to transit assistance for small urban or rural areas. Although UMTA has established planning regulations which apply to nonurban-

ized areas, these regulations are not a substitute for policies and procedures which specifically identify Federal transportation objectives for nonurbanized areas and how Federal assistance can address them.

Recommendations: The Secretary of Transportation should direct the Administrator of UMTA to: establish more specific policies and procedures for nonurbanized areas, evaluate grant application procedures to determine how they can be simplified, and evaluate whether UMTA's current information dissemination methods are adequate. (CED-78-134, 7-3-78)

Appropriations

Department of Transportation, Urban Mass Transportation—Urban Mass Transportation Fund

Appropriations Committee Issues

The Committee should determine what efforts UMTA is making to respond to problems indicated by state and local officials.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Procurement of Rail Passenger Cars by the New Haven Railroad

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Urban Mass Transportation Act of 1964, as amended (49 U.S.C. 1601).

The Urban Mass Transportation Administration (UMTA) granted Connecticut \$49.6 million to help purchase 100 passenger cars from General Electric for \$63.9 million.

Findings/Conclusions: GAO reported to the Secretary of Transportation that the procurement contract did not conform to sound contracting principles for the following reasons: (1) the payment schedule provided funds to the contractor in excess of the contractor's expenditure schedule, (2) payments were made without contract provisions which protect the Government and the grantee if the contract was not completed, and (3) a sole-source award was made without assurance to UMTA that adequate cost and pricing data had been submitted by the contractor.

Recommendations: GAO recommended that UMTA develop more specific, third-party contracting procedures for use by grantees, prescribing conditions and limitations for advance payments and the negotiation of sole-source procurements.

The Department of Transportation advised the Office of Management and Budget that UMTA would with respect to third-party contracting procedures, take action to revise and

strengthen its External Operating Manual which provides information on policies and procedures pertaining to UMTA and its various programs. (RED-76-15, 9-17-75)

Appropriations

Department of Transportation, Urban Mass Transportation Administration—urban mass transportation fund.

Appropriations Committee Issues

1. The adoption of contracting requirements for Federal grantees, similar to the requirements in the Federal Procurement Regulations, would assure better control over awards of contracts financed under grant programs and reduce Federal interest costs from unnecessary advance payments.

2. In approving budget requests for urban mass transportation, the Committees should determine whether adequate progress is being made on revising the External Operating Manual and strengthening third-party contracting procedures.

CIVIL AERONAUTICS BOARD

Airline Passengers: Are Their Consumer Rights Protected?

Budget Function: Commerce and Transportation: Air Transportation (405).

Legislative Authority: Federal Aviation Act of 1958, as amended (49 U.S.C. 1301). H.R. 12611 (95th Cong.).

The Civil Aeronautics Board (CAB) has altered the usual buyer—seller relationship between passengers and airlines by allowing the airlines to limit their responsibility and liability; this is often to the passenger's detriment. The CAB is responsible for the economic regulation of domestic airlines; it regulates fares, routes, and certain airline responsibilities.

Findings/Conclusions: In buying an airline ticket, the passenger consents to the tariffs setting forth the conditions of transportation. Because tariffs have the force of law, passengers are charged with knowledge of their terms even though they are voluminous and often complex. A review of tariffs indicated that: tariffs can infringe on consumer protection by shielding airlines from responsibilities; tariffs lack uniformity; they are often ambiguous and complex; and tariffs change frequently. The Government's role in altering the buyer—seller relationship needs to be reformed. The CAB relies on the complaints it receives as a primary source of information. Without a broadened information base, the CAB cannot be sure its efforts effectively address vital air passenger issues. The continually increasing volume of complaints has strained the Board's resources. Staff time intended for consumer problem identification and policymaking must often be diverted to handling and routing complaint mail.

Enforcement efforts are hampered by lack of authority to impose civil penalties.

Recommendations: The CAB should review all existing rules tariffs and where possible: eliminate those which unnecessarily shield airlines from liability, standardize provisions concerning basic passenger rights, enforce regulations requiring that tariffs be written clearly and concisely to eliminate ambiguities, and require tariffs to become effective only on a semi-monthly basis to reduce the frequency of changes. The CAB should also develop policies which would require airlines to provide better advance notice of significant restrictive tariff provisions and broaden its information base by requiring airlines to retain consumer complaints received. The Congress should authorize the CAB to order payment of civil penalties. (CED-78-143, 7-20-78)

Appropriations

Civil Aeronautics Board—salaries and expenses.

Appropriations Committee Issues

The Committee needs to monitor the Board's allocation of resources to the consumer protection area to effectively identify consumer problems and formulate appropriate remedies.

CIVIL AERONAUTICS BOARD

Why the Federal Airline Subsidy Program Needs Revision

Budget Function: Commerce and Transportation: Air Transportation (405).

Legislative Authority: Federal Aviation Act of 1958, as amended (49 U.S.C. 1301 et seq.).

The Civil Aeronautics Board's (CAB's) subsidy program, which annually pays airlines about \$60 million to serve small communities, needs complete revision. The program is directed at sustaining local service airlines rather than providing necessary air service to small communities which cannot support air service without Federal subsidy.

Findings/Conclusions: The current program finances losses that airlines incur in serving small communities without regard to the appropriateness of routes, flight frequencies, or type of aircraft used. This is the result of the failure of the Board to define specific services which should be subsidized.

Recommendations: The Congress should provide the CAB with a legislative mandate to restructure the current subsidy program and direct it to establish standards to measure when a community's air service is inherently unprofitable and warrants Federal subsidy; establish a standard of what is adequate service to a community and base subsidies on the actual cost of providing the service; subsidize

uncertificated airlines when they can provide necessary small community air service at lower costs; periodically reevaluate air service at all subsidized communities to determine if they continue to merit Federal subsidy support; and consider scheduled air service provided by unsubsidized airlines in evaluating the need for and adequacy of air service at small communities. (CED-77-114, 8-19-77)

Appropriations

Civil Aeronautics Board—payments to airlines.

Appropriations Committee Issues

The Committee should direct the Board to establish standards for determining when and how much subsidized air service communities need would assure necessary air service to small communities at the least cost to the Federal Government.

CIVIL SERVICE COMMISSION

Changes to the Federal Employees Group Life Insurance Program Are Needed

Budget Function: Income Security: Federal Employee Retirement and Disability (602).

Legislative Authority: Chapter 87, title 5, U.S. Code.

A comparative analysis was made of life insurance and other death benefit programs available to Federal employees and retirees with similar programs in the non-Federal sector.

Findings/Conclusions: Death benefits for Federal Employees are available from several sources, including the Federal Employees' Group Life Insurance Program, various retirement programs, and workers' compensation. As a package these are generally comparable with benefits provided by larger non-Federal employers; however, benefits are less for younger employees and retirees over age 65. Federal employees also pay more for their benefits than do their non-Federal counterparts.

Recommendations: Changes should be made to the method of funding and the benefit structure of the Federal life insurance program to make coverage attractive and equitable. The Congress should reevaluate the funding requirements and should consider making basic changes to the structure of the program. Possible changes which should be considered include: prefund only those liabilities arising from benefits payable to retired employees; revise present legislation to provide that the Government pay the interest on the program's unfunded liability if the present funding method is retained; use Government contribution as payment in full for a portion of the coverage for all employees; continue premium payments to age 65 rather than terminating at retirement; and provide greater amounts of optional insurance coverage to employees.

The Civil Service Commission expressed concern about the low level of participation in the program by younger employees and generally agreed that changes to make the program more attractive should be considered. The Commission agreed that other funding approaches could be used.

Effective September 1, 1978, the Civil Service Commission, implementing one of GAO's recommendations, reduced the FEGLI premium by almost 30 percent. Legislation which would incorporate many of GAO's recommended changes to FEGLI's benefit structure was introduced in the 95th Congress, but time did not allow for consideration of the bill before adjournment. (FPCD-77-19, 5-6-77)

Appropriations

Civil Service Commission—salaries and expenses

Appropriations Committee Issues

The premium reduction was a good first step in revamping the Federal Employees' Group Life Insurance Program, but other changes in the program's funding requirements and policy which would require congressional action could further reduce the premiums.

Elimination of unnecessary premium taxes and risk charges under the program could result in an annual savings of more than \$7.2 million.

CIVIL SERVICE COMMISSION

Civil Service Needs to Improve Claims Review Process under the Federal Employees Health Benefits Program.

Budget Function: Health: Health Care Services (551).

Legislative Authority: Federal Employees Health Benefits Act of 1959 (5 U.S.C. 8901).

In a review of the Civil Service Commission's (CSC's) administration of the claims review process under the Federal Employees Health Benefits (FEHB) Program, an examination was made of (1) a random sample of 62 closed disputed claim files from a March and April 1977 listing and an additional 42 files from cases closed during 4 days in October 1977; (2) all disputed claim files closed during December 1975 to April 1977 with required reports and records and, additionally, all disputed claim files from January to April 1977 with or without reports and records; and (3) all disputed claim files closed for December 1975 to May 1977 for the comprehensive plans (Aetna and Blue Cross and Blue Shield). In addition, a medical advisor reviewed 120 disputed claims files and the medical records for 55 of those cases

Findings/Conclusions: The CSC needs to increase the timeliness of its responses to enrollees who dispute claim denials under the FEHB program. None of the CSC divisions complied fully with the established 30-day timeliness criterion for resolving disputed claims and responding to enrollees. The Division of Government-wide Plans frequently did not review medical records as the regulations require; it often relied on summary medical reports furnished by the Federal Employee Program (FEP) office to arrive at conclusions. In view of the CSC's position that each of the five medical records advisors should be able to review an average of five cases each per day, all disputed claims of the Division of Government-wide Plans could have been reviewed.

Recommendations: The Division of Government-wide Plans should be directed to: (1) require health plans to comply with the regulation that an enrollee be provided a detailed

explanation of why the claim was denied; (2) rely on the plans' detailed explanations of reasons for denials in lieu of FEP office reports; (3) request the FEP office to provide records to the CSC within 5 days of receipt from the local plans; and (4) establish a standard which would require medical records advisors to review an average of at least five records every day.

CSC agreed that actions are needed to improve the timeliness of their reviews of disputed claims, but disagreed with some of GAO's specific recommendations for speeding the review process. CSC said that they are now acknowledging disputed claims more promptly and expect to be meeting the 30-day time limit for reporting results of their review to the employees in a majority of cases by August 1978. The agency instructed both Blue Cross/Blue Shield and Aetna to ensure that detailed explanations of reasons for denial of claims are provided in the future.

With respect to providing more through reviews to claims involving medical questions, CSC told us in June 1978 that they are now obtaining advice from their Medical Division physicians, as well as outside specialists, consultants, more often than at the time of GAO's review. (HRD-78-68, 3-14-78)

Appropriations

Civil Service Commission—salaries and expenses

Appropriations Committee Issues

CSC does not comply fully with Federal regulations requiring that they respond to dispu-

tants within 30 days after receiving from the plans all the information they needed to review a claim.

CIVIL SERVICE COMMISSION

Civil Service Should Audit Kaiser Plans' Premium Rates under the Federal Employees Health Benefits Program to Protect the Government.

Budget Function: Health: Health Care Services (551).

Legislative Authority: Federal Employees Health Benefits Act of 1959 (5 U.S.C. 8901).

The Federal Employees Health Benefits (FEHB) program provided health insurance coverage for 9.5 million participants in 1976 and 9.7 million participants in 1977. The Kaiser-Permanente Medical Care Program (Kaiser) is the largest prepaid group practice program in the United States. The Federal Employees Health Benefits Act requires that rates charged under health plans' contracts shall reasonably reflect the cost of benefits provided. It is important that the Civil Service Commission (CSC) determine whether rates of the Kaiser plans of northern and southern California are reasonable since they are used to calculate the Government's contribution to the FEHB program.

Findings/Conclusions: CSC has made only limited audits of the Kaiser plans and has not followed up on these audits. One reason that audits have not been comprehensive was that CSC lacked criteria for evaluating reasonableness of rates. Kaiser plans are community-rated with premium rates based on the projected health care experience of all groups expected to be enrolled in the plan, in contrast to other plans which are based only on the experience of Federal participants. The inclusion of non-Federal groups makes it more difficult to determine whether rates are reasonable for Federal employees. Some characteristics of the Kaiser plans which require evaluation for their impact on the Federal rate are: Kaiser may use excess revenues as management sees fit and increase premiums to recover losses, rates are designed to meet not only current health benefit costs but also long-term capital needs, and the plans

consistently underestimated revenues that would be derived from proposed premium rates.

Recommendations: CSC should: develop criteria to evaluate the reasonableness and equity of rates of community-rated, comprehensive health plans like the Kaiser plans and comprehensively audit the California Kaiser plans to determine whether their FEHB program rates reasonably reflect the cost of providing benefits to Federal program participants.

CSC did not agree with GAO's recommendations stating that acceptance of the recommendations would require the adoption of a point of view that would have CSC administering the Federal Employees Health Benefits Program without regard to the requirements of national health policy as expressed by the Health Maintenance Organization (HMO) Act of 1973. That law mandated community rating for the Kaiser plans as well as all the other HMO's. (HRD-78-42, 1-23-78)

Appropriations

Civil Service Commission—salaries and expenses

Appropriations Committee Issues

Because the Kaiser plans' rates are used in calculating the Government's contribution to the FEHB program, a small rate error in the Kaiser plan can have a large effect on the cost of the Government's contribution to FEHB.

CIVIL SERVICE COMMISSION

Disability Provisions of Federal and District of Columbia Employee Retirement Systems Need Reform

Budget Function: Income Security: Federal Employee Retirement and Disability (602).

Legislative Authority: Affairs, Congress Chapter 83, title 5, United States Code; title 4, sections 501 to 539 and title 31, sections 701 to 746, D.C. Code.

Previous reports have discussed shortcomings in the disability provisions of Federal and District of Columbia retirement programs. Action on recommendations made in prior reports is still needed.

Findings/Conclusions: The number of retirees receiving civil service disability annuities more than doubled from 1970 to 1977. The Civil Service Commission's (CSC's) interpretation of entitlement to disability retirement is based on an employee's ability to perform specific functions, and employees are not obligated to accept reassignment. Within the civil service retirement system, earlier and more generous retirement benefits are authorized for Federal law enforcement and firefighter personnel. The costs of providing early retirement benefits under the special retirement policy are over 50% greater than they would be for regular optional retirement. Seven retirement systems cover most Federal personnel and there is wide variation in the disability provisions of these systems. The District of Columbia police and firemen's retirement system permits members to retire on disability for service-connected disability or after 5 years for other disabilities. Optional retirement benefits under this system are among the best in the country, but most of the personnel have retired under the system's aggravation clause.

Recommendations: The Congress should enact legislation that will encourage retention of potentially productive employees under the civil service system; revise this system's definition of economic recovery to preclude disability retirees from retaining annuities if they are earning more than the current pay for their

former jobs; study and legislate a resolution to the issue of using Federal tax returns to verify reported income; reevaluate the need to continue the special retirement policy, and if it is needed, reevaluate eligibility criteria; establish an overall Federal retirement policy; and enact legislation making new Federal personnel in positions now covered by D.C. systems subject to civil service systems, revising eligibility criteria and benefits for disability retirements under the D.C. police and firemen's retirement system, and precluding retirees from benefiting from cost-of-living increases that occurred while they were employed. The CSC should encourage job reassignment, discontinue its policy of advising employees to use extended sick leave before filing for disability retirement, require more information on annuitants' current job duties, develop means to verify reported income, and analyze the adequacy of annuities for those severely disabled.

This report summarized previously issued reports, and format agency comments were not obtained. Discussion with Civil Service Commission representatives indicated the Commission generally agrees that the disability retirement program needs changes, but higher priorities have precluded development of necessary legislative proposals. (FPCD-78-48, 7-10-78)

Appropriations

Civil Service Commission—salaries and expenses

District of Columbia—operating expenses

Appropriations Committee Issues

A reevaluation of the disability retirement policy is needed to protect the financial stability and integrity of the civil service and District of Columbia employee retirement systems.

Affected agencies should be required to reassign potential disability retirees to vacant positions within the same occupational class when the individual is capable of performing that job.

CIVIL SERVICE COMMISSION

Federal and District of Columbia Employees Need to Be in Separated Pay and Benefit Systems

Budget Function: Income Security: Federal Employee Retirement and Disability

Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198); P.L. 93-407; P.L. 94-533; Title 4, District of Columbia Code (1973)

The pay and fringe benefits of Federal and District of Columbia employees are interrelated. Most District employees are covered by Federal pay and retirement systems, and some Federal law enforcement personnel participate in the District's pay and retirement systems for its police and firemen.

Findings/Conclusions: Each Government should control the nature, level, and costs of its employees' compensation. The Federal law enforcement personnel participating in the District's pay and retirement system receive higher pay and have much better retirement benefits than comparable Federal civil service employees. The District's retirement system is more costly than that of the Federal Government, but participating employees contribute less than their Federal counterparts. The Federal protective services employees' compensation should be equitable and consistent with that provided to other Federal law enforcement personnel. The District should establish its own employee compensation system so that compensation is consistent with local management objectives and affordable for District residents.

Recommendations: The Mayor and City Council should establish new pay and fringe benefit systems for District employees now subject to Federal civil service systems. Congress should: amend the District of Columbia Home Rule Act to provide that the District government establish its own pay and benefit policies and systems for District employees now covered by Federal systems; require the Civil Service Commission, Office of Management and Budget, and the District government to

study and report on the desirability of transferring District employees covered by the Federal retirement system to a District administered and controlled retirement system or retaining them in the Federal system; make all new Federal law enforcement personnel subject to civil service pay and retirement systems; and require a study on the desirability and feasibility of transferring existing Federal employees now covered by the District's retirement system to the Federal civil service retirement system.

The Civil Service Commission, Office of Management and Budget, and Departments of Treasury and Interior agreed that Federal personnel should be covered by Federal pay and retirement systems and are studying the matter. The District of Columbia is considering new systems for District employees but believes that its existing employees should be permitted to retain their vested Federal benefits. Legislation (H.R. 6536) was subsequently passed by the 95th Congress but vetoed by the President that would have established an actuarially sound means of funding District retirement systems, provided Federal funds to assist the District in meeting the costs of its retirement programs, and changed certain retirement benefit features to less costly ones. That legislation would have applied only to District personal and not affected the 1500 Federal law enforcement personnel now covered by the District's retirement system. (FPCD-77-71, 1-12-78)

Appropriations

Civil Service Commission,—salaries and expenses

Office of Management and Budget,—salaries and expenses

District of Columbia Government,—federal payment to District of Columbia

Appropriation Committee Issues

The 1500 Federal personnel covered by the District's programs receive higher pay for the same levels of work and have much better re-

tirement benefits than their Federal civil service counterparts. The higher levels of compensation inflate already high Federal personnel costs and create serious inequities within the Federal work force. Also, Federal and District employees who retire under the District's system and are subsequently employed in a Federal or District position covered by civil service are permitted to receive both their full retirement annuity and the position's full salary. Such dual payments are inequitable and costly.

CIVIL SERVICE COMMISSION

Federal Employee Performance Rating Systems Need Fundamental Changes

Budget Function: General Government: Central Personnel Management (805).

Legislative Authority: Performance Rating Act of 1950 (5 U.S.C. 43).

The Performance Rating Act of 1950 requires performance evaluations and ratings through use of one or more performance rating plans subject to approval of the Civil Service Commission (CSC). It requires that each system provide for making performance requirements known to the employee, giving fair appraisals of employee performance, using appraisals to improve employee performance, strengthening supervisor-employee relationships, and keeping employees advised of their performance and promptly notified of ratings.

Findings/Conclusions: Summary performance ratings—outstanding, satisfactory, or unsatisfactory—have become essentially a single rating system of satisfactory. Such ratings do not adequately inform employees about their performance or provide management with a basis for personnel decisions. Also, because of court decisions, unsatisfactory ratings may not be used as a basis for dismissal of employees. Most of the 10 performance rating systems in Federal agencies which were reviewed do not meet objectives of the legislation. Inadequacies of the systems are: graphic rating scale methods do not provide useful performance data, most procedures have not provided adequate guidance for rating employees, and there is insufficient linkage between performance and rewards. In private systems examined, there was better guidance for supervisors, and there were different systems for various occupational groups. A potential for improvement was seen in collaborative systems in which the employee participates.

Recommendations: CSC should ask the Congress to amend 5 U.S.C. 43, formerly the

Performance Rating Act, deleting requirements for performance summary ratings and related statutory appeal provisions. It should provide a basis for awarding employees salary increases and service credits applicable in reduction-in-force situations. CSC and Federal agencies should improve performance evaluation systems by providing more guidance and training, instituting more substantive management reviews, considering the use of different methods for major occupational groups, and developing methods of linking performance achievements to rewards. The Office of Management and Budget should require all Federal agencies to assess the feasibility of implementing collaborative performance evaluation systems.

The concepts of the report and recommendations were incorporated into civil service reform legislation signed by the President October, 13, 1978. (FPCD-77-80, 3-3-78)

Appropriations

Civil Service Commission—salaries and expenses

Appropriations Committee Issues

Under the provisions of the civil service reform legislation, agency performance approval systems will provide the information needed to determine whether and the extent to which many senior Federal employees will receive future pay raises.

CIVIL SERVICE COMMISSION

Personnel Restrictions and Cutbacks in Executive Agencies: Need for Caution

Budget Function: General Government: Central Personnel Management (805).

For the Federal Government to be effective, its programs and activities must be effectively implemented. Sound implementation can be weakened by too many employees, resulting in costly nonproductivity, or by too few, resulting in an unmanageable workload. Over the past several years, GAO has issued many reports illustrating the problems caused by insufficient staff. These problems, affecting a wide range of Government programs, include work backlogs, ineffective implementation of legislative mandates, excessive use of overtime and consultants, and, in several cases, criminal abuses.

Findings/Conclusions: Staff shortages are sometimes the result of agency mismanagement. However, some programs are inadequately staffed for reasons over which the agency has little or no control. Insufficient funding can prevent an agency from hiring the employees it needs, and personnel ceilings can have similar restrictive effects. Mechanisms for controlling personnel resources are needed;

however, other elements such as travel, equipment, working space, and supplies must also be carefully analyzed for their effect on program management.

Recommendations: Congress should carefully assess the impact of personnel ceilings and cutbacks if it is to avoid reducing staff at the expense of effectively administered programs. (FPCD-77-85, 2-9-78)

Appropriations

Civil Service Commission—salaries and expenses

Appropriations Committee Issues

Action taken to hold down or reduce the size of the Federal work force can have adverse effects on the achievement of Federal program goals.

CIVIL SERVICE COMMISSION

Policy of Paying Cost-of-Living Allowances to Federal Employees in Nonforeign Areas Should Be Changed

Budget Function: Central Personnel Management 0805.

Legislative Authority: 5 U.S.C. 5941 (a)(1)(1970)

GAO reported to the Congress that the cost-of-living allowance paid to certain employees in Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands, is no longer an appropriate means of compensation. The allowance was authorized by a 1948 law to reimburse Federal white-collar employees in nonforeign areas outside the continental United States when their living costs were substantially higher than those in the Washington, D.C. area. The report questioned the need for continuation of the allowance based on the following reasons.

- Nonforeign areas have undergone major social, economic, and political change since the law was enacted authorizing the allowance.
- A Federal pay-setting policy of comparability with the private sector has been enacted and placed in operation. The cost-of-living allowance is inconsistent with this principle.
- The allowance is discriminatory because it is not given in other areas of the United States where the cost of living is high. Conversely, pay is not adjusted downward in cost-of-living areas.

GAO recommended that the allowance be eliminated. A more equitable means of compensation—special pay rates based on private sector pay rates—could be used, if warranted, to overcome any recruitment and retention problems caused by higher private sector pay in these areas.

The report also pointed out that, as administered by the Civil Service Commission, the allowance overcompensates nonforeign area employees for interarea cost-of-living differences. Until such time as the provision of law authorizing the allowance may be repealed, the Commission should make the following

changes to better achieve the legislative intent—compensating for interarea cost-of-living differences:

- Apply the cost-of-living differential percentage to employees' spendable income rather than base pay. This would eliminate the financial gain for such items as Federal income taxes and retirement contributions, which are not included in the interarea comparisons but which cost the same regardless of place of employment.
- In computing the allowance, consider marital status, family size, income level, and State and local income taxes, which affect employees' living costs.
- Establish regional rather than flat area-wide allowance rates to recognize any intra-area cost-of-living differences which may exist.

The Commission expanded its living cost surveys to include additional locations in Hawaii, Puerto Rico, and Alaska and, in November 1976, established separate allowance rates reflecting inter-area living cost differences.

By mandate of Executive Order 12070, June 30, 1978, the Commission is now reevaluating its entire cost-of-living allowance program for nonforeign areas. (FPCD-75-161, 2-12-76)

Appropriations

Civil Service Commission—salaries and expenses.

Appropriations Committee Issues

CSC should improve its administration of the cost-of-living allowance in nonforeign areas to better achieve the legislative intent of the program.

CIVIL SERVICE COMMISSION

Special Retirement Policy for Federal Law Enforcement and Firefighter Personnel Needs Reevaluation

Budget Function: Income Security: Federal Employee Retirement and Disability (602).

Legislative Authority: P.L. 80-168. P.L. 80-879. P.L. 84-854. P.L. 92-382. P.L. 93-350. 5 U.S.C. 8331-39.

The adequacy, effectiveness, and reasonableness of the Government's policy of providing earlier and more generous retirement benefits to Federal law enforcement and firefighter personnel were investigated.

Findings/Conclusions: The law currently authorizes these special retirement benefits for about 52,000 Federal employees. The purpose of the special retirement law is to improve the quality of law enforcement and firefighting services by helping to maintain a young, vigorous work force. The more generous benefits are provided to make earlier retirement economically feasible. The Special retirement policy is an expensive method of marginally reducing the age of retirement. Covered employees are not retiring much earlier than employees under regular civil service retirement provisions.

Recommendations: The Congress should reevaluate the need for special, early retirement. If it is considered necessary to compensate certain personnel for the hazard and stress commonly associated with these occupations, that compensation should be reflected in pay, not in retirement benefits. Employees who cannot perform satisfactorily before the optional retirement age should be reassigned to less demanding duties or, as a last resort, retired under existing disability programs. If the special retirement policy continues, the Congress should amend the law to require additional retirement contributions by employing agencies and reevaluate the eligibility criteria, the mandatory retirement provision, and the benefit structure.

The Civil Service Commission agreed that the policy needs to be reevaluated. Operating agencies and employee unions generally disagreed. The Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, held a series of oversight hearings between September 1977 and December 1977 on the report. GAO, Civil Service Commission, law enforcement agencies and employee/retiree organizations participated in the hearings. Subcommittee staff advised us that legislation may be introduced with The 96th Congress, to amend certain aspects of the existing policy. (FPCD-76-97, 2-24-77)

Appropriations

Civil Service Commission—salaries and expenses

Appropriations Committee Issues

The continued need for the special, early retirement benefits is questionable. The special, early benefits cost considerably more than regular civil service benefits—about 61 percent more according to the Civil Service Commission. Covered employees and employing agencies each contribute 7½ percent of base pay toward these benefits, but their normal cost (as a percentage of pay) is estimated to be about 21 percent ignoring inflation and about 45 percent considering inflation. As a minimum, employing agencies' contributions should be raised to cover these costs, thereby eliminating the hidden treasury subsidies.

COMMODITY FUTURES TRADING COMMISSION

Regulation of the Commodity Futures Markets: What Needs to Be Done

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Commodity Exchange Act, as amended (7 U.S.C. 1). Commodity Futures Trading Commission Act of 1974 (P.L. 93-463; 88 Stat. 1389).

The Commodity Futures Trading Commission Act of 1974 provided for comprehensive regulation of all commodities, goods, and services traded on the futures markets. Futures trading is the buying and selling of standardized contracts for the future delivery of specified grades and amounts of commodities. Ten commodity exchanges provide organized central markets where trading can take place through open outcry and competitive bidding. The 1974 act authorized the Commodity Futures Trading Commission (CFTC) to operate through fiscal year 1978, and legislation must be enacted reauthorizing the Commission to operate beyond that date.

Findings/Conclusions: The CFTC has been slow in developing a formalized planning process and, as a result, its regulatory posture has been overly ad hoc and reactive instead of anticipatory and preventative. The Commission's performance has been adversely affected by organizational and management problems, including: lack of strong management experience in executive positions, management weaknesses in the Executive Director's office due to organizational instability and jurisdictional disputes, a high rate of staff turnover, failure to develop professional cadres and managers from within the organization, and lack of a broad representation of views on advisory committees. The initial market designation reviews were not comprehensive enough to assure that only contract markets meeting statutory and CFTC requirements were designated. While the Commission's rule enforcement review program has produced some positive results, more remains to be done.

Recommendations: We recommended, among other things, that the Congress reau-

thorize the CFTC for an additional 4 years. We also made numerous recommendations to the Chairman of CFTC aimed at correcting weaknesses in CFTC regulatory programs and in its overall management. These included recommendations that CFTC:

- Place greater emphasis on performing comprehensive and timely rule enforcement reviews of commodity exchanges;
- Revise its guidelines to provide a clear and objective set of standards by which to assess the adequacy of exchange rule enforcement programs;
- Establish and enforce reliability and accuracy standards for exchange trading records;
- Establish and enforce qualification and proficiency standards for registrants;
- Improve the overall efficiency and effectiveness of its market surveillance activities; and
- Give full support and commitment to establishing planning as a basic and integral part of its management process.

The CFTC submitted its comments on GAO's May 17, 1978, report in a document dated July 14, 1978, addressed to the Chairman, House Committee on Government Operations. The Commission's Chairman expressed agreement with many of our recommendations. He added several qualifications, however first, that some of the "problems" identified by GAO were problems of the Commission's early days and had been largely rectified; second, that a number of GAO's recommendations implied a need for additional Commission budgetary resources, and third, that the Commission would be making decisions in several areas—com-

modity options, commodity leverage contracts, and an industry self-regulatory association—which will impact significantly on future Commission operations.

The congressional “sunset” review of CFTC occupied a large part of 1978, beginning with reauthorization hearings in February 1978. In late September, the Futures Trading Act of 1978 was signed by the President. This act reauthorized CFTC for an additional 4 years and implemented a number of our other recommendations to the Congress, including recommendations for elimination of the requirement for Senate confirmation of CFTC’s Executive Director and for the streamlining and simplification of CFTC’s reparations program. (CED-78-110, 5-17-78)

Appropriations

Commodity Futures Trading Commission—
Administration of the Commodity Exchange Act

Appropriations Committee Issues

The Committees will need to consider whether additional resources are needed by the Commission in order to enable it to satisfactorily perform all of the activities and functions mandated by the Commodity Exchange Act and to make needed improvements in ongoing activities and functions where weaknesses were noted by GAO.

COMMUNITY SERVICES ADMINISTRATION

Complications in Implementing Home Weatherization Programs for the Poor

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Community Services Act of 1974. Energy conservation Act and production Act of 1976. Public works and Economic Development Act of 1965, Title X. Economic opportunity Act. Comprehensive Employment and Training Act of 1973.

To help combat the impact of rising energy costs on low-income individuals and to reduce national energy consumption, the Community Services Administration (CSA) insulates and repairs homes for the economically disadvantaged. As of December 1977, over \$100 million has been provided in grants to more than 900 local Community Action Agencies and other organizations. Also, the Department of Energy (DOE) is carrying out a \$200 million supplementary home weatherization program.

Findings/Conclusions: The weatherization program has helped many disadvantaged families, but the extent of help cannot be determined nor can the amount of energy conserved. Because of a 10% limitation on program administration costs, including labor, labor support is provided under a mutual agreement with the Department of Labor (DOL).

This agreement has not been effectively carried out. Problems have resulted from poor workmanship and unavailability of an adequate labor force. The program has also been hampered by other administrative problems. CSA has not issued sufficient guidance, required program controls, nor adequately monitored program operations. Because grantees do not have specific direction for weatherizing rentals, most of the poor are excluded from the program. Also, CSA has not reported effectively on the quantity and nature of weatherization work performed and its effects on recipients and energy savings. An agreement of understanding among CSA, DOE, and DOL, intended to achieve program coordination, has not resolved problems arising from differing regulations and two Federal funding sources making awards to the same grantees.

Recommendations: The Secretaries of Labor and Energy, and the Director, CSA, should establish procedures under the interagency agreement to resolve difficulties. The Secretary of Labor should report periodically to the Office of Management and Budget (OMB) on DOL's manpower program commitments, and the Director, OMB, should make sure that the interagency agreement is functioning effectively. The Director, CSA, should: provide grantees with guidance for weatherizing rental property, require grantees to submit goals for rental weatherization in grant proposals, require grantees to provide new building weatherization plans with information to estimate energy savings, issue specific guidance for implementing grantee procurement and inventory controls, and increase CSA's monitoring to assure materials controls. The Secretary of Energy should adopt policies and procedures consistent with these recommendations. The Congress should: clarify the roles of CSA and DOE, consider placing responsibility for low-income home weatherization in DOE, and also consider providing the Secretary of Labor with authority to earmark Comprehensive Employment and Training Act program funds for supplying weatherization labor.

The Community Services Administration and the Office of Management and Budget agreed that primary responsibility for low-income home weatherization should be placed on the Department of Energy. The Department of Labor proposed to develop procedures to encourage Comprehensive Employment and Training Act prime sponsors to cooperate in resolving weatherization procedures and to provide for weatherization labor support agreements dur-

ing the planning process. The Office of Management and Budget indicated that it would rely on agency oversight and participate in enforcing the interagency agreement if a major disagreement develops between the agencies. The Community Services Administration did not act on most of the recommendations. The Department of Energy generally agreed with the recommendations. (HRD-78-149, 8-2-78)

Appropriations

HEW/Labor and Related Agencies

Appropriations Committee Issues

The Congress should clarify the roles of the Community Services Administration and the Department of Energy in future Federal efforts to assist the economically disadvantaged to cope with rising energy costs. The Congress should consider placing responsibility for low-income home weatherization in the Department of Energy. The Congress should also consider providing the Secretary of Labor with the authority to earmark Comprehensive Employment and Training Act program funds for supplying weatherization labor.

CONSUMER PRODUCT SAFETY COMMISSION

Consumer Product Safety Commission Needs to Issue Safety Standards Faster

Budget Function: Health: Prevention and Control of Health Problems (553).

Legislative Authority: Consumer Product Safety Act, as amended, Science and Transportation (15 U.S.C. 2051), P.L. 92-573.

The Consumer Product Safety Commission issues standards to protect the public from injury associated with consumer products. The Consumer Product Safety Act contains several provisions designed to guide the development and issuance of standards.

Findings/Conclusions: The Commission has not developed and issued safety standards within the proper time. Only three standards had been issued as of June 30, 1977, and these took an average of 834 days to develop and issue, far more than the 330 days specified by law. The law allows anyone to participate in developing safety standards. One provision lets people outside the Commission (offerors) prepare and submit proposed standards to the Commission for which it pays some of the costs. The Commission has not been providing its staff and offerors adequate guidance during the development of safety standards; was not promptly evaluating safety standards recommended by offerors; was not keeping enough information on product-related injuries to adequately support development of its standards; and was slow in establishing priorities for its standard development workload.

Recommendations: The Commission should establish procedures that specify the duties and responsibilities of its staff which monitors the development of safety standards and identify criteria to be used during evaluation of standards recommended by offerors. The Commission should improve its injury information data collection activities by: determining that emergency room hospitals included in the injury surveillance system are representative; adjusting the hazard index factors to insure that they are accurate and representative; as-

signing injury indepth investigation cases on a random basis to maintain validity and monitoring these cases more closely; training investigators to provide the

Product-related injury data necessary to identify and analyze hazards; and continuing to search for ways to obtain additional information on the types of injuries not included in the Commission's product-related injury surveillance system.

The Commission said it has taken the actions recommended to improve its data collection and workload prioritization. It initiated a policy that assigns priorities to its projects, and this should help stream-line Commission activities. It has redesigned its system for collecting and analyzing data on consumer product related injuries; the results of these efforts will not show up until fiscal year 1979. Although the Commission said it was improving its procedures for developing safety standards, it still resists written policy and procedures to ensure their timely development. (HRD-78-3, 12-12-77)

Appropriations

Department of Housing and Urban Development
Independent Agencies

Appropriations Committee Issue

The Commission has not formalized its policies and procedures to ensure the timely development of safety standards

CONSUMER PRODUCT SAFETY COMMISSION

Improvements Needed in Administering the Flammable Fabrics Act

Budget Function: Health: Prevention and Control of Health Problems (553).

Legislative Authority: Flammable Fabrics Act, as amended (15 U.S.C. 1191).

The Flammable Fabrics Act prohibits the introduction or movement in interstate commerce of wearing apparel and interior furnishings which are so highly flammable as to be dangerous to individuals. The Consumer Product Safety Commission is responsible for administration of the act.

Findings/Conclusions: The Commission has not been timely in developing flammability standards for wearing apparel and upholstered furniture. Time was lost when administration of the act was transferred to the Commission and the Commission failed to set project priorities and to guide staff personnel. Other factors delaying development of flammability standards were uncertainties about the adequacy of fire-related injury data and the development of remedial strategies. Although the Commission recently established project priorities and is taking steps to improve its sources of fire-related information, the Commission needs to implement procedures which assure that standards are developed systematically.

Recommendations: The Commission should establish procedures for systematically developing flammability standards which: define the various steps in the development process, call for timely guidance for the staff, and allow for a dialogue with the National Advisory Committee for the Flammable Fabrics Act. The Commission should terminate, suspend, or amend

flammability proceedings that remain outstanding for long periods of time.

The Commission's comments on the report did not respond to the recommendation concerning establishing procedures which specify the various steps in the development of flammability standards. The Commission said, however, that the Commissioners mid year review of all projects provides direction to the staff. As part of the mid year review, the Commissioners will determine whether to continue, terminate, or amend inactive flammability proceedings. The Commission has taken steps to improve its dialogue with the National Advisory Committee for the Flammable Fabrics Act by having its Fire Program Officer serve as Program Coordinator for that committee. (HRD-78-88, 4-10-78)

Appropriations

Department of Housing and Urban Development

Independent Agencies

Appropriations Committee Issues

The Commission has not defined the various steps in the development of flammability standards as recommend in this report.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Corps of Engineers Flood Control Projects Could Be Completed Faster through Legislative and Management Changes

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301)

Legislative Authority: Flood Control Act of 1970 (42 U.S.C.A. 1962 d-5b). H.R. Report No. 1665 (91st Cong.). H.R. 8309 (95th Cong.).

The average time being taken to complete Corps of Engineers flood control projects is very long and has been increasing in recent years. If these projects were completed faster, flood hazards would be lessened, inflationary effects on project costs would be reduced, and other benefits would be reaped.

Findings/Conclusions: Approximately 60 to 80 percent of the time taken to complete flood control projects was spent on the survey investigation and advanced engineering and design phases. GAO statistics indicated an average of 26 years was spent on these phases prior to the initiation of construction and according to Corps statistics it takes about 5 additional years to construct the project. GAO found however, that only about half of the 26 years was used for the actual survey study and program design work and about 10 years was used waiting for authorization or appropriations of funds and about 3 years were used to review survey reports. GAO found that project delays are often attributed to many different reasons and that often these delays are difficult to avoid under the current authorization and appropriation process. GAO also found that the Corps does not use its Management Information System effectively to track projects and focus attention on delays.

Recommendations: The Corps should use its performance measurement system to identify and track delayed summaries and projects and take action to expedite the completion of these phases. The Corps should also analyze its review process to determine if it can be expedited without decreasing quality and take appropriate action. These alternatives to the current authorization and appropriations process would reduce project completion times though they would also reduce congressional control.

The Department of the Army and the Corps of Engineers informally agreed with the recommendations. (CED-78-179, 9-22-78)

Appropriations

Department of the Army, Corps of Engineers (Civil Functions)—General Instructions and Construction General.

Appropriations Committee Issues

The adequacy of the corrective actions to be taken by the corps should be considered when returning appropriation requests for Corps water resources projects.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Metropolitan Chicago's Combined Water Cleanup and Flood Control Program: Status and Problems

Budget Function: Natural Resources, Environment, and Energy Pollution Control and Abatement (304)

Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500). Clean Water Act of 1977 (P.L. 95-217). Flood Control Act of 1936 (P.L. 74-738).

The Tunnel and Reservoir Plan (TARP) and associated projects in the Chicago, Illinois, area are part of a total water cleanup and flood control program estimated to cost about \$8 billion.

Findings/Conclusions: The Environmental Protection Agency (EPA), which contributes about 75% of project costs, has already funded \$667 million for construction of water pollution aspects. EPA funds will probably be available to complete the combined sewer overflow facilities but, with the current authorization, funds may not be available for the remaining wastewater treatment plant improvements. The Congress has not yet approved funding for the Corps of Engineers to construct flood damage reduction features. The Corps prepared a preliminary study to determine appropriate Federal interest in flood control aspects of projects, and the Congress conditionally authorized \$12 million for a study of advanced engineering and design. The Completion of all segments of the program is in doubt because of delays, high and escalating costs, and funding uncertainty. Partial completion will cost a significant amount without realization all benefits of installed facilities. No one Federal agency has oversight responsibility.

Recommendations: If funds are appropriated for the Corps study, the Secretary of the Army should require the Corps to develop alternatives for solving flood control problems and to compare benefits at various funding levels. The Congress should: establish a national policy defining the extent of Federal assistance to be provided to urban areas for such multipurpose projects: designate one agency to be responsi-

ble for the project and similar multiagency projects; require the designated agency to submit to the Congress periodic status reports; and consider whether some reduction or flexibility in water quality goals would be acceptable in the interest of economy. The Administrator, EPA, should coordinate funding from all sources before beginning future construction of projects of this nature.

The Department of the Army and EPA concurred in the message of the report and the recommendations. EPA supports the establishment of a national policy defining the extent of Federal participation in large multi-agency projects. OMB commented that direct Federal management in this project was not appropriate and did not consider it a Federal construction project. (PSAD-78-94, 5-24-78)

Appropriations

Environmental Protection Agency
Department of the Army; Corps of Engineers

Appropriations Committee Issues

All issues identified in the report are unresolved. Senator Percy requested GAO to undertake further work in this area, and report on the location and frequency of the most concentrated flooding and the damage sustained: At his request we are also analyzing the available technology to solve such flooding problems in lieu of completing the flood control segment of TARP.

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF FINANCE AND REVENUE

How the District of Columbia Might Better Manage Its Tax Compliance Program

Budget Function: Revenue Sharing and General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852).

Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act of 1973 (P.L. 93-198); D.C. Cigarette Tax Act (D.C. Code 47-2801, 63 STAT. 136), as amended; D.C. Motor Vehicle Fuel Tax Act, (D.C. Code 47-1901, 43 STAT. 106), as amended; D.C. Alcoholic Beverage Control Act (D.C. Code 25-101, 48 STAT. 319), as amended; D.C. Sales Tax Act (D.C. Code 47-2601, 63 STAT. 112), as amended; D.C. Income and Franchise Tax Act (D.C. Code 47-1551, 61 STAT. 331), as amended; D.C. Inheritance and Estate Tax Act (D.C. Code 47-1601, 50 STAT. 683), as amended; D.C. Property Tax Act (D.C. Code 47-501, 42 STAT. 669), as amended.

The District did not have a system for identifying and analyzing the reasons that individuals and businesses are not voluntarily complying with its tax laws. Such a system would allow the District to better communicate tax law requirements to the public and improve assessment and enforcement procedures.

Findings/Conclusions: To encourage individuals and businesses to pay their self-assessed taxes, the District, like the Federal and State governments, (1) communicates its tax law requirements to taxpayers, (2) helps them understand the rules, (3) audits tax returns, (4) identifies and follows up on nonfilers, and (5) collects delinquent taxes. GAO reported that more could be done by the District to achieve greater taxpayer compliance with self-assessment rules and to increase tax revenues.

Recommendations: The Mayor should insure that the Department of Finance and Revenue (DFR) (1) completes its review of the information and resource requirements for systematic analysis and evaluation of the tax compliance program as soon as possible and (2) takes appropriate action to establish a management information system that will best serve the Department in planning its compliance activities; and provide the necessary resources to support DFR's efforts to improve the voluntary taxpayer compliance program.

DFR has reviewed the information system with a view toward revising it to make it more useful to managers for planning activities and reviewing production, accomplishments, and problems. DFR has compiled a list of questions most frequently asked by taxpayers and obtained statistics on the productivity of individual income tax audits. This information is being disseminated to tax examiners in training sessions. DFR hopes to improve the computer system for delinquent tax files in fiscal year 1979. In addition to DFR's efforts, the Congress provided funds necessary to fill 49 additional positions in the tax administration area of DFR but did not provide other funds as necessary to administer the District tax laws at optimum levels. DFR has filled all these positions. (GGD-76-46, 3-12-76)

Appropriations

District of Columbia Government—operating expenses, finance and revenue.

Appropriations Committee Issues

The District should continue its efforts to encourage voluntary taxpayer compliance with tax laws to receive revenue that otherwise would require enforcement effort.

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF FINANCE AND REVENUE

What is Being Done About Individuals Who Fail to File a District Income Tax Return?

Budget Function: Revenue Sharing and General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852).

Legislative Authority: District of Columbia Income and Franchise Tax Act of 1947 (61 Stat. 331).

The individual income tax is one of the major sources of revenue for the District. In fiscal year 1974 the District collected 26 percent—about \$138 million—of its total tax revenues from individual income tax.

Findings/Conclusions: The District had not (1) followed up on thousands of individuals who filed Federal income tax returns from District addresses but did not file District tax returns or (2) established a program to check filing and reporting on income not subject to tax withholding. Because these actions were not taken, millions of dollars in tax assessments were not received.

Recommendations: GAO recommended that necessary resources be assigned to (1) initiate prompt inquiries on all potential nonfilers, (2) use Internal Revenue Service information to contact nonfilers failing to respond to inquiries, (3) exchange followup data with States and (4) check filing and reporting on income not subject to withholding.

The District agreed with GAO's recommendations to expand its efforts to increase tax assessments and indicated that any additional resources deemed necessary would be included in its budget requests. The new system implemented by the District's Department of Finance

and Revenue in December 1976 to identify potential nonfilers through the Tape Exchange Program has increased productivity by about 20 percent. Use of The Internal Revenue Service's information to contact nonfilers will increase District revenues by about \$100,000 annually. Although the Department of Finance and Revenue made periodic checks on the filing and reporting of income not subject to withholding, it lacked the resources and a program to make effective use of the available data for testing compliance by individuals who receive such income but fail to file tax returns. (GGD-75-8, 3-20-75)

Appropriations

District of Columbia Government—operating expenses, finance and revenue.

Appropriations Committee Issues

The District must continue its efforts to enforce its income tax laws to

- (1) obtain all tax revenues to which it is entitled and
- (2) insure equitable distribution of the tax burden among its residents.

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

District of Columbia's Rent Establishment Policies and Procedures Need Improvement.

Budget Function: Community and Regional Development: Community Development (451).

Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198; 87 Stat. 774). Housing and Community Development Act of 1974 (P.L. 93-383). Housing Act of 1937, as amended (83 Stat. 379; 83 Stat. 389; 84 Stat. 1770; 84 Stat. 1778; 85 Stat. 775; 85 Stat. 776). Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. 4601).

The District of Columbia's Department of Housing and Community Development (DHCD) is responsible for providing decent, safe, and sanitary housing to low-income District families who cannot afford such housing. As of June 30, 1976, approximately 11,300 families lived in DHCD-provided housing, over 10,900 of whom were in DHCD-owned projects. The public housing program is financed mostly with rental income and Federal funds. DHCD is also responsible for planning and administering the urban renewal program of the District, which also provides space to about 1,020 families and commercial establishments.

Findings/Conclusions: DHCD rents space to tenants under both the public housing and urban renewal programs. During the 6-month period ended June 1976, DHCD charged about 60% of its public housing tenants improper rents, losing about \$902,000 in revenues. The losses occurred because the District used a 1971 rent schedule to set rents, used an outdated definition of tenant income for setting rents, delayed processing rent changes an average of 6 months, and was ineffective in verifying tenant income. Rent policies and procedures for urban renewal properties were not always appropriate and were not uniformly and effectively implemented. Tenants were treated inequitably and revenues were lost, although documentation was not sufficient to estimate the amount of revenue lost. Inadequate utility payment policies and procedures also resulted in inequitable treatment of tenants.

Recommendations: The Mayor should direct DHCD to: improve policies, procedures, and practices for setting rents and utility allowances of public housing and urban renewal tenants; regularly monitor the rent-setting and utility allowance process; and improve documentation of rent actions, particularly under the urban renewal program, to insure control over the rent-setting process. He should also implement specific recommendations for public housing, urban renewal, and utilities.

The District stated that it has improved policies, procedures and practices for setting rents and utility allowances and has tied this process to HUD regulations. The District's action in response to our recommendation for top management to regularly monitor the rent-setting and utility allowance process was not adequate. The District said its revised system was self-monitoring. We believe, however, that there is no assurance that program requirements will be followed and that changes in regulations will be promptly and appropriately implemented. Additionally, many of the corrections cited have not been implemented and it is essential that top management have a system to monitor the timely implementation and propriety of corrections.

The District did not adopt our recommendation to charge tenants a penalty for each month required rent change reports are late or when inadequate information is knowingly reported. The only penalty for late reporting is

charging rent which should have accrued in any event. Accordingly, we believe the District should establish a penalty for late or inaccurate reporting, as recommended.

The District said steps were taken to improve documentation of rent actions; however, it did not comment on the lack of documentation to show how rents were determined. Rent files did not contain documentation to justify or support all rent adjustments. DHCD should maintain documentation showing exactly how it arrived at the rents charged tenants to ensure that they are proper. (GGD-78-50, 5-17-78)

Appropriations

District of Columbia

Appropriations Committee Issues

Additional revenues and reduced Federal subsidies could be realized if the District properly established rents and utility allowances for public housing and urban renewal properties.

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

The District of Columbia Needs a Program To Identify Vacant Houses and Get Them Back on the Market

Budget Function: Community and Regional Development: Community Development (451).

Legislative Authority: District of Columbia Self Government and Governmental Reorganization Act: (87 Stat. 774; P.L. 93-198). D.C. Revenue Act of 1975 (P.L. 93-407); D.C. Code 5-622.

Vacant houses represent a serious problem in the midst of a housing shortage in the District of Columbia. Although the District has been talking about vacant housing for a long time, it has done little to return such housing to the real estate market. The principal reasons are that the District had neither: complete and accurate data on the number, location, and physical condition of vacant houses; a system to develop such information; nor a specific program to return such vacant houses to use.

Findings/Conclusions: A program to deal with vacant housing in the District must establish a vacant house inventory system to ascertain, on a continuing basis, the number, location, and condition of such housing. The Department of Environmental Services (DES) can identify vacant houses through its water meter records and meter reading staff. There is no limit on how long a house can remain vacant and off the market, and the District can take no action against the owner of a vacant house as long as the owner pays property taxes and complies with housing ordinances. Returning vacant houses to use is a complex and difficult problem to resolve. The District is pursuing several approaches, including providing lists of vacant housing to prospective buyers, using Community Development Block Grant funds to rehabilitate vacant houses, and selling tax delinquent property to encourage home ownership.

Recommendations: The District should develop a specific program to identify and return vacant housing to use. This program should include: initiating procedures to identify vacant housing as part of the DES's proposed meter

reading and billing system, providing updated lists of locations and owners of vacant houses to prospective buyers, contacting vacant houses' owners to find out their plans for the housing, increasing the use of grant funds to rehabilitate vacant housing whenever possible, and completing and implementing tax delinquent property program regulations.

The District agreed to use DES's meter reading and billing system to identify vacant houses, provide updated listings of vacant houses to prospective buyers, contact owners of vacant residential properties and provide rehabilitation assistance, and use Community Development Block Grant funds to rehabilitate vacant houses. Additionally, the District has drafted regulations for the disposition of tax delinquent properties acquired by the City; the City Council has two bills under consideration concerning the rehabilitation of vacant houses and returning them to the market; and the City Council has taken action to facilitate acquiring, rehabilitating, and reselling or renting vacant housing. (GGD-78-35, 2-22-78)

Appropriations

District of Columbia Appropriations

Appropriations Committee Issues

The District's Federally subsidized programs designed to increase the housing stock could be supplemented if the city takes positive action to return vacant houses to use.

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF HUMAN RESOURCES

Ineffective Management of Welfare Cases Costing Millions

Budget Function: Income Security: Public Assistance and Other In-come Supplements (604).

Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act. (P.L. 93-198).

A limited review was conducted of the Department of Human Resources' (DHR) procedures for handling certain cases on the welfare rolls where information indicated that the recipients were either ineligible or their public assistance payments were incorrect.

Findings/Conclusions: The Department could have prevented significant unnecessary expenditures by acting more effectively on the knowledge that over a third of the welfare recipients were being paid erroneous amounts. The DHR has been slow in adjusting or terminating payments when it became aware of errors, resulting in further unnecessary expenditures. Erroneous payments were made to 38 percent of those tested in a quality control program. From October 1970 through December 1971, 7.4 percent of the cases reviewed revealed willful misrepresentation. The percentage of willful misrepresentation cases almost doubled (to 13.5 percent) in 1975. Overpayments on willful misrepresentation cases totaled about \$8.7 million in 1975. Some cases took up to 9 months to resolve after DHR became aware of erroneous payments.

Recommendations: The Department should develop and report information such as causes, to assist in evaluating and changing procedures for verifying information at the time recipients apply for welfare; insure that the status of error cases be reported monthly to Department management; and insure that analysis of Quality Group findings are made to determine whether widespread errors are occurring in the welfare caseload.

In June 1977, the Mayor advised the City Council and the Congress that DHR was developing and reporting information on errors and their causes and was working with HEW in developing new methods to reduce errors and discover client misstatement of facts during the initial eligibility and continuing recertification processes. The Mayor indicated also that DHR has established procedures which will provide that the status of identified errors will be reviewed and reported monthly. However, the Mayor stated that DHR could not act to investigate a sufficient number of cases without additional personnel and requested 180 positions for fiscal year 1978 to be used for the recertification of public assistance recipients. In June 1978, Congress approved the 180 positions.

The Mayor said that DHR, working with GAO, has developed a method which will enable DHR to identify those cases which were most likely to be in error. This method will have a significant impact on reducing the number of cases in error and the amount of erroneous payments. (GGD-76-109, 12-28-76)

Appropriations

District of Columbia Government—General Operating Expenses, Human Resources

Appropriations Committee Issues

DHR must continue its efforts to identify and correct problems causing erroneous welfare payments.

DISTRICT OF COLUMBIA GOVERNMENT

DEPARTMENT OF HUMAN RESOURCES

Study of Programs for Health Services in Outpatient Health Centers in the District of Columbia

Budget Function: Health: Health Care Services (551)

Legislative Authority: District of Columbia Self-Government and Governmental Reorganization of 1973 (P.L. 93-198) (84 Stat. 774). Title XIX, Social Security Act, as amended (42 U.S.C. 1396). Public Health Services Act, as amended (42 U.S.C. 246(d)(e)). Title V, Social Security Act, as amended (42 U.S.C. 701). Economic Opportunity Act of 1964, as amended (42 U.S.C. 2809).

The District Government, through its Department of Human Resources (DHR), and three private nonprofit organizations provide health care in 21 outpatient health centers. Funds for the operation of these health centers are provided by the District and by the Federal Government. The delivery systems for providing health services in the outpatient health center under these programs were uncoordinated.

Findings/Conclusions: Existing programs (seven Federal and one District) for providing basic health services to eligible persons in outpatient health centers in the District of Columbia were uncoordinated and no one organization had authority over all centers. The individual agency and program approach resulted in (1) an imbalance in the location of outpatient health centers, with the capability in some areas to provide more health care than residents were actively seeking and a lack of sufficient capability in other areas, (2) comprehensive health services not being provided in many centers, (3) outpatient health services being underused in certain centers, and (4) centers following varying practices for maintaining and retaining patients' medical records. Also Federal grants which are designated for a specific purpose may lessen opportunities for localities to develop an effective comprehensive action plan for delivering outpatient health services.

Recommendations: The District of Columbia Government should prepare a comprehensive action plan for delivering outpatient health services and seek authority from the Federal agencies to carry out the plan effectively.

The Mayor of the District of Columbia agreed with GAO's recommendation and stated that his Department of Human Resources would appoint a task force to prepare the recommended action plan. Such a task force was established. In August 1976, the Department contracted with a consulting firm to prepare a comprehensive health plan for both outpatient and inpatient care needs. The task force's report, submitted to the Director of the Department of Human Resources in June 1976 was to be used by the consulting firm as input for the outpatient care portion of the comprehensive plan. After a draft of the consulting firm report was reviewed in late February or early March 1977, the Department decided to drop plans for developing a comprehensive health plan in favor of developing a process to review projects, grants, and certificates of need. No firm date has been set as to when a comprehensive health plan will be developed. (B-118638, 7-31-73)

Appropriations

District of Columbia Government—general operation expenses, human resources.

Appropriations Committee Issues

To effectively provide for an outpatient health care delivery system the District of Columbia Government should seek authority from the Federal agencies to carry out a comprehensive action plan effectively.

DISTRICT OF COLUMBIA GOVERNMENT

DISTRICT OF COLUMBIA PUBLIC SCHOOLS

Excess Classroom Space—A Case for Better Planning

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).

Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L. 93-198).

Through better planning, the District of Columbia's Board of Education could improve the administration of its capital improvement program to more effectively evaluate when, where, and how many schools are needed in the District's public school system.

Findings/Conclusions: Declining enrollments and added classrooms will create over 28,000 excess seats by school year 1980-81. Many of the schools which currently have excess capacity are within blocks of each other. Until a facilities planning system is implemented to help the Board decide the proper course of action, the Board cannot effectively plan and monitor the projected building modernization and renovation program.

Recommendations: To obtain better planning, the Board of Education should: implement a facilities planning system that provides for the accumulation and reporting of essential data to assist in evaluating its school building needs; revise its planning policy to consider the schools' available pupil capacity in adjacent planning areas rather than only that of a specified area in determining its space needs; codify its policy statements in capital improvements and formally submit them to the Superintendent of Schools; develop and adopt a plan and timetable for implementing the planning system; and cancel its plans to build the Perry-Simmons replacement school.

In August 1978, the President, Board of Edu-

cation, reported that the seven positions requested in the fiscal year 1979 budget for the Facilities Planning Division would enhance the ability of the school system to further develop and implement a facilities planning system. However, these positions were not approved by the Congress. In June 1977, the Board adopted rules which establish criteria for evaluation of space needs, usage, and availability of alternatives. A March 1978 report was prepared by the Superintendent which included recommendations for the phasing out or closing of school buildings based on the Board-approved criteria. The Board also adopted new rules in December 1977, which provide for more efficient and organized use of school buildings and grounds. The Congress Deleted the Board's 1978 request for funding to build the Perry-Simmons replacement school. (GGD-76-73, 9-30-77)

Appropriations

District of Columbia Government—General Operating Expenses, Education

Appropriations Committee Issues

The Board of Education should continue its efforts to implement a facilities planning system and a timetable for its implementation should be developed and updated. If additional resources are needed the Board should include these needs in its budget request.

DISTRICT OF COLUMBIA GOVERNMENT

DISTRICT OF COLUMBIA PUBLIC SCHOOLS

What Can Be Done to Improve the Management of Money and Staff?

Budget Function: Revenue Sharing and General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852)

Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act of 1973 (P.L. 93-198). Act of June 20, 1906 (34 Stat. 316)

The District of Columbia Board of Education did not have a system to accumulate and relate costs of education to student achievement. Therefore, management could not identify a cause-effect relationship between costs and achievement and determine if it was getting the most benefit for each dollar spent.

Findings/Conclusions: Improvements in the present resource management system could add new dimensions to management of resources by school officials. An improved resource management system would enable school management to use analytical techniques to evaluate the efficiency and effectiveness of resource allocation and use throughout the school system.

Recommendations: The Board of Education should develop and formally adopt a plan and timetable for designing, installing, and operating a comprehensive resource management system that will provide for accumulating and reporting cost and other information on education. The Superintendent of Schools and the Board of Education agreed with GAO's recommendation. In December 1976, the Board formally adopted a set of guidelines and criteria for improving resource management. Work is in process to improve existing cost data bases and define management needs. However, lack

of sufficient funding and manpower are cited as reasons for not fully developing or implementing a comprehensive resource management system. The Board is currently awaiting approval of a Federal grant to develop a comprehensive resource management system. (GGD-75-35, 6-16-76)

Appropriations

District of Columbia Government—General Operating Expenses, Education

Appropriations Committee Issues

To effectively carry out the recommendations, the District of Columbia Public Schools must

- (1) finish determining the needs and requirements for a comprehensive resource management system that will satisfy applicable laws and regulations and provide the Board of Education and the Superintendent of Schools with information required for policy formulation and good school management, and
- (2) set up and approve a timetable for completing and implementing a comprehensive resource management system.

DISTRICT OF COLUMBIA GOVERNMENT

OFFICE OF BUDGET AND MANAGEMENT SYSTEMS

D.C. Government Needs To Improve Controls over Receipt of Federal Grant Funds

Budget Function: Revenue sharing and general purpose fiscal assistance: other general purpose fiscal assistance (852).

Although the District of Columbia made a commitment to Congress in 1972 to create a system to strengthen review and control of Federal grant funds received by the city, the city still does not effectively control the receipt of grant funds. The Mayor, in 1972, designated the Office of Budget and Management Systems (OBMS) as the focal point for grant activities and established some requirements intended to improve control over grants.

Findings/Conclusions: OBMS in turn established additional requirements designed to improve control over grants, but some city agencies did not follow the requirements, and there were no procedures in effect to monitor whether the requirements were being followed. Some grant receipts were incorrectly recorded in the city's official financial records; other non-grant receipts were recorded as grant receipts. Some grant receipts were deposited long after they were received by the city and were not recorded in central accounting records until after they were deposited. There has been no assurance that all grants funds are deposited with the D.C. Treasurer or that the District's official accounting records and those of the grantee agencies are accurate and in agreement.

Recommendations: OBMS should establish a monitoring system which will allow it to evaluate the extent of grantee-agency compliance with OBMS requirements and which will highlight the specific instances of agency non-compliance with the OBMS-grant requirements. City officials advised that new procedures will

be developed to improve monitoring of grantee-agency compliance with requirements established to control receipt of grant funds. A team of operating personnel and system accountants has been created for the development and implementation of specific procedures to centrally monitor the financial activities of Federal grant programs, including grant receipts.

The Temporary Commission of Financial Oversight of the District of Columbia, created by Public Law 94-399, was established to improve the District government's financial management systems and audit its financial statements for fiscal years 1980-82. The Commission, through the use of contractors, is expected to develop a grants management system as part of its efforts to improve the District's financial management systems. (GGD, 4-3-78)

Appropriations

District of Columbia Appropriations.

Appropriations Committee Issues

The Congress has for several years expressed concern about the quality of the District's accounting systems and control of Federal grants. The District must monitor compliance with its requirements designed to strengthen control over receipt of Federal grant funds if it is to gain effective control of such funds.

DISTRICT OF COLUMBIA GOVERNMENT

SUPPLY SYSTEM

What Needs to Be Done to Improve the Supply System of the District of Columbia

Budget Function: Revenue Sharing and General Purpose Fiscal Assistance: Other General Purpose Fiscal Assistance (852).

Legislative Authority: District of Columbia Self-Government and Governmental Reorganization Act (P.L.93-198).

Because the District of Columbia does not have an economical and effective supply system, vital city services such as health care and education sometimes were hindered. Simultaneously, the departments accumulated much unneeded stock. A central management group is needed to establish and direct a citywide supply management program if the District is to improve its supply system.

Findings/Conclusions: Although the District has been told several times over the years to establish central management and controls over its supply activities, little or no progress has been made. Unneeded or overstocked items, valued at \$6.9 million in current inventories, could be sold, returned, or used to reduce the inventory to the necessary minimum level. City services should not be disrupted due to this reduction, and the city could possibly save \$7.1 million each year.

Recommendations: The Mayor should implement the City Council's resolution concerning the establishment of an effective supply system. In establishing such a system, the Mayor should give authority and responsibility for formulating and implementing the system to a central management group; include in the design for the city's new financial management system financial and other information needed to manage the system; and justify fully to the Congress the positions and operating funds used to implement the system.

A staff was established to develop uniform systems and procedures and a uniform automated supply management information system. The staff is working with other D.C. agencies to assist them in improving supply operations. As of July 1978, new supply and procurement procedures have been prepared for the Department of Environmental Services. It will serve as a uniform procedure which can be adopted by other District agencies. The District also reported that a feasibility study is being conducted of the computerized supply management systems of five federal agencies for possible District adoption. This effort has been closely coordinated with the Commission on Financial Oversight of the District of Columbia. (GGD-77-32, 9-29-77)

Appropriations

District of Columbia Government—General Operating Expenses, Public Schools, Environmental Services, Human Resources and Transportation.

Appropriations Committee Issues

The District must proceed expeditiously to improve and strengthen the supply and procurement operations.

ENVIRONMENTAL PROTECTION AGENCY

National Water Quality Goals Cannot Be Attained without More Attention to Pollution from Diffused or 'Nonpoint' Sources

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).

Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500; 33 U.S.C. 1251 et seq. (Supp. V)).

Nonpoint sources of pollution involve pollutants such as sediment, acid mine drainage, and pesticides carried into streams by storm runoff. Discharges of nonpoint pollution can occur anywhere along a water body in contrast to sources where the point of discharge is from a conduit; as a result, nonpoint sources are more difficult to control.

Findings/Conclusions: The best way to control nonpoint pollution is to prevent as much of it as possible from reaching the water through proper management of the land. More attention is needed to control this type of pollution because it can render streams unfit for fishing and swimming according to goals set for 1983. State and local agencies are not using adequate data for planning solutions to this problem. Since total funds for water pollution control are limited, better data are needed to set priorities and evaluate alternatives. The lack of data available on nonpoint sources of pollution is attributable to past and current emphasis on controlling point sources of pollution.

Recommendations: The Administrator of EPA should: initiate a program to provide for the collection of adequate data on relationships among sources of water pollution and expected impacts of control techniques; assess the resources EPA and State and local planning agencies need to collect adequate data; develop legislative proposals to provide planning agencies adequate time and funds to conduct proper planning; promote interest and involvement in nonpoint planning and control at high levels within other Federal agencies;

develop procedures to identify budgeted and actual expenditures related to nonpoint planning and control; and place responsibility for administering the program at a higher level within EPA. Congress should address itself to questions concerning the adequacy of Federal funds for nonpoint source pollution control and, if funds are to be provided, determine what criteria should be used to determine eligibility.

The Agency in its letter to the House and Senate Committees on Government Operations generally agreed with our recommendation and said corrective actions were being taken. Such actions include (1) funding comprehensive data collection and analyzes projects, (2) developing interagency agreements to facilitate communication and cooperation, (3) developing a strategy document to identify budgeted and actual expenditure related to nonpoint planning and control, and (4) developing better estimates of resources required to collect and analyze nonpoint source data. These actions had not been completed as of October 12, 1978. (CED-78-6, 12-20-77)

Appropriations

Environmental Protection Agency—abatement and control

Appropriations Committee Issues

Its doubtful whether program objectives can be achieved within projected funding levels.

ENVIRONMENTAL PROTECTION AGENCY

Questions Continue as to Prices in Contracting for Architectural-Engineering Services under the Environmental Protection Agency Construction Grants Program

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304)

Legislative Authority: Federal Management Circular 74-7. OMB Circular A-102.—40 C.F.R. 35.

Payments to consulting engineers under Environmental Protection Agency (EPA) grants for municipal waste treatment plant construction may comprise about 10% of total program costs. In 1975, EPA issued regulations for procurement of architect-engineering (A/E) services which prohibited awards of contracts in which profits are based on construction costs, allow fixed-price contracts only when work can be clearly defined, say all contracts may be negotiated, but cost reimbursement contracts must include a cost ceiling which cannot be exceeded without formally amending the contract, and fixed price contract prices cannot be increased without changing the scope of work.

Findings/Conclusions: In spite of these regulations, contracting problems have continued. EPA does not have the authority to require renegotiation of many contracts which contain methods which are now prohibited. EPA and grantees rely mostly on cost data submitted by A/E firms, there is little control over projects by grantees, and the grantees do not have sufficient knowledge to assess costs charged by firms. Review by EPA regional offices is limited and inconsistent; they generally review only contracts of over \$100,000, and grantees were not given guidance for reviewing contracts of \$100,000 or less.

Recommendations: The EPA Administrator should: develop guidelines for grantees to use in reviewing A/E contract proposals of \$100,000 or less; emphasize to grantees that hiring of personnel to perform cost reviews is permitted under the regulations; revise EPA's regulations to clearly define the procedures for reviewing A/E contracts over \$100,000; develop and issue guidance on fair and reasonable profits to be allowed in the contracts; and develop a program to review contracts under \$100,000 on a selected basis to determine the adequacy of grantee reviews of proposals.

The agency generally agreed with our findings, conclusions, and recommendations, however corrective action has not been taken. (CED-78-94, 6-6-78)

Appropriations

Environmental Protection Agency—construction grants.

Appropriations Committee Issues

Opportunities exist for reducing the costs of conducting programs and activities.

ENVIRONMENTAL PROTECTION AGENCY

Secondary Treatment of Municipal Wastewater in the St. Louis Area: Minimal Impact Expected

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).

Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500; 33 U.S.C. 1251). Clean Water Act of 1977.

The objective of the Federal Water Pollution Control Act Amendments of 1972 was to restore and maintain the chemical, physical, and biological integrity of the Nation's waters. Publicly owned treatment works were required to provide secondary treatment by July 1, 1977, and to use the best practicable technology by 1983. To assist publicly owned treatment works in providing secondary treatment, the act authorized the Environmental Protection Agency (EPA) to make grants of up to 75% of the eligible costs. Federal funds approximating \$163 million are planned to be spent for construction of two municipal secondary treatment facilities in the St. Louis, Missouri, area.

Findings/Conclusions: No significant change in Mississippi River water quality is expected to result from the planned investment of about \$216 million (including \$163 million in Federal funds) in secondary treatment facilities in St. Louis. Although EPA and other officials have mentioned possible long-range reductions in potentially cancer-causing materials, these benefits have not been validated or quantified. Large increases in energy use and large accumulations of sludge from secondary treatment operations are expected. These considerations will have an impact not only on energy and environmental issues but also on the St. Louis area residents who will have to bear increased operation and maintenance costs. According to St. Louis Sewer District officials, these costs will more than double. Sewer District officials felt that little benefit would result from upgrading two treatment plants from primary to secondary status. However, both Missouri and Illinois officials believed that more benefits would

result if Federal funds were used for other projects in their States.

Recommendations: The Congress should amend the law to eliminate the mandatory requirement for secondary treatment of discharges and to permit the Administrator of EPA to grant waivers, deferrals, or modifications on a case-by-case basis to this requirement. The Administrator of EPA should reevaluate its policy of subordinating combined sewer overflow and collector sewer projects to municipal plant projects in view of the Clean Water Act of 1977 which allows States more flexibility in determining construction grant priorities.

EPA disagreed that secondary treatment should be waived in some instances where water quality improvements are marginal. According to EPA secondary treatment should be a base level because it is a necessary, reasonable and appropriate standard for all municipal wastewater discharges to freshwater as well as most discharges to marine waters. EPA believes its water quality strategy and regulations already provide the States sufficient flexibility for setting construction priorities. EPA will, however, consider requests for deviation where it can be demonstrated that a combined sewer overflow project will result in water quality improvements greater than that which could be attained by providing secondary treatment for dry weather flows. (CED-78-76, 5-12-78)

Appropriations

Environmental Protection Agency—abatement and control

Appropriations Committee Issues

Unless the law is changed, some secondary treatment plants will still have to be construct-

ed even though the plants may only marginally improve water quality.

ENVIRONMENTAL PROTECTION AGENCY

Special Pesticide Registration by the Environmental Protection Agency Should Be Improved

Budget Function: Natural Resources, Environment, and Energy: Other Natural Resources (306).
Legislative Authority: Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 135 et seq. (Supp. V)). Federal Environmental Pesticide Control Act of 1972 (7 U.S.C. 136 et seq. (Supp. V)). Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301 et seq. (Supp. V)). Reorganization Plan No. 3 of 1970.

The Environmental Protection Agency (EPA) regulates pesticides to insure that quality products are available to the public and that, when properly used, these products provide effective pest control without unreasonable adverse effects on man and the environment. EPA registers a pesticide when it determines that a pesticide meets its proposed claims, complies with labeling and other requirements, and performs its function without unreasonable adverse effects. Regulations allow certain exceptions for using unregistered or previously cancelled or suspended pesticides to control pest infestations that present health or economic emergencies, gather experimental data to register the pesticide, and meet a States's special local needs.

Findings/Conclusions: The EPA has not always been effective in administering special registration activities because: requests for emergency and experimental pesticide uses take too long to process; program requirements are not always met by Federal and State agencies; States are permitted to register pesticides that EPA would not register; and some activities are not coordinated effectively with EPA regional offices or responsible State agencies, and many pesticide uses are not monitored adequately. The experimental use program has not been fully effective because guidelines have not been promulgated to implement general regulations concerning specific data which should be required as a basis for permit approvals and developed while the pesticide is being used experimentally. Because EPA has taken an average of 40 days to approve emergency uses, some requestors have used pesticides illegally to protect human

health or crops or to avoid losing a growing season.

Recommendations: The Administrator of EPA should: promulgate guidelines specifying data requirements necessary for permit approvals, require reviewers to act on properly prepared permits within a specified period, furnish prompt information on permit approvals to applicable regions, and take action to see that only specific exemptions are granted to authorized State and Federal agencies and that State and Federal agencies are prevented from taking illegal crisis exemptions. Priority should be given to insure that: timely review and action are taken on emergency requests, pesticides necessary to control continuing predictable pest outbreaks are registered, and communications between headquarters and regions on exemption requests are improved.

EPA disagreed with some of GAO's recommendations. However, EPA agreed to (1) promulgate general data requirements for permit approvals as part of its general registration guidelines, (2) promptly furnish applicable regional offices information on permit approvals, (3) give increased emphasis on monitoring of use of experimental pesticides, (4) not limit experimental use permits to one year duration, and (5) change its procedures to assure that only authorized agencies are granted permits. Because of proposed amendments to the pesticide law EPA stated it was not appropriate at this time for EPA to implement GAO recommendations dealing with time periods for permit approval, issuing of final regulations on State registration of pesticides for local needs; and

forbidding states to register pesticides that EPA will not register. (CED-78-9, 1-9-78)

Appropriations

Environmental Protection Agency—abatement and control and enforcement.

Appropriations Committee Issues

The suggestions made by GAO for an effective special pesticide program to adequately protect the public will require the expenditure of additional funds.

ENVIRONMENTAL PROTECTION AGENCY

Waste Disposal Practices: A Threat to Health and the Nation's Water Supply

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).

Legislative Authority: Resource Conservation and Recovery Act of 1976 (P.L. 94-580). Safe Drinking Water Act (42 U.S.C. 300(f)). Clean Water Act of 1977 (P.L. 95-217).

Millions of tons of waste are generated annually and disposed of on land because this is usually the cheapest method of waste disposal. Land disposal sites are often located in areas considered to have little value for other uses.

Findings/Conclusions: There has not been enough concern for soil or proximity to water resources in selecting land disposal sites. Leachate, a polluted liquid resulting when water comes in contact with waste, contaminates groundwater and creates a potential public health threat. Federal and State agencies have not assessed the extent of damage to groundwater supplies or determined the number of sites which may be leaching. Generally studies have been made only after wells have been contaminated. The Environmental Protection Agency (EPA) estimated that about 14,000 of the nearly 20,000 municipal waste land disposal sites do not comply with State standards, and almost nothing is known of the over 100,000 industrial sites. State programs have been ineffective because they lack the staff and funds to adequately manage and because alternative sites are not available in compliance with legislative requirements. Federal legislation has not been effective enough because time frames for improvements have not been met, problems of existing groundwater contamination have not been addressed, and monitoring of drinking water systems does not include all contaminants.

Recommendations: The Administrator, EPA, should: determine when the legislative mandate for completing the open dump inventory can reasonably be achieved and present this information and estimates of needed Federal

funding to congressional committees, include in criteria for sanitary landfills monitoring at sites located in areas where conditions enable the development of leachate contamination unless States specify that groundwater will not be used as a drinking water supply, and amend implementing regulations to the Safe Drinking Water Act applicable to State programs to include minimum standards for performing the sanitary survey of public water systems. These standards should include an analysis of all sources of pollution and their effects on water quality and provide for public notification of the survey results.

In commenting on the report, the EPA generally agreed with the recommendations but questioned the need to include the minimum standards for performing sanitary surveys in the regulations rather than a separate guidance document. (CED-78-120, 6-16-78)

Appropriations

Environmental Protection Agency—abatement and control

Appropriations Committee Issues

Under the Resource Conservation and Recovery Act of 1969, the Environmental Protection Agency was to perform an inventory of all open dumps and publish a list by October 21, 1978. The agency had not met this deadline. GAO recommended that EPA determine the total funds and time that will be required to complete the inventory.

FEDERAL COMMUNICATIONS COMMISSION

FIELD OPERATIONS BUREAU

The Role of Field Operations in the Federal Communications Commission's Regulatory Structure

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Communications Act of 1934, title III, as amended (47 U.S.C. 151). Vessel Bridge-to-Bridge Radiotelephone Act of 1971.

Growth and change have occurred in telecommunications in recent years. New services have developed; the number of Federal Communications Commission's (FCC's) licensees has dramatically increased; and a greater public use and awareness of the radio spectrum have occurred. This has placed demands on the FCC to develop effective means for enforcing its regulations and responding to public inquiries. The FCC's Field Operations Bureau has the responsibility of enforcing the provisions of the Communications Act of 1934 and the Commission's rules and regulations and of serving as a liaison between the FCC and the public.

Findings/Conclusions: Greater integration of the activities of the Field Operations Bureau into the FCC's regulatory structure can be achieved by: improving the coordination between the Field Operations Bureau and the Commission's other bureaus; developing improved methods for assessing the effectiveness of the Field Operations Bureau's enforcement functions; reevaluating the monitoring goals established by the FCC in 1973; establishing a system of internal control to ensure that equipment obtained for field use is effectively util-

ized and that resources exist to place it in service; and strengthening the Field Operations Bureau's role in obtaining, analyzing, and reporting information available to it from complaints and inquiries received and enforcement actions taken. In addition, the FCC may want to consider obtaining additional congressional guidance concerning the FCC's enforcement actions against ships under title III of the Communications Act of 1934 and clarifying the responsibilities of regional directors, field supervisors, and headquarters personnel under the FCC's program for regionalized field activities. (CED-78-151, 8-18-78)

Appropriations

Federal Communications Commission—field operations.

Appropriations Committee Issues

The Committee should ensure that equipment to be used for field operations by the Commission is effectively utilized and that resources exist to place it in service before requests are made for additional appropriations.

GENERAL SERVICES ADMINISTRATION

FEDERAL PREPAREDNESS AGENCY

Continuity of the Federal Government in a Critical National Emergency, a Neglected Necessity

Budget Function: National Defense: Defense-related Activities (054).

Legislative Authority: Federal Civil Defense Act of 1950 (P.L. 81-920). Executive Order 10952. Executive Order 11490.

The Federal Preparedness Agency (FPA) is responsible for setting policies for planning the continuity of government in a national emergency and for coordinating plans among 30 Federal agencies.

Findings/Conclusions: FPA does not have the necessary resources or organizational structure to adequately fulfill its responsibilities. Efforts at coordination have been ineffective because groups established for this purpose have met infrequently. Planning assumptions and other guidance provided by FPA were outdated. Deficiencies in preparedness plans were not adequately identified in reports submitted by agencies or in FPA reviews. Participation in the National Defense Executive Reserve established to strengthen preparedness has declined. Because of FPA's lack of enforcement capability, the agencies have developed different approaches in developing plans. Some agencies have not identified their essential emergency functions, and guidance in this area has not been adequate. Agencies are required to set up teams of key personnel to carry out essential functions at emergency facilities, but assignment of personnel to teams was incomplete, training was often inadequate, and arrangement for activation of teams was incomplete. Facilities for relocation of teams lack certain basic requirements, and agencies have not made detailed plans for problems that would be encountered in emergencies. FPA's ability to assess damage could be limited because of problems in its resource data system.

Recommendations: The Director of FPA should: coordinate emergency planning more effectively by developing more indepth agency reviews, and by putting more emphasis on the National Defense Executive Reserve Program; develop more specific criteria for agencies' use in determining which functions would be essential in an emergency; direct agencies to develop specific plans to deal with the most severe problems in an emergency; encourage and assist agencies in the use of the resource data system; and, with other agency heads, develop guidance on training emergency team members, determine requirements and develop a system for reviewing the resource data system, and reevaluate the number of alternate headquarters facilities needed.

In commenting on GAO's report, the Administrator of GSA stated "We support the thrust of the GAO report and its recognition of this 'neglected necessity.' With your help and that of various agency heads, we will correct the deficiencies noted as quickly as possible." Under the President's Reorganization Plan #3, a single agency will be established for all emergency preparedness activities. (LCD-78-409, 4-27-78)

Appropriations

General Services Administration—operating expenses.

Appropriations Committee Issues

The Committees should monitor the action of the new agency in resolving the problems GAO identified.

GENERAL SERVICES ADMINISTRATION

FEDERAL SUPPLY SERVICE

GSA Can Improve Traffic Management Practices

Budget Function: General Government (800).

Legislative Authority: Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C.471). Interstate Commerce Act (49 U.S.C. 22).

The General Services Administration's (GSA's) transportation and traffic management responsibilities include prescribing policies and methods of procurement and supply of personal property and nonpersonal service, including transportation and traffic management; representing executive agencies in negotiations with carriers and other public utilities; and providing traffic management services to any Federal agency upon request.

Findings/Conclusions: Civil agencies generally do not come to GSA for assistance in traffic management matters even in situations where Federal regulations require them to do so. As a result, GSA often does not know how well agencies are performing or whether the lowest possible transportation costs are being obtained. A review of operations in four agencies indicated that the correction of deficiencies identified would save \$2.3 million annually in administrative and transportation costs. GSA has not been making the type of analyses needed to obtain the lowest transportation costs on procurement contracts. GSA now uses Free on Board (FOB) destination delivery terms almost exclusively, but millions of dollars could be saved if it were to consider FOB origin delivery terms and take advantage of special reduced transportation rates available to the Government. The use of FOB origin delivery terms would also eliminate transportation costs as a factor in bid offerings.

Recommendations: The Administrator of General Services should: increase GSA efforts to improve civil agency traffic management operations, seek ways to get civil agencies to come to GSA for assistance, and study organizational alternatives for furnishing this assistance and then provide the required resources. The Administrator should also require that bidders on procurement contracts submit bids on both FOB destination and FOB origin bases and make the cost analyses necessary to identify the lowest overall transportation costs.

Formal comments on the report have not been received. However, GSA have informally stated that they generally agree with the recommendations. (LCD-77-240, 7-28-78)

Appropriations

Federal Supply Service—operating expenses.

Appropriations Committee Issues

GSA needs to be more specific on its plans for making surveys and taking other actions to improve civil agency traffic management practices. GSA also needs to make the analyses required to obtain the lowest transportation costs on procurement contracts.

GENERAL SERVICES ADMINISTRATION

FEDERAL SUPPLY SERVICE

Opportunities to Reduce the Cost of Government Vehicle Operations

Budget Function: Agriculture (0350).

Legislative Authority: (40 U.S.C. 491; P.L. 83-766). Executive Order 10579.

P.L. 83-766 and Executive Order 10579, issued in 1954, authorized the Administrator of the General Services Administration (GSA) to consolidate, take over, acquire, or arrange for the operation by any executive agency of motor vehicles for the purpose of establishing, maintaining, and operating interagency motor vehicle pools or systems.

Findings/Conclusions: GSA has had some success in consolidating agency vehicle fleets into 100 interagency motor pools, but additional consolidation could save more money. From a review of eight motor pool operations, it was estimated that \$743,000 could be saved annually if these operations were included in the interagency system. GSA maintains that it did not absorb the motor pools because of funding limitations which prevent feasibility studies. Other deficiencies noted were: GSA has not restudied exemptions and deferrals granted as long as 15 years ago to agencies, allowing them to operate separate motor pools; it is not providing enough vehicles to meet agency requirements, resulting in agency use of commercial leasing or purchase of vehicles; and GSA has leased rather than purchased vehicles when purchase could have saved \$5.5 million.

Recommendations: The Administrator of GSA should: inform the Congress and the Office of Management and Budget (OMB) whenever funding limitations impede efforts to make feasibility studies and establish motor pools; direct that previous conditional exemptions and deferrals granted agencies be restudied; refuse to grant exemptions or deferrals, thereby requiring agencies opposing consolida-

tion to justify their positions to OMB; and establish a program to replace leased vehicles with Government-owned vehicles. If additional funds are needed to replace overage and leased vehicles, GSA should prepare a financial plan to support any request for additional appropriations.

The General Services Administration agreed with our recommendations and said it would take corrective action. GSA has proposed legislative changes that are being reviewed in the Congress which will permit them to recover the estimated replacement cost of motor vehicles. GSA feels that this legislation will help in alleviating their interagency motor pool system funding problem. General Services also said it intends to institute plans for a nationwide agency by-agency consolidation of administrative vehicles which will insure that enough personnel will be transferred to GSA and that consolidations will be phased in slowly enough so GSA can absorb the new workload. (LCD-77-215, 2-28-78)

Appropriations

Federal Supply Service—operating expenses

Appropriations Committee Issues

GSA proposed legislation to allow them to retain excess earning to be used for procuring vehicles.

INTERSTATE COMMERCE COMMISSION

Energy Conservation Competes with Regulatory Objectives for Truckers

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Energy Policy and Conservation Act (P.L. 94-163). Interstate Commerce Act, as amended (49 U.S.C. 1 et seq.).

Interstate Commerce Commission (ICC) measures to reduce energy use by trucks have been limited because the Commission is guided by its traditional regulatory objectives of protecting existing regulated truckers and making certain that service is adequate.

Findings/Conclusions: The ICC does not have enough information on energy conservation measures to use in its decisionmaking. Energy conservation programs for surface transportation will have only limited success until a national policy clearly establishes the relative priority of energy conservation and regulatory objectives.

Recommendations: Congress should enact legislation which shows whether energy conservation or traditional regulatory objectives are more important and allows the ICC to change its regulations to authorize intercorporate transportation if it does not otherwise conflict with the national priorities established. The ICC should develop enough information to determine how its energy-related decisions will affect competition and service. The Chairman of the Commission should determine the validity of the rule that truckers wanting to use a route that would reduce mileage by more than 20% must apply to the ICC and prove that competitors will not be affected; the continued need for any limitations on shipping truck trail-

ers on railcars; and the reasons for empty mileage and its effect on competition and service to the public.

The Commission agreed that its energy conservation actions had been tempered by its overriding concern that nothing be done to deprive the public of high-quality surface transportation service. The Commission said, in some instances, more fuel could be saved if its primary regulatory objectives were subordinated. Since we issued our report, ICC has complied with our recommendation to determine the validity of the 20 percent rule. It has not, however, decided whether to determine the reasons for empty mileage and the impact on competition and service to the public of possible solutions. (CED-77-79, 7-8-77)

Appropriations

Interstate Commerce Commission—salaries and expenses.

Appropriations Committee Issues

Congressional guidance is needed on the relative priority of energy conservation and traditional, sometimes competing, regulatory objectives.

INTERSTATE COMMERCE COMMISSION

ICC's Expansion of Unregulated Motor Carrier Commercial Zones Has Had Little or No Effect on Carriers and Shippers

Budget Function: Commerce and Transportation: Ground Transportation(404).

Legislative Authority: Motor Carrier Act of 1935 (49 U.S.C. 301).

Recognizing that changes have occurred in the location of business and industrial activity since the Interstate Commerce Commission (ICC) established commercial zones in the 1930's, the ICC expanded its commercial zones in 1975. The effect of the expanded commercial zones on motor carriers in terms of changes in tonnage, area served, rates, revenues, operations, and competition was examined through the use of questionnaires sent to carriers and shippers of 12 zones.

Findings/Conclusions: The expansion had little or no effect on most carriers' volume of shipments, rates, revenue, interlining, and certain aspects of operations. Some carriers experienced a change in the size of the area they served, rate competition, and service competition. The expansion also had a negligible effect on most shippers' rates and service. Officials of chambers of commerce, public utilities commissions, planning agencies, and carriers and shippers agreed that the expansion was generally adequate. The effect on most carriers and shippers may change at a future time because of a shift in economic conditions or because of industrial expansion; the commercial zone expansion needs to be continually monitored by the ICC.

Recommendations: The Chairman of the ICC should establish procedures to monitor the effect and the adequacy of the commercial zone expansion and make adjustments or modifications as warranted.

In August 1978 ICC said it agreed with our recommendation and plans to initiate a review of the effects of the commercial zone expansion in the spring of 1980. It added that it is currently beginning the planning phase for the review. (CED-78-124, 6-26-78)

Appropriations

Interstate Commerce Commission—salaries and expenses

Appropriations Committee Issues

Because the Commission needs to review the effects of the commercial zone expansion, the Committee should be sure that the Commission has sufficient resources to carry out its planning effort.

INTERSTATE COMMERCE COMMISSION

New Interstate Truckers Should Be Granted Temporary Operating Authority More Readily

Budget Function: Commerce and Transportation: Ground Transportation (0404).

Legislative Authority: Interstate Commerce Act (49 U.S.C. 1). 49 U.S.C. 310a.

The Interstate Commerce Commission (ICC) controls entry and service levels by granting operating authority only to truckers who show that their service is needed by shippers and by limiting the truckers' authority to carrying specific commodities in geographic areas. The objective is to assure a quality trucking system that meets the needs of the shipping public while protecting regulated truckers from excessive competition.

Findings/Conclusions: Because of the time and expense involved in an application for permanent authority, truckers often use the temporary authority procedure as a stepping stone to a permanent authority. The ICC's policies and procedures for deciding to grant or deny temporary authority applications may unduly favor authorized truckers by: providing them the right to handle all traffic, placing the burden of proof primarily on the applicant trucker and his supporting shippers, and providing inadequate guidelines to shippers supporting applications. Granting authority to new truckers, where authorized truckers would not be harmed, could be one means of providing better service to the shipping public and more entry for truckers. The current process for granting temporary operating authority does not always give shippers the service they want while it protects regulated truckers from competition.

Recommendations: Congress should amend the Interstate Commerce Act so that more temporary authority can be granted to new truckers. The ICC should require that protesters demonstrate how they are meeting or could meet the individual needs of shippers supporting their temporary authority applications; provide guidelines to applicant truckers and supporting shippers which specify the kinds of information the ICC needs; provide more detailed guidelines to its staff on criteria to apply

in determining what situations constitute "immediate and urgent need" and "reasonable" service by authorized truckers; and take actions needed to see that field staffers have sufficient time to fully evaluate applications, follow up on deficient applications and support statements, and prepare thorough reports which fully explain the bases for recommendations.

As a result of our recommendations, ICC has:

- proposed new rates which would alter the procedures for protesting motor carrier operating authority applications;
- issued a pamphlet which provides helpful pointers to applicant truckers and supporting shippers for filling in the necessary application details for temporary authority;
- initiated establishment of a formal training program to assure that its field staff personnel are well versed in the guidelines dealing with reviewing and evaluating applications and protests;
- established a Section of Performance which is in the process of establishing criteria for the quantitative assessment and/or reassignment of responsibilities for field personnel and
- developed field staff instructions that require that staff evaluations and recommendations involving temporary authority and emergency temporary authority applications be retained for two years. (CED-78-32, 2-24-78)

Appropriations

Interstate Commerce Commission—Salaries and expenses.

Appropriations Committee Issues

1. The Committee should determine whether the Commission's budget request will allow it to complete those actions initiated as a result of GAO's recommendations.
2. Congress should amend the Interstate Commerce Act so that more temporary authority can be granted to new truckers.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

The John F. Kennedy Center for the Performing Arts Is Financially Troubled

Budget Function: General Government (800).

Legislative Authority: John F. Kennedy Center Act, as amended (P.L. 94-119; 72 Stat. 1698).

The John F. Kennedy Center for the Performing Arts faces serious financial problems for which there are no simple solutions. It is heavily in debt to the Federal Government and others and probably cannot meet all of its obligations. Independent action by either the Secretary of the Treasury to collect the bond interest due or by the Secretary of the Interior to collect more of the building maintenance costs would affect the Center's ability to conduct its performing arts activities. Only the Congress can make both the value judgments and the tradeoffs required to resolve the situation.

Findings/Conclusions: The Kennedy Center has not made provisions to pay \$10.5 million in interest owed on bonds held by the U.S. Treasury; has not paid its full share of building maintenance costs; and has not been able to pay all of its operating expenses when due. The formula developed to allocate maintenance costs needs to be updated because of changes in the Center's operations. The present formula, developed before the Center opened, calls for the National Park Service to pay 76.2% of these costs for me-

morial functions and for the Center to pay 23.8% of the costs for performing functions. While changes have occurred in the operation of the Center since the development of the formula, no changes have been made in the cost-sharing formula, and the Center is not paying its full share of the maintenance cost. The Center does not believe that additional private contributions could be raised to pay its debt or that significant savings could be derived from more efficient operation. It believes that remedial legislation is needed to achieve an appropriate long-term settlement of its financial dilemma. (GGD-78-15, 12-20-77)

Appropriations

Department of the Interior, John F. Kennedy Center for the Performing Arts

Appropriations Committee Issues

Whether the Department of the Interior should continue to pay more than its fair share of building maintenance costs.

LEGAL SERVICES CORPORATION

Expanding Budget Requests for Civil Legal Needs of the Poor: Is More Control for Effective Services Required?

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Legal Services Corporation Act of 1974, as amended (P.L. 93-355).

The Legal Services Corporation (LSC) provides civil legal services to the economically disadvantaged. In order to do this, it finances over 300 legal service projects across the Nation staffed by over 3,700 attorneys who handle an estimated 1.2 million legal problems annually. The Corporation's budget has more than doubled since 1976 in an effort to expand service to cover previously unmet needs of the poor. The Corporation is also required to study the economy and effectiveness of alternative systems for delivering legal services to the poor.

Recommendations: The president of the Legal Services Corporation should work toward developing budgets and allocating resources to grantees on the basis of local costs and service experience, local needs and priorities, and availability of non-LSC resources; place top priority on developing a project information system and require all grantees to implement the system; ensure that grantees have established priorities for accepting clients; ensure that participants in the study of alternative service delivery approaches accurately submit required data as a condition for continued funding; use data submitted to develop information on the activities and results of the initial experiments for use of second series participants; and analyze and publish study results from current study participants before funding any new tests of alternative or supplemental delivery approaches.

The Corporation agreed with the recommendations and in the subsequent statements submitted to congressional committees it has indicated its plans to address the identified issues and has taken actions concerning the study of alternative service delivery approaches. (HRD-78-100, 4-26-78)

Appropriations

Public Law 95-222.

Appropriations Committee Issues

Comprehensive actions are still needed on the issues of allocating resources to grantees, developing a responsive project information system, and ensuring that grantees establish case and client priorities. The Corporation's budget requests and allocations of resources to grantees are based on outdated national studies and population data rather than on current local needs of the poor. The absence of timely and standardized information on project activities inhibits the Corporation's oversight and control over grantee operations and prevents development of budgets and allocation of funds on the basis of local grantee experience and needs. While the Corporation has proposed new regulations specifying the factors to be considered in the grantee priority setting process, the regulations and related review actions have not yet been fully implemented to ensure that projects develop and use priorities responsive to client needs.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

A Second Launch Site for the Shuttle? An Analysis of Needs for the Nation's Space Proposal

Budget Function: General Science, Space, and Technology: Manned Space Flight (253).

Legislative Authority: Space Act of 1958.

The National Aeronautics and Space Administration (NASA) is constructing space shuttle facilities at Kennedy Space Center (KSC), the primary launch, landing, and orbiter refurbishment site which is scheduled to become operational in mid-1980. A second site, Vandenberg Air Force Base (VAFB), will be funded by the Department of Defense (DOD) and is expected to become operational in June 1983 at a cost of about \$1 billion.

Findings/Conclusions: The need for new facilities at VAFB is questionable. Proposed facilities at VAFB have been justified primarily on the basis that northerly launches are not permissible from KSC due to the danger of flying over land. DOD officials contended that KSC shuttle launches would not have the capability to handle certain DOD payloads, and the Department of State has expressed a concern about the possibility of adverse Soviet reaction to northerly launches from KSC. These justifications seem to be unwarranted since: land overflight would not be a serious problem with the type of vehicle involved, and the critical phase of the launch would be over ocean: defense and civil missions projected for the 1980's are feasible from KSC: and the KSC delivery capability can be increased to meet future DOD requirements. Congressional inquiry may be needed to determine the seriousness of State's concern. NASA and DOD believe that five orbiters are needed with an investment cost per orbiter of about \$600 million to \$850 million. If an orbiter fleet of this magnitude were developed, funding might not be available for further scientific payloads. Three orbiters could accommodate a considerable increase in

space activity during the next decade and a fourth orbiter could provide for fleet attrition.

Recommendations: Unless there are compelling national security reasons, the Congress should not fund VAFB modifications to accommodate the shuttle. It should fund no more than the four orbiters now under development and production, and NASA's request for Orbiter 104 in the fiscal year 1979 budget should be denied.

The Congress did not accept our recommendations in acting on the Fiscal year 1979 NASA and DOD budgets. In September 1978, NASA officials informed the Congress that there was a need for additional funds for the shuttle program in fiscal year 1979 which might be met through supplemental appropriation requests, reprogramming from within the total NASA budget and reprogramming from shuttle production funding. The funding increases were caused by contract cost growth, and correction of technical difficulties. (PSAD-78-57, 8-4-78)

Appropriations

National Aeronautics and Space Administration—Research and Development, Construction of Facilities, Research and Program Management

Appropriations Committee Issues

When evaluating NASA budget requests, the committees should reconsider the possibility of halting funding of Orbiter 104.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Contractor Pension Plan Costs: More Control Could Save Department of Defense Millions.

Budget Function: National Defense: Department of Defense- Procurement & Contracts(058).

Legislative Authority: Employee Retirement Income Security Act of 1974. P.L. 91-379. Internal Revenue Code of 1954, as amended.

The Government incurred pension plan costs that were inequitable and too high because the Department of Defense permitted actuarial assumptions or unjustified changes in actuarial cost methods.

Findings/Conclusions: Government controls and surveillance over contractors' pension plan practices were not adequate considering the costs involved. Establishing effective controls and surveillance over these practices could save the Government millions of dollars. Department of Defense auditing and contracting activities also lacked personnel with actuarial skills to evaluate pension plan costs. Properly implementing the existing requirements of the Cost Accounting Standards Board and the proposed standard on pension plan costs should prevent the increased costs

Recommendations: The Secretary of Defense should have the Armed Services Procurement Regulation (ASPR) revised to require that pension plan costs charged to the Government (1) are equitably distributed between Government and commercial work when different actuarial cost methods are used, (2) reflect allocation of pension fund assets in proportion to contributions, and (3) are allocated by using assumptions based on division or cost center experience instead of companywide experience. The ASPR should also be revised to require that any changes in the policies and procedures affecting allocation of pension plan costs be completely disclosed.

The Department of Defense has promised some action to help prevent overpayments of

pension plan costs. However, we do not believe the action promised is enough. We recommended additional staffing with actuarial skills and more in-depth reviews of pension plan costs if other overpayments are to be detected and recovered. In a letter of August 2, 1977 to the Chairman, Senate Committee on Government Operations, Defense stated that, in its opinion, the problems stated in the report were unlikely to reoccur since development of the Employee Retirement Income Security Act (ERISA) of 1974 and Cost Accounting Standards 412 and 413 of the Cost Accounting Standard Board. Moreover, the Armed Services Procurement Regulation (now Defense Acquisition Regulation) is continually modified and incorporates these standards. We believe that the enactment of ERISA and the promulgation of Cost Accounting Standards dealing with contractor pension plan accounting practices will not prevent all the problems noted in the report. (PSAD-77-100, 5-19-77)

Appropriations

Procurement—Army, Navy, Air Force
Operations and maintenance—Army, Navy, Air Force

Appropriations Committee Issues

Some type of surveillance by Government representatives with specialized knowledge is needed to assure that the Government is not allocated excessive pension costs.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Extending the Government's Policy of Self-Insurance in Certain Instances Could Result in Great Savings

Budget Function: National Defense-Defense Related Activities (054)

GAO reported to the Congress that the Government could have saved \$27 million over the 5-year period ended June 30, 1973, by extending its policy of self-insurance to: (1) certain categories of inventories under negotiated fixed-price contracts and subcontracts thereunder, (2) all Government property in the hands of commercial shipyards under ship repair contracts, and (3) facilities leased to contractors and users. Accordingly, GAO recommended that the Department of Defense (DOD), National Aeronautics and Space Administration (NASA), and the Department of Energy (DOE) extend the self-insurance policy to these areas. GAO also recommended that DOD and DOE jointly study extending self-insurance to special nuclear material held by contractors under fixed-price contracts.

The Office of Management and Budget believes that our recommendations are feasible and is evaluating whether the level of savings would justify the costs involved. GAO believes extending the self-insurance policy would result in significant savings. DOD is awaiting DOE to initiate a study to determine the feasibility of self-insurance nuclear material held by contractors.

The Department of Defense has taken steps to clarify Defense Acquisition Regulations by eliminating the contractor's risk from the Government Property Clause. However, this extension of the policy of Government self-insurance applies only to facilities, special test equipment, and certain special tooling and does not apply to property to which the Government obtained title under the Progress Payment Clause, such as parts, materials, work-in-pro-

cess inventories, and technical data. The National Aeronautics and Space Administration has indicated it would not take any action independent of the Department of Defense.

The Department of Energy has taken the position that it would be unlikely that it would extend the self-insurance policy on an across-the-board, unqualified basis. (PSAD-75-105, 8-26-75)

Appropriations

Procurement (Army) (Navy) (Air Force)
(NASA) (DOE).

Appropriations Committee Issues

1. The Committee should pursue the reasons why the Government's policy of self insurance has not been extended to:
 - The categories of inventories under negotiated fixed-price contracts, when similar inventories under cost-type contracts are self-insured, and in some instances, located in the same production facility.
 - All Government property in the hands of commercial shipyards under ship repair contracts, when the Government self-insures (a) all losses or damages to its property in excess of \$300,000 and (b) all Government property under new ship construction contracts.
 - Facilities leased to contractors and users.
2. The Committee should inquire as to the status of studies aimed at determining the feasibility of self-insuring nuclear materials held by contractor's under fixed-price contracts.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

NASA Report May Overstate the Economic Benefits of Research and Development Spending

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251):

The National Aeronautics and Space Administration (NASA) contracted with Chase Econometrics Associates, Inc., to evaluate how research and development (R&D) spending affects the U.S. economy.

Findings/Conclusions: The Chase report "The Economic Impact of NASA R&D Spending" concluded that this spending produced many benefits between 1960 and 1974, although it did not try to evaluate how effectively NASA carried out its primary objectives, such as space exploration and satellite communication. Although the study is useful as exploratory research, other types of studies are necessary to provide a complete evaluation of NASA research and development. The most significant conclusion of the Chase study was that ". . . a \$1 billion sustained increase in NASA R&D spending will raise real GNP \$23 billion by 1984" Of this estimated increase, \$21 billion would result from improved technology and productivity and the rest would result from increased Government spending which would stimulate spending in different parts of the economy. The Chase study did not prove convincingly that the benefits of R&D spending are as large as stated.

Recommendations: The Administrator of NASA should insure that future evaluation studies look at specific innovations, their effect on specific industries, and the process by

which NASA expenditures for research and development improve productivity in the economy. Such studies would give the Congress a more accurate picture of what taxpayers are getting for their money. The Congress should subject technical studies submitted in support of agency budgets and as evidence for or against proposed legislation to independent examination and appraisal.

NASA did not take issue with the report's results or recommendations. Our suggestions for more highly disaggregated analyses have been adopted and studies are underway. (PAD-78-18, 10-18-77)

Appropriations

National Aeronautics and Space Administration—Research and Development.

Appropriations Committee Issues

Technical studies are frequently presented to Congress in support of agency budgets and as evidence for or against proposed legislation. When important questions are at stake, such studies should be subjected to independent examination and appraisal.

NUCLEAR REGULATORY COMMISSION

Allegations of Poor Construction Practices on the North Anna Nuclear Powerplants

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

In response to allegations of poor construction practices, the Nuclear Regulatory Commission investigated North Anna nuclear powerplants and inspection practices. GAO observed or monitored NRC activities throughout the investigation.

Findings/Conclusions: Inspectors found 32 instances of failure by the Virginia Electric and Power Company and its contractors to meet acceptable construction criteria or specifications, but concluded that they had no direct safety significance. The Commission fined the utility \$31,900, required corrective action, and required the utility to strengthen its management and quality assurance efforts. GAO found that inspectors were thorough but did not find justification for the conclusion that safety significance was lacking. GAO also questioned the NRC requirement for the utility to audit engineering judgments since vested interests are involved.

Recommendations: The NRC should: (1) expand investigations to include other North Anna units; (2) require that audits of engineering judgments be made by independent experts; and (3) issue regulations to protect individuals who notify NRC of problems from reprisals.

NRC took accelerated action to review in depth the construction problems at the North Anna Plants. However, NRC did not agree to do more independent analysis of licensee engineering judgments. NRC does not believe that it has the manpower necessary to perform these independent analyses and, thus, must rely on the licensee and its contractors for this purpose. Concerning the last recommendation, NRC currently is developing a regulation to protect construction workers at nuclear powerplants if those workers bring poor construction practices to the attention of NRC. (EMD-77-30, 6-2-77)

Appropriations

Nuclear Regulatory Commission—salaries and expenses.

Appropriations Committee Issues

The Appropriations Committees should be aware of the potential tradeoff in safety that exists with the present NRC inspection force and philosophy.

NUCLEAR REGULATORY COMMISSION

Before Licensing Floating Nuclear Powerplants, Many Answers Are Needed

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Atomic Energy Act. National Environmental Policy Act of 1974.—49 C.F.R. 170. —46 C.F.R. 146.

The predecessor to the Nuclear Regulatory Commission (NRC) received an application in 1973 to manufacture eight standardized floating nuclear powerplants near Jacksonville, Florida, and received a separate application in 1974 to station two of the eight plants off the New Jersey coast. Because the floating plants will be built at a location other than where they will be operated, the NRC has issued new regulations requiring a license for the manufacture of the plants. Approximately \$300 million has been spent by the applicants on activities related to the applications, and the first application is more than 3 years behind its original licensing schedule.

Findings/Conclusions: The NRC staff has made several management decisions that have complicated and contributed to the 3-year delay in its review of the application to manufacture floating nuclear powerplants. Factors inhibiting the licensing review process include: preparation of a generic environmental statement which adds little to the licensing process, NRC's failure to evaluate siting possibilities in a timely manner, and NRC's failure to evaluate a reactor core melt in a timely manner. The following questions concerning floating nuclear powerplants remain: Is more information needed on the risks of a core-melt accident? Will the site meet requirements for a floating nuclear plant? Does the weight of the plant represent a problem? Have methods been developed for handling and recovery of nuclear fuel and radioactive waste? Has a method been developed for decommissioning the floating plant? and will a floating plant minimize the environmental effect of powerplant operation?

Recommendations: Before concluding its review of the manufacturing license, the Chair-

man, NRC, should: establish an acceptable level of risk for core-melt accident on a floating nuclear plant, identify those changes which must be made to the design to achieve that level of risk, and require that weight parameters be developed for the safe operation of the powerplant. Before concluding its review of a license to operate the plants, the Chairman should: identify specific methods of handling the loading and offloading of radioactive material; require specific procedures for mitigating the consequences of a core-melt accident; require that a specific decommissioning plan be prepared for the floating plant and the breakwater, including a funding mechanism to assure that the facility owner pays the costs of decommissioning; and reanalyze the effect of the powerplant on tourism.

NRC said, in its judgment, the report does not present an accurate, complete, and current overview of the Commission's policies and reviews related to the licensing of floating nuclear powerplants. The report, in NRC's view, recommends that it take a number of actions that NRC has taken or is taking. (FMD-78-36, 9-13-78)

Appropriations

Nuclear Regulatory Commission—salaries and expenses.

Appropriations Committee Issues

NRC should not complete its licensing review of nuclear floating powerplants until a number of safety and environmental issues are resolved.

NUCLEAR REGULATORY COMMISSION

The Nuclear Regulatory Commission Needs to Aggressively Monitor and Independently Evaluate Nuclear Powerplant Construction

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Reorganization Act of 1974.

The Nuclear Regulatory Commission (NRC) has a program for inspecting the construction of nuclear powerplants and a related program for inspecting firms that supply safety-related components for the powerplants. The vendor inspection program was started in 1974 when the NRC determined that 63% of nuclear powerplant construction and operation problems were traceable to vendor errors and that utility companies were not properly inspecting the vendors.

Findings/Conclusions: NRC's bases for judging the quality of construction and its inspection practices need improvement. NRC's inspectors do little independent testing of construction work and rely heavily upon the utility company self-evaluation, spend little time observing ongoing construction work, and do not routinely communicate with people who do the construction work. Of 45 inspection report items reviewed, 31 were deficient either because of inadequate reporting, inadequate attention to details, acceptance of inadequate licensee action on deficient items, or inadequate investigation. Also, NRC did not require documentation for inspection reports. NRC is not making efficient use of its inspectors' time and talents. Too great a proportion of their time is spent on clerical duties, and their normal inspection work is disrupted by investigations of allegations of poor construction work. The vendor inspection program has had a positive effect on the safety of powerplants, but improvements are needed in inspectors' reporting practices, attention to details, documentation, and investigations.

Recommendations: NRC should: increase independent measurements and direct observations and construction work, initiate formal interviews with craftsmen at construction sites,

require licensees to train construction craftsmen in the principles of quality assurance, be more aggressive in its inspection activities, improve documentation and reporting practices, improve the productivity of its staff by increasing the time inspectors spend at construction sites and evaluating the potential for using clerks or paraprofessionals, and review organizational elements and seek additional staff so that allegations can be investigated without disrupting routine efforts. It should improve its basis for vendor inspection by: developing a method to identify and select vendors for inspection, increasing inspections of vendors of items that control critical operations, seeking approval to hire more inspectors, being more aggressive in inspection activities, and improving documentation and reporting practices.

In response to our recommendations, NRC has:

- agreed in principle to increase its independent measurements and direct observation of construction work at nuclear powerplants. Studies are now being done to determine the best or most effective way of doing this;
- agreed to study the advantages of initiating formal, private interviews with construction craftsmen at nuclear powerplant sites as a supplement to its current inspection approach. NRC was not convinced, however, that this should be a major inspection effort;
- initiated a resident inspection program which will permit NRC inspectors to increase their onsite inspection time from about 22 percent to 75 percent. (EMD-78-80, 9-7-78)

Appropriations

Nuclear Regulatory Commission—salaries and expenses.

Appropriations Committee Issues

The appropriation Committees should consider increasing the NRC inspection force so that NRC can:

- effectively staff and train its resident inspection program,
- provide a separate organizational element to investigate an increasing number of allegations of poor construction or operating practices at nuclear powerplant sites,
- improve the performance and coverage in its program to inspect the suppliers of safety-related nuclear components.

OFFICE OF MANAGEMENT AND BUDGET

Better Evaluations Needed to Weed Out Useless Federal Advisory Committees

Budget Function: General Government: Other General Government (806).

Legislative Authority: Federal Advisory Committee Act (P.L. 92-463). OMB Circular A-63.

Legislation to control the growing number of advisory committees, 1267 as of December 31, 1975, assigned oversight responsibilities to Congress, the President, and the Director of the Office of Management and Budget (OMB). The OMB is required to make an annual comprehensive review of each committee to determine whether it has carried out its purpose, needs revised responsibilities, or should be merged or abolished.

Findings/Conclusions: The OMB and agencies have had a difficult time identifying useless committees because they have not developed objective criteria. Because of lack of leadership by OMB, the agencies have developed their own approaches. Uncertainties existed within agencies about the status of subgroups and ad hoc groups, cost analyses, reporting procedures, and committee missions.

Recommendations: OMB should (1) develop uniform guidelines on sub-groups and ad hoc groups; (2) require that agency committee charters state purposes clearly and include a timespan; (3) issue guidelines for consistent cost estimates; and (4) develop a standard definition of 'report' and provide for followup.

OMB generally agreed with the purposes of the recommendations and said that, where appropriate, it was taking actions to meet those purposes. In December 1976, probably

too late to have had an impact on the costs reported in the report, OMB provided costing guidelines to agency management officers. Also, it said it had begun changing its guidelines and anticipated these changes will include definitions of ad hoc groups, subgroups, reports, and other problem terms. OMB acknowledged that committee recommendations are an important factor in evaluating a committee's activity; however, it questioned whether the possible improvements gained by following up on the recommendations would be outweighed by the administrative burden and costs such additional requirements impose. (GGD-76-104, 4-7-77)

Appropriations

All agencies requesting funds for advisory committees.

Appropriations Committee Issues

The success of the GAO recommendations depends on the agencies responsible for implementing OMB policy guidance. Therefore, the committees, in reviewing future appropriation requests that include funds for advisory committee operations, should inquire about actions agencies are taking to identify and eliminate useless advisory committees.

OFFICE OF MANAGEMENT AND BUDGET

Challenges of Protecting Personal Information in an Expanding Federal Computer Network Environment

Budget Function: General Government: General Property and Records Management (804).

Legislative Authority: Brooks Act (P.L. 89-306). Privacy Act of 1974.

The concept of a Federal computer network and the attendant benefits of economy and efficiency was recognized when the Brooks Act was enacted in 1965. Since the enactment of this legislation, public and private concern has grown over the ability of computer systems and networks to provide adequate protection for personal information maintained about U.S. citizens.

Findings/Conclusions: The concept of a Government-wide computer network presents a dilemma: should the Government take advantage of the economies that may be possible from using multiuser teleprocessing systems rather than individual agency owned and operated data processing systems or protect the individual's right to privacy by prohibiting such networks? This dilemma could be solved and economies realized if adequate controls could be defined and established to ensure confidentiality of data. The major threat to privacy invasion stems from misuse of personal information by individuals having authorized access, and a secondary threat stems from individuals not allowed access to the information who have the technical ability to circumvent security measures. The risk to personal information varies with the type of data involved, the effectiveness of the controls exercised, and the configuration of the computer network. While absolute security cannot be assured, a high level of protection can be provided in a multiuser computer network.

Recommendations: The Director, Office of Management and Budget, should take action to provide Federal agencies with comprehensive guidelines that: contain the definitions and criteria necessary to permit an assessment of their security requirements; provide the metho-

dology to be used in conducting the assessment; identify the physical, administrative, and technical safeguards that should be applied in satisfying their security requirements; and specify the means to justify the associated cost.

The Director, Office of Management and Budget, stated that OMB generally agreed with our recommendation. He stated that OMB shares the dual concerns expressed in the report that (1) more definitive guidelines and standards are required to assure that the use of advanced information technology does not result in abuses of personal privacy and, on the other hand, (2) advanced technology be employed wherever it can contribute to the efficient operation of Government. He stressed, however, that it should be understood that several years may pass before definitive guidance can be issued in some areas, particularly for measuring data sensitivity.

OMB predicted that for the immediate future, determinations of computer security requirements—particularly in highly sophisticated systems—are likely to continue to be judgemental, while OMB pursues the development of more definitive security standards and objective measures of security requirements. Until such standards are issued, OMB is satisfied that adequate control mechanism are in place through (1) the program and budget review process, (2) the procurement process, and (3) reviews of new systems now required under the Privacy Act.

The requirement for the Department of Commerce to develop and issue computer security standards and guidelines is contained in OMB Circular A-71 which was issued on July

27, 1978, and entitled 'Security of Federal automated information systems.' (LCD-76-102, 4-28-78)

Appropriations

All agencies' appropriations (Government-wide).

Appropriations Committee Issues

The full realization of economies from advanced teleprocessing technology continues to

be hampered because of the lack of definitive guidance for agencies to apply in the requirements determination, procurement, and system development process. Further, without such guidance, costly security features and devices could be procured which would not contribute to achieving the necessary level of protection for personal and sensitive information.

OFFICE OF MANAGEMENT AND BUDGET

Improvements Are Needed in Managing Aircraft Used by Federal Civilian Agencies

Budget Function: General Government: Other General Government (0405).

Legislative Authority: OMB Circular A-76 and 31 U.S.C. 6389.

Civilian agencies in the Federal Government own over 650 aircraft worth at least \$340 million. They lease, charter, or rent several thousand more annually. Millions of dollars are spent each year by agencies to acquire and operate the combined civilian Government aircraft fleet. This is done by each agency independently and without any Government-wide policy guidance.

Findings/Conclusions: The differences in the policies and procedures for all aspects of aircraft operations among the agencies contribute to inefficient and uneconomical aircraft programs. Because there is no information system for the aircraft resources of the civil agencies, agencies do not have sufficient information to determine aircraft needs, methods to obtain aircraft services, aircraft utilization practices, maintenance and storage practices, uniform operating standards, and standard pilot qualifications.

Recommendations: The Acting Director of the Office of Management and Budget should: require reevaluation of existing aircraft program needs and capabilities, even if this means releasing some aircraft or using an alternative source for support capabilities; develop overall policy to provide broad guidance for standardizing common civil agency aircraft program activities such as aircraft acquisition, utiliza-

tion, maintenance, and storage; take action to bring about increased interagency cooperation regarding aircraft programs, with emphasis on greater interagency use of aircraft and support facilities and on identifying potentials for consolidation contracts and agreements for commercial aircraft services; and develop overall criteria for uniform cost systems and aircraft information systems that will standardize costs and identify agency aircraft and aircraft services that could be shared. OMB should investigate the possibility of having a single manager for common aircraft program activities.

No actions have been taken to implement report recommendations and no indication has been given that any action will be taken. (LCD-77-430, 12-22-77)

Appropriations

Multiagency

Appropriations Committee Issues

Operating costs of civilian agencies' aircraft can be reduced through better coordination and cooperation, among the agencies. A single manager for common activities is a possible solution.

OFFICE OF MANAGEMENT AND BUDGET

Improvements Still Needed in Fulfilling Federal Reports Act Responsibilities

Budget Function: General Government: Executive Direction and Management (802).

Legislative Authority: Federal Reports Act (44 U.S.C. 3501 et seq.).

Problems have been encountered by the Office of Management and Budget (OMB) and by the Department of Labor (DOL) in fulfilling their responsibilities under the Federal Reports Act.

Findings/Conclusions: A lack of information and staff limitations preclude the Office from adequately assessing the need for data proposed for collection and data collected by Federal agencies. The report reduction program of the Department of Labor was reviewed, and its reduction results were less than it claimed. Statistics relating to the paperwork burden and the report reduction program are subject to error and different interpretations, and users should be aware of their limitations.

Recommendations: The Director of the OMB should: (1) determine and provide the additional resources needed by the Clearance Office to investigate the practical utility of agency reports; and (2) obtain updated justification from agencies on the need, including practical utility, of proposed revisions or extensions of existing reports.

Since issuance of this report, the OMB Director combined his activities relating to the Federal Reports Act and to regulatory reform. He said on September 19, 1977, that he wanted to see how well this new structure would work before making requests for additional personnel. OMB has also reduced its workload by placing substantive clearance of reports meeting certain criteria in the agencies. However, staff assigned to Federal Reports Act responsibilities remains limited, and additional resources are still needed for assessing agency need for data and to evaluate the effectiveness of agencies' clearance responsibilities under this delegated authority. (GGD-77-38, 5-25-77)

Appropriations

Executive Office Appropriations Act

Appropriations Committee Issues

Legislatively mandating that OMB spend more resources to fulfill its Federal Reports Act responsibilities

OFFICE OF MANAGEMENT AND BUDGET

Improving Federal Agency Efficiency through the Use of Productivity Data in the Budget Process

Budget Function: General Government: Legislative Functions (801).

A survey of the use of productivity data in the budget process covered 13 labor-intensive agencies with a total payroll of about \$8 billion.

Findings/Conclusions: Although productivity data are available in most agencies, its use by agencies, the Office of Management and Budget (OMB), and the Congress has been limited. The basic reason for agencies not making more use of the data is a lack of incentives. Many agency executives felt that productivity-related improvements often result in penalties such as arbitrary reductions in staffing and budget and that OMB and the Congress were insensitive to innovative proposals for increasing productivity.

Recommendations: Appropriations committees can stimulate productivity improvements by encouraging agencies to use productivity data in their budget requests through questions which would elicit information, provide incentives for productivity measurement and reporting, and lead to improved productivity. Legislative oversight committees and appropri-

ations subcommittees can further encourage use of productivity data by: requesting it to support requests for staffing increases; requesting statements on the status of productivity improvement programs, work measurement systems, and the extent to which budgets are based on productivity data; creating an atmosphere of positive reinforcement for using such data through budgetary and organizational incentives; and encouraging agencies to identify major productivity improvements possible through investment in capital equipment. (FGMSD-78-33, 5-10-78)

Appropriations

All Federal agencies

Appropriations Committee Issues

The committees should consider requesting agencies to submit productivity data as part of their budget submissions.

OFFICE OF MANAGEMENT AND BUDGET

Need for a Government-Wide Budget Classification Structure for Federal Research and Development Information

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251).

Legislative Authority: B-115398 (1972).

There is a need for a unified presentation of Federal Research and Development (R&D) budgetary information according to 'defineable user patterns.' An agency-wide structure for the Department of Housing and Urban Development contributed to the development of a conceptual foundation for the government-wide structure, which is called the 'Unified Classification Structure for Federal Research and Development.' The categories in the structure have been designed to identify specific national objectives which are of concern or interest to the Congress. The proposed structure will be a supplementary categorization of total funding for all research by national objective.

Findings/Conclusions: Information satisfying the need for unified funding information should enable users to determine the level of commitment to specific national objectives, to ascertain the interrelationships among different agencies' R&D activities, to facilitate identifying areas where more effective coordination is necessary, and to evaluate whether research funding is in line with priorities. Existing information sources do not provide readily useable information identifying the level of R&D funding by agency committed to specific national objectives.

Recommendations: OMB should require that budgetary data on Federal R&D activities be collected in accordance with the unified classification structure, and submitted to Congress utilizing FY-78 information as soon as possible.

The Office of Management and the Budget (OMB) stated that a useful course of action would be to develop some limited supplemen-

tary R&D data on an interagency basis to cover specific problem areas identified by the Congress, thus avoiding the collection of too much data. OMB also concluded that the GAO system be rationalized with other efforts. OMB also stated that the GAO system would cause more work for the agencies and OMB and would lead to arbitrary classifications. (PHO-77-14, 3-3-77)

Appropriations

Treasury, Postal Service and General Government

Appropriations Committee Issues

1. The supplementary presentation proposed for Federal research and development could facilitate assessment of the overall R&D budget of the Federal Government. It could also assist in establishing national R&D priorities and could further facilitate the identification of potential duplication of R&D efforts among the various Federal agencies.
2. All Federal agencies should be requested to implement the proposed structure and provide the necessary information to OMB for use in developing a consolidated Government-wide submission to the Congress. The cooperation and assistance of all Federal agencies with research and development funding is essential for the successful implementation of this Government-wide effort.

OFFICE OF MANAGEMENT AND BUDGET

Reporting of Selected Major Civil Projects Needs Improvement

Budget Function: General Government—Executive Direction and management (0802).

As of June 30, 1975, the Government was managing more than 460 major civil projects estimated to cost \$184 billion. Most civil agencies prepare reports both for internal management and congressional use, but in most cases the reports do not include baseline cost, schedule, and performance data.

GAO concluded that the Congress—specifically the House and Senate Committees on Appropriations, Government Operations, and authorizing committees—should be provided with status reports on selected major civil projects. Such status reports would compare the amount initially authorized by the Congress with the current estimates of cost, schedule, and performance data and explain major variations.

Except for the Department of Transportation, each agency discussed in this report generally agreed that improved reporting on the status of projects is needed and said they have, or could easily develop, the necessary data.

GAO recommended that the Office of Management and Budget (1) issue guidelines to all agencies for reporting on selected major projects to appropriate committees of the Congress and (2) monitor implementation of the guidelines by the agencies involved. OMB's relationship with the executive agencies makes it the most logical focal point for monitoring which programs to report to the Congress and the substance of reports to issue to the appropriate committees.

OMB did not believe it should require civil agencies to submit status reports to the Congress because only the Senate Armed Services Committee has requested such reporting and then only for selected major weapon systems acquisitions by the Department of Defense. OMB believed that congressional need for status reports should be determined before establishing such reporting requirements.

No action has been taken on the recommendation included in this report. OMB believes Congressional committees should specifically request Selected Acquisition Reporting if they desire such information. There has not been any such request that we are aware of. However, we have cited the recommendations in this report in several subsequent reports as a means of better informing the Congress on the status of specific projects. (PSAD-77-5, 12-29-76)

Appropriations

Construction (All civil agencies)

Appropriations Committee Issues

The Appropriation Committees should request Selected Acquisition Reports on major civil acquisitions.

OFFICE OF MANAGEMENT AND BUDGET

Secure Voice Telephone Systems: How the Department of Defense Can Save Millions

Budget Function: National Defense: Defense-related Activities (054).

A narrowband secure voice technique is planned to protect civil agencies' telephone conversations from being monitored or intercepted by unintended listeners. The Department of Defense (DOD) selected a wideband secure voice technique to protect its own nontactical telephone conversations. This was done so that the same wideband technique could be used for communicating between nontactical and tactical secure voice systems. Generally, narrowband systems require more complex terminals needing more space and power and are more costly than wideband terminals. Conversely, wideband systems generally require more costly transmission facilities.

Findings/Conclusions: DOD has not fully evaluated the benefits of the narrowband alternative for its nontactical system. The wideband alternative could cost about \$300 million more to protect nontactical telephone conversations than if a narrowband system were used. The benefits of having the same wideband technique for the DOD tactical and nontactical systems appear to be outweighed by the benefits of the narrowband alternative. The combined cost of both systems would be about \$1.5 billion or more. The House and Senate Appropria-

tions Committees recently directed that a single narrowband secure voice system be developed as a common-user system rather than continuing with the development of both systems.

Recommendations: The Director of the Office of Management and Budget should take steps to see that there is a common narrowband secure voice technique for all Government nontactical use worldwide. The Office of Management and Budget, with the Federal agencies involved, should: define total requirements, identify the most appropriate methods for complying with congressional guidance for achieving a single common-use nontactical narrowband system for both military and civil users, develop the transition strategy which best meets both immediate secure voice requirements and future objectives, and identify the most economical and feasible way of satisfying these objectives. (LCD-77-105, 12-30-77)

Appropriations

Government wide.

SMALL BUSINESS ADMINISTRATION

Effectiveness of Federal Effort Providing Management Services and Technical Assistance to Small Business Concerns (Review of the Small Business Administration's Management Assistance Program)

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

The Small Business Administration's (SBA's) management assistance program was surveyed at the San Francisco District Office to evaluate the quality of the assistance rendered in helping persons to succeed as business owners. The survey was terminated because sufficient financial data on management assistance clients were not on file although borrowers' financial statements are required under the loan agreements signed by the business owners. Because it has not obtained financial information from its management assistance clients, SBA lacks the means to evaluate its management assistance efforts and the needs of its clients for follow-on assistance. Until more financial information is obtained and analyzed in a systematic manner, the management assistance program cannot achieve its full potential. SBA should pursue the collection and analysis of the business data necessary to identify management needs of clients and to

measure the effectiveness of assistance provided.

SBA agreed that there is a need for more and better financial data on agency clients as well as for improved program evaluation techniques. (CED-78-64, 3-15-78)

Appropriations

Small Business Administration—salaries and expenses.

Appropriations Committee Issues

Financial information needs to be collected and analyzed by SBA to determine whether this program is effective.

SMALL BUSINESS ADMINISTRATION

Questionable Effectiveness of the 8(a) Procurement Program

Budget Function: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Small Business Act of 1953, Section 8(a)

GAO reported to the Congress that the Small Business Administration (SBA) had achieved minimal 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. In addition, 73 of the 110 firms GAO evaluated had not reached self-sufficiency. A major reason for this lack of success was SBA's inability to control the supply of contracts from Federal Agencies.

Findings/Conclusions: SBA encouraged nondisadvantaged businesses (sponsors) to provide management services, training and capital to 8(a) firms. However, the sponsors often maintain control of the 8(a) firms, which appears to be inconsistent with developing their self-sufficiency. While SBA emphasized that the performance of the 8(a) firms must be closely monitored and management systems are important tools, no regular monitoring has been done nor has management assistance been provided. Some applicants, whose need for assistance appeared questionable, had been admitted to the program on the basis of social disadvantage.

Recommendations: Administrator, SBA should: reconsider SBA's position of maintaining 1,500 active firms in its program and periodically adjusting the number of firms for the level of contracts that can be made available; establish a system to monitor a sponsor's compliance with the terms of the sponsorship arrangement as approved by SBA—management agreements establishing a sponsor's services and fees would be especially helpful; require field offices to consider all factors in the standard operating procedures when determin-

ing the need for 8(a) assistance and document the connection between an applicant's social or economic disadvantage and his inability to compete effectively in the business world; establish adequate internal controls to insure that 8(a) firms are provided management assistance.

We were informed by SBA that they are adjusting the number of firms to be supported to about 1,300. Their revised operating procedures make the regional directors responsible for monitoring and evaluating their district offices activities in the performance and conduct of the 8(a) program activities. SBA further commented that their procedures require field offices to consider all of the suggested factors in determining the need for 8(a) assistance, and the need for management assistance for most 8(a) firms is well defined and understood by their field offices. (GGD-75-57, 4-16-75)

Appropriations

Small Business Administration—Operating Expenses.

Appropriations Committee Issues

SBA's 8(a) program, which depends for administrative support on congressional appropriations, could be improved and the development of minority businesses participating in the program fostered, if SBA determined how many businesses the program can assist effectively, considering the available contract supply, and if the number of businesses were periodically adjusted in accordance with changes in this supply.

SMALL BUSINESS ADMINISTRATION

Should Lenders Assume More Responsibility in the Small Business Administration 7(a) Loan Program?

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403)

Legislative Authority: Small Business Act (15 U.S.C. 636 (a)). Emergency Livestock Credit Act of 1974 (P.L. 93-357, as amended). Rural Development Act of 1972 (7 U.S.C. 1932). Indian Financing Act of 1974 (25 U.S.C. 1451). Public Works and Economic Development Act of 1965. 42 U.S.C. 3121. 38 U.S.C. 1801. Veteran Housing Loan Program (38 U.S.C. 1801)

Under the 7(a) loan program, the Small Business Administration (SBA) makes or guarantees loans to small businesses to finance plant construction, conversion, or expansion; to purchase equipment, facilities, machinery, supplies, and materials; and to supply working capital. The feasibility of transferring responsibility for approving, servicing, and liquidating 7(a) guaranteed loans from the SBA to the private lenders participating in the program is being investigated by the Congress.

Findings/Conclusions: There was no consensus among the private lenders interviewed concerning the feasibility of transferring more 7(a) responsibilities to private lenders. Concerns expressed by officials of private lending institutions, the SBA, or the American Bankers Association regarding transferring 7(a) loan responsibilities to private lenders included: (1) current legislation does not permit SBA to delegate responsibility for committing Federal funds to private lenders; (2) there is a potential for abuse and conflict of interest in permitting

private lenders to make decisions on loans guaranteed by the Federal Government; (3) eligibility requirements of the 7(a) loan program change frequently; (4) the Federal Government may lose its priority in bankruptcy proceedings if nongovernmental agencies conduct liquidations; (5) private lender personnel are changing constantly and are unable to develop expertise in the 7(a) program; and (6) there may be increased administrative burden and cost to private lenders because of additional responsibilities. (CED-78-88, 4-4-78)

Appropriations

Small Business Administration—Business Loan and Investment Fund

Appropriations Committee Issues

The Committees should examine into the extent to which SBA could transfer more loan responsibilities to private lenders

SMALL BUSINESS ADMINISTRATION

The Small Business Investment Company Program: Who Does It Benefit? Is Continued Federal Participation Warranted?

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Small Business Investment Act of 1958, as amended (15 U.S.C. 661). Federal Financing Bank Act of 1973.

The Small Business Investment Company (SBIC) program was intended to stimulate and supplement the flow of private-equity capital and long-term loans to small businesses (independently operated, generally with assets not exceeding \$9 million) for growth, expansion, and modernization. The Government makes long-term loans to SBICs which are regulated and licensed by the Small Business Administration (SBA), charging interest at approximately its cost of borrowing, about 7% or 8%.

Findings/Conclusions: In spite of the Government's large financial commitment to the program, only a select group of small businesses is being serviced. As of March 31, 1976, 277 SBICs had outstanding investments of about \$569 million and about \$467 million in Federal loans outstanding. Equity-oriented SBICs consider investments according to risk and growth potential and set rigid investment criteria, while loan-oriented SBICs are primarily concerned with the borrower's ability to repay loans. The following factors restrict the usefulness of the program: it is smaller than it was in its formative years in number of investment companies and annual financings; few businesses get equity-type financing because of the preference of SBICs for larger small businesses with growth potential; such businesses can receive financing from private industry; private companies sometimes financed the same businesses as SBICs, usually with larger investments; much of the equity capital provided has come from bank-dominated SBICs—many of the

companies have not used the loan funds; and SBICs often serve the same clientele as those of the SBA's 7(a) business loan program which has better terms for loans.

Recommendations: The Congress should require the Administrator of SBA to fully justify the role, if any, that the SBIC program should play in meeting the financing needs of small businesses, including a determination of: size and type of small businesses that are financed by the private venture capital industry and its ability to meet equity-financing needs, whether the SBIC program is the proper vehicle to meet the needs of small businesses, and whether continued funding of loan-oriented SBICs is warranted.

SBA disagreed in many respects with GAO's analysis of the program. SBA stated that a thorough study of the program using outside consultants might provide a third opinion on where the program has been, is today, and should be headed. (CED-78-45, 3-3-78)

Appropriations

Small Business Administration—Business Loan and Investment Fund.

Appropriations Committee Issues

When evaluating SBA's budget requests, the committees should examine the issue of whether the program should be continued.

SMALL BUSINESS ADMINISTRATION

Ways To Increase the Number, Type, and Timeliness of 8(a) Procurement Contracts

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Federal Property and Administrative Services Act of 1949, as amended (P.L. 92-582). Small Business Act of 1953. P.L. 93-386.

The overall objective of the 8(a) program under the Small Business Act of 1953 is to provide Government procurement assistance to disadvantaged business owners to assist them in developing their capability to compete effectively on the open market. Small Business Administration (SBA) officials involved in the 8(a) program were contacted to obtain their opinion on how to: increase the number of Federal agency contracts provided to the 8(a) program, provide 8(a) firms with more of the types of contracts needed, and provide the contracts on a more timely basis.

Findings/Conclusions: The officials expressed a need for more effective program development and implementation.

Recommendations: SBA could improve the flow of contracts into the 8(a) program by: basing program goals on the firms' contractual needs, obtaining the staffing level needed to permit effective development of the SBA's portfolio of 8(a) firms, improving the management information system to provide program managers with the necessary information for effective administration, improving management and technical assistance to 8(a) firms, and establishing more definitive criteria for using business development expense funds and a

national system to monitor the use of these funds. Some factors accounting for contracts not getting to firms in sufficient quantity and at the desired time were: problems encountered by some firms in obtaining necessary bonding, legislation which prevents architectural and engineering firms from obtaining 8 (a) contract awards, and the limited potential for benefits from participation in the program to certain types of firms. The inability of SBA to control the supply of contracts, noted in a 1975 GAO report, is still a major problem in the 8(a) program. (CED-78-48, 2-1-78)

Appropriations

Small Business Administration—salaries and expenses.

Appropriations Committee Issues

1. Whether additional staff, if requested, to permit effective development of SBA's portfolio of 8(a) firms, is in order.
2. SBA needs to establish more definitive criteria for using business development expense funds and a national system to monitor the use of these funds.

SMALL BUSINESS ADMINISTRATION

What Is a Small Business? The Small Business Administration Needs to Reexamine Its Answer

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Small Business Act, as amended (15 U.S.C. 632).

The Small Business Administration's (SBA's) size standards define which businesses are small and, therefore, eligible for Federal small business assistance programs. SBA regulations state that, since smaller concerns often are forced to compete with middle-sized, as compared with very large, concerns, size standards should be established as low as is reasonably possible. Also, these standards should be limited to that segment of each industry that is "struggling to become or remain competitive."

Findings/Conclusions: The present loan and procurement size standards for most industries were established 15 or more years ago and have not been reviewed periodically to determine their continuing validity. SBA records do not indicate how size standards established before 1971 were arrived at. Analyses supporting 10 of the 64 standards established since 1971 do not demonstrate that the standards were set in conformance with agency regulations. Because the SBA has not accumulated data on the size of businesses that have bid both successfully and unsuccessfully on set-aside and unrestricted contracts, it does not know the size of firms in many industries which need set-aside protection. The current size standards often define as "small" a high percentage of an industry's businesses. The size standards appear to have little effect on the

size of businesses which receive section 7(a) loans.

Recommendations: The Administrator of the SBA should reexamine the standards to ensure that agency assistance is directed where it will best preserve free competitive enterprise and protect the interests of small businesses. This review should include: (1) determining, in accordance with regulations, the size of businesses in each industry that are struggling to become or remain competitive; and (2) by collecting data on the size of bidders on set-aside and unrestricted contracts, determining the size of businesses which need set-aside protection. (CED-78-149, 8-9-78)

Appropriations

Small Business Administration—operating expenses.

Appropriations Committee Issues

SBA should ensure that size standards, established for many industries and most of its programs, are set so that agency assistance is directed where it will best preserve free competitive enterprise and protect the interests of small businesses.

UNITED STATES RAILWAY ASSOCIATION

Is the Administrative Flexibility Originally Provided to the U.S. Railway Association Still Needed?

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Regional Rail Reorganization Act of 1973 (45 U.S.C. 701; P.L. 93-236). Government Corporation Control Act (31 U.S.C. 841). District of Columbia Nonprofit Corporation Act (P.L. 87-569). H. Rept. 79-856. H.R. 3660 (79th Cong.). S. Rept. 93-601. S. 2767 (93rd Cong.).

The United States Railway Association (USRA) is a non-profit, mixed ownership Government corporation created under the Regional Rail Reorganization Act of 1973 to develop and carry out a plan to reorganize bankrupt railroads in the Midwest and Northeast. It has broad discretion in the use of its administrative expense appropriations, and its employees are not Federal Government employees. Therefore, many of the statutes and practices which apply to traditional departments are not applicable to USRA. It is managed by an 11-member board of directors consisting of 3 ex officio Government members (the Secretaries of Transportation and the Treasury and the Chairman of the Interstate Commerce Commission) and 8 other members.

Findings/Conclusions: A report by the Treasury Department Office of Audit questioned many USRA practices. USRA's administrative policies and practices were compared with those of four similar corporations: the National Railroad Passenger Corporation, the Consolidated Rail Corporation, the Corporation for Public Broadcasting, and the Legal Services Corporation. They were found to be similar and all within legal boundaries. USRA has revised many of the policies and practices discussed in the Treasury audit report. For example: policies for controlling and accounting for reception and representation were strengthened and expenditures were reduced, consulting contracts with former officers are now on a daily-

rate basis for time actually worked, USRA no longer pays for its employees' traffic fines, and the board has taken a more active role in reviewing and approving administrative policies. The flexibility originally provided for USRA may no longer be needed because it has sent its Final System Plan to Congress, and it no longer operates under the tight time constraints that existed in its original mandate.

Recommendations: The Congress should reconsider USRA's enabling legislation to decide whether the administrative flexibility originally granted is still required and whether limitations on expenditures for certain kinds of administrative activities should be established as a part of USRA's basic statute or in appropriation acts.

USRA disagreed with the GAO recommendation and stated its belief that USRA should have the flexibility associated with its status as an independent Government corporation. (CED-78-19, 2-22-78)

Appropriations

United States Railway Association.

Appropriations Committee Issues

Limitations on expenditures for certain kinds of administrative activities would provide greater control over USRA use of Federal funds.

VETERANS ADMINISTRATION

Further Actions Needed to Resolve VA's Education Assistance Overpayment Problem

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (702).

Legislative Authority: HUD-Independent Agencies Appropriation Act of 1977 (P.L. 94-378). 38 U.S.C. 1780. 38 U.S.C. 31. 38 U.S.C. 34. P.L. 92-540.

The Veterans Administration's (VA's) educational assistance programs provide funds for tuition and living expenses to veterans and eligible dependents while in training. Since 1973, overpayments of these benefits has become a serious problem. During the 3 1/2 years ended December 31, 1975, overpayments totaled almost \$1.3 billion, of which \$298.2 million remained uncollected on December 31, 1975.

Findings/Conclusions: At the VA's Los Angeles office, overpayments were caused by delays in reporting training changes, issuance of special payments, poor processing practices, and the prepayment and advance payment provisions of the VA educational assistance law.

Recommendations: The VA has taken some actions on recommendations in GAO's March 1976 report, but it still needs to: acquire additional compliance survey specialists; change its listing of overpayments to show accurate current balances; identify schools which may be liable for overpayments so that prompt collection action can be taken if the courts uphold VA's authority to do so; conduct an additional test program which considers costs and benefits for automating the processing of status changes; further reduce special payments; make better determinations of the use of teletype notices to stop overpayments; implement improvements in collection letters; and set a date for completion of a data system on overpayment collection costs. If VA concentrated on minimizing causes of overpayments, its

need for an elaborate collection systems would be lessened. VA should: increase the use of its on-campus resources in identifying and correcting overpayments and improve the timeliness of collection actions on special payments resulting in overpayments.

In accordance with our recommendations VA has taken several actions to correct the overpayments problem. For example, VA has increased the number of compliance survey specialists and taken action to determine causes of deficiencies noted during surveys; modified its listing of overpayments to provide additional information; reduced the number of special payments; implemented improvements in its collection letters and established a date for completion of a data system on collection costs. VA has also been encouraging schools to make greater use of its on-campus resources in processing VA related documents and forms. (HRD-78-45, 2-17-78)

Appropriations

Veterans Administration—benefit programs

Appropriations Committee Issues

Monitor VA's success in reducing the incidence and increasing the collection of overpayments.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Better Services at Reduced Costs through an Improved 'Personal Care' Program Recommended for Veterans

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703).

As part of outpatient care for veterans, the Veterans Administration (VA) operates a community care program in which veterans live in residences other than their own under VA supervision. Within this program, the personal care residence (PCR) program functions as an alternative to long-term institutionalization of psychiatric, medical, and surgical patients. In the PCR (or foster home), a sponsor provides or arranges for personal care functions, and the veteran pays for his living arrangements. In fiscal year 1977, about 20,000 veterans lived in such homes.

Findings/Conclusions: The concept of the personal care program is practicable. The medical and psychiatric conditions of veterans improve after placement in PCRs, and costs of such care are reduced. Thousands of veterans in VA facilities could be cared for in PCRs but remain in the other facilities because of such factors as insufficient funds, lack of suitable community facilities, patient or family resistance to VA's out-placement efforts, and lack of a formal personal care program. VA has made some progress toward use of the program, but more needs to be done to expand its use and assure adequate services and facilities for veterans in PCRs. Ineffective program management at VA's central office and at the hospitals have resulted in some programs which do not assure that suitable veterans are placed in homes and that adequate services and facilities are provided.

Recommendations: The Administrator of Veterans Affairs should direct his actions toward: improving overall personal care program management, expanding the use of this alternative, and improving program operations to assure quality services and facilities for veter-

ans in PCRs. The Congress should provide specific legislative authority for the PCR program and authorize VA to participate in paying the cost of indigent patients' personal care when other fund sources are not available.

VA stated that they were unable to fully respond to our recommendations because the program has limited legislative sanction in that it is based on VA's broad authority to provide hospital, nursing care, and medical services on an inpatient and outpatient basis to eligible veterans. VA stated that while this is sufficient for them to plan for the outplacement of veterans, to refer them to homes which meet VA criteria, and to provide outpatient care, it falls short of permitting VA to establish or enforce any personal care home standards once a veteran has been placed, or to impose a rate setting structure on personal care home sponsors.

However, VA concurred with most of our recommendations, assuming that the program would continue under the limited authority cited above. VA stated that it is not in favor of legislation affecting the personal care home program until an adequate data base has been developed so that a thorough analysis of all program aspects could be made. Such a study is now in progress.

Congress has not taken action on our recommendations to date. (HRD-78-107, 6-6-78)

Appropriations

Veterans Administration—medical care

Appropriations Committee Issues

The Subcommittee needs to monitor the VA study and determine if legislation changes should be made to permit VA to expand its program.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Electron Microscopy in Veterans Administration Hospitals: Planning, Distribution, and Control Need Improvement

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703).

Legislative Authority: (P.L. 89-785; 38 U.S.C. 5053).

The electron microscope (EM) is a device which produces highly magnified images used in clinical diagnostic applications to examine the microstructure of thin sections of biological tissue. Individual EM's in Veterans Administration (VA) hospitals have cost up to \$82,000, and a complete EM unit, including remodeled facilities, purchase and installation, darkroom, and photographic equipment and supplies may cost from \$150,000 to \$200,000. EM activities were reviewed at 15 VA hospitals in 8 of the 28 VA medical districts.

Findings/Conclusions: The VA central office has permitted the establishment of EM units in locations without adequately determining their need. The VA has not followed its stated policy that specialized medical services, including electron microscopy, be planned and provided on a regionalized basis to avoid duplicating or overlapping these costly medical programs. Some of the VA's EM units are underused; from July 1974 to December 1976, 15 of 42 diagnostic EM units examined less than 250 specimens annually (the current use standard). Plans to install EM units have not been formally coordinated at the national, department, or medical district level. The current practice of assigning separate EM's to the Pathology Service and the Medical Research Service, both within VA's Department of Medicine and Surgery, impedes the most effective use of these instruments.

Recommendations: The Administrator of Veterans Affairs should: direct the Chief Medical Director to make a systemwide study to determine the feasibility of establishing joint

Pathology and Medical Research Services utilization standards for both diagnostic and research electron microscopes; insure continuing compliance with VA regulations to terminate electron microscope programs when the programs cannot be justified on the basis of available workload; require that the VA's electron microscope inventory be updated to accurately reflect all electron microscopes within the VA system; direct that VA medical districts be given more responsibility for the planning, distribution, and utilization of EM's; and require formal sharing agencies to make the best use of the medical district's resources.

VA generally concurred with our recommendations and indicated a number of corrective actions would be taken, VA stated that it would monitor more closely those EM programs which did not meet current utilization standards. VA has taken action to update its EM inventory and to study the feasibility of establishing joint pathology service and medical research service utilization standards. VA agreed that it could involve to a greater degree the medical districts in its EM program decisions. VA said it updated its EM application procedures in fiscal year 1977 to include a requirement for planned use as a regional resource and the endorsement of the Medical District Executive Council before a request is submitted to VA Central Office. (HRD-78-75, 8-19-78)

Appropriations

Veterans Administration—medical care

Appropriations Committee Issues

The Subcommittee needs to closely monitor any additional requests for funds for the EM program.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Health Care Needs of Veterans in Puerto Rico and the Virgin Islands Should be Assessed

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703).

Legislative Authority: World War Veterans Act of 1924 (P.L. 68-628). Veterans Omnibus Health Care Expansion Act of 1973 (P.L. 93-82). Veterans Omnibus Health Care Expansion Act of 1976 (P.L. 94-581).

The Veterans Administration's (VA's) furnishing of hospital care and medical treatment for nonservice-connected disabilities under contracts with private facilities and arrangements with private physicians in Puerto Rico and the Virgin Islands was reviewed. The review was directed toward the use made of the VA's authority to provide medical treatment and hospital care for nonservice-connected disabilities under contractual arrangements with private facilities and physicians both prior to and following the enactment of Public Law 94-581, the justification which may exist for a special authority to provide such contract care and services, and the conditions which should be imposed on such an authority in the interest of suitable geographic allocation of VA resources.

Findings/Conclusions: Because the San Juan VA hospital is operating at near capacity, the VA has made extensive use of the contract hospital program to provide inpatient care and has used the fee-basis program to provide outpatient care. Ineligible care is being provided under the fee-basis program as a result of not complying with the restrictions imposed on such care by P.L. 94-581. It is not clear whether the statutory limitations imposed on the use of contract hospitals is applicable to Puerto Rico and the Virgin Islands. Expansion of VA programs in Puerto Rico has primarily benefited veterans with nonservice-connected disabilities, and the expanded programs are not filled to capacity. There are indications that Puerto Rico and the Virgin Islands are getting a disproportionate share of VA resources; factors which contribute to this situation include location, lack of alternative VA facilities, social and economic problems, and a high incidence of

mental disorders among the veteran population.

Recommendations: The Administrator of Veterans Affairs should implement the conditions imposed by P.L. 94-581 on the fee-basis outpatient program by not accepting any new patients who are ineligible for this care and terminating, as soon as possible, patients who are now receiving ineligible care; more closely monitor the fee-basis and contract hospital program to insure that veterans receive quality care and that the VA pays only for services received; perform audits of contract hospitals' cost reports within 90 days and require any proposal from the San Juan VA hospital for additional beds to clearly demonstrate what impact such an addition would have on the contract hospitals program.

VA concurred with our recommendations but believed that on-going contract care should be phased out in a reasonable manner, consistent with principles of good medical care. Public Law 92-520, enacted October 26, 1978, requires VA by February 1, 1980, to prepare a report which includes (1) an assessment of veterans' health care needs in the Commonwealth of Puerto Rico and the Virgin Islands and (2) recommendations on the best ways to address these health care needs within existing VA authority. (HRD-78-84, 3-30-78)

Appropriations

Veterans Administration—medical care.

Appropriations Committee Issues

The Subcommittee needs to monitor VA's compliance with P.L. 95-520 and to assess any requests for funds for additional beds for the San Juan Hospital.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Inappropriate Number of Acute Care Beds Planned by VA for New Hospitals

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703).

Legislative Authority: National Health Planning and Resources Development Act of 1974 (P.L. 93-641).

The Veterans Administration (VA) is planning four replacement hospitals as part of its construction program. The VA relied on historical patient workload data trends projected to 1985 from each of the existing facilities in making its estimates of future bed requirements. However, historical data on patient use of existing facilities are not considered a good indicator of future needs if lower cost alternatives to acute care are not readily available to VA in sufficient quantities. Without access to such alternatives as intermediate care and nursing home care, VA hospital patients would tend to remain longer than necessary in acute care beds, and historical data on patient use would be artificially inflated.

Findings/Conclusions: To suggest a way to overcome these problems, a new model was developed which analyzed past practices and determined what different degrees of care should have been provided. The model is designed to analyze computerized medical records of each patient discharged from the existing VA hospital and to determine how long, on an average, such a patient would have remained in an acute care bed section of a non-Federal community hospital. The model does not suggest that VA hospital beds are used for patients without medical problems but that their problems often do not require the resources associated with acute care beds for the full period of their medical treatment. The VA's method of projecting admissions and average length of stay should be changed because it does not adequately discern between acute and other types of care or show expected changes in the age mix of eligible veterans.

Recommendations: The Congress should require that the VA justify all new and replacement hospitals, in terms of priority, on the basis of a clear and explicit set of objective criteria before funding is approved.

This was our second report on sizing of VA hospitals. In a May 20, 1977, report, we recommended that VA adopt our planning methodology in estimating the size and mix of beds for replacement VA hospitals. The size estimates obtained from the model should be reported to the Congress in hospital construction proposals, and any beds requested in addition to those determined by the model should be justified separately by VA. As a result of discussions in July 1977 held among VA, GAO, and members of the staff of both the Subcommittee on HUD-Independent Agencies, and the Senate Committee on Veterans Affairs, it was agreed that VA would carefully assess our model in developing estimates for hospital bed needs. It was further agreed that where the estimates derived from our model did not agree with the VA estimates based on its own estimating techniques, VA would report to the Congress a detailed justification for the differences between its and our conclusions. This agreement, which is to be used in future hospital size estimates, was confirmed in July 1977 during floor debate between the Chairman of the Senate Veterans Affairs Committee, and the Senate Subcommittee on HUD-Independent Agencies. It was also agreed that we and VA would work together to develop a mutually acceptable model.

VA is now attempting to develop a new data base but progress and coming up with a new

model has been slow. The Senate Appropriations Subcommittee on HUD-Independent Agencies in its August 1978, report stated that the Committee believes that VA has had ample opportunity to reach a resolution of its disagreements with the GAO and expects the agency to develop a final model, in cooperation with the GAO, by the beginning of the next fiscal year. The model should then be used by the VA in developing its budget estimates for all future major hospital construction projects, including any projects currently being considered for funding in fiscal year 1980. (HRD-78-102, 5-17-78)

Appropriations

Veterans Administration—medical care

Appropriations Committee Issues

The Subcommittee should continue to monitor VA's activities in developing a sizing model and once developed, direct VA to use the model in developing its budget estimates for all future major hospital construction projects.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Recruitment and Retention of Veterans Administration Health Care Workers Are Not Major Problems.

Budget Function: Health: Health Care Services (551).

Legislative Authority: (89 Stat. 669; P.L. 94-123). B-131808 (1957). 38 U.S.C. 73. 5 U.S.C. 5301. 5 U.S.C. 5333.

Certain health care occupations have a large number of employees, critical responsibilities, and relatively high turnover rates. These occupations were chosen for review in an analysis of recruitment and retention problems of health care personnel, other than dentists and physicians, in the Department of Medicine and Surgery with respect to basic pay and premium and overtime pay rates: registered nurses; licensed vocational practical nurses; nursing assistants; physical therapists; occupational therapists; medical technologists; radiology technicians (diagnostic); pharmacists; nuclear medicine technicians; and inhalation therapy technicians.

Findings/Conclusions: The VA does not have widespread problems in recruiting and retaining health care workers: VA hospital workers' salaries generally were comparable to or higher than those in the non-Federal facilities; most workers who quit VA did not cite pay as the main reason; current workers were generally satisfied with their salaries; and turnover rates for VA workers were usually lower than for similar non-Federal workers. Recruitment problems were caused by: shortages of personnel in certain occupations; and isolated locations of some VA hospitals. Retention problems were caused by employees leaving the area, with family responsibilities, seeking self-development, and leaving for personal reasons. Morale problems have been created by the differences between the pay systems used to employ hospital workers, primarily between the Federal

Wage System, under which many unskilled workers are hired, and the Department of Medicine and Surgery systems, under which college-trained, skilled workers are often hired. Workers under the former system earn much more.

Recommendations: The Congress should not enact special pay legislation to deal only with VA hospital workers. The problems should not be dealt with piecemeal. The recommendations of the President's Panel on Federal Compensation and in GAO's prior reports regarding pay setting and adjusting (multischedules and determining pay by locality for many Federal employees and eliminating the legislative restraints to achieving comparability with the non-Federal sector) have merit and should be implemented.

Recommendations were to the Congress, therefore, VA did not reply and no action was recommended for the agency. No Congressional action has been taken to date. (HRD-77-57, 3-31-77)

Appropriations

Veterans Administration—medical care

Appropriations Committee Issues

Special pay legislation should not be enacted to deal only with VA hospital workers.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Role and Use of Optometry in the Veterans Administration Need Improvement

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (703).

Legislative Authority: Veterans Hospitalization and Medical Services Modernization Amendments (38 U.S.C. 4101 (b); 38 U.S.C. 5051). Veterans Health Care Expansion Act of 1973 (P.L. 93-82; 38 U.S.C. 4107). Veterans Canibus Health Care Act of 1976 (P.L. 94-581; 38 U.S.C. 4102). S. Dept. 94-1206.

The Veterans Administration's (VA's) Department of Medicine and Surgery is responsible for providing medical care (including optometry) for eligible veterans. A significant percentage of veterans have eye/vision disorders which require care.

Findings/Conclusions: Under VA's present eye/vision program, many veterans may not be receiving the needed care. In comparison to other health care systems, VA employs few optometrists and participates in few optometric training programs although legislation authorizes these activities. An expanded use of optometrists would help to meet the eye/vision care needs of veterans. VA has made an effort to improve its program to meet these needs by employing optometrists and participating in academic affiliations with schools of optometry. However, these efforts have been hindered by resistance from ophthalmologists, space and/or funding limitations, and lack of adequate direction and planning from the VA Central Office. This office has delegated its central management responsibilities to individual hospital and clinic directors. A more active role by the office would help to insure the success of optometric programs.

Recommendations: The Administrator of Veterans Affairs should direct the Chief Medical Director to: determine the adequacy of existing optometrist/ophthalmologist staffing and eye/vision care programs at each VA medical

facility, develop eye/vision care programs using both optometrists and ophthalmologists to strengthen inadequate programs, develop guidelines for optimal optometrist/ophthalmologist staffing levels and the roles and responsibilities of optometrists, and increase VA's participation in the education and training of optometrists in cooperation with schools and colleges of optometry.

VA generally agreed with our findings and recommendations concerning eye/vision care programs using both optometrists and ophthalmologists. However, VA stated that existing organizational guidelines provide adequate direction for VA health care facilities to use in achieving coordination and cooperation between these two professional groups.

VA said it fully intends to continue efforts aimed at improved eye/vision care programs for all eligible veterans. (HRD-78-126, 6-21-78)

Appropriations

Veterans Administration—medical care

Appropriations Committee Issues

The Subcommittee needs to closely monitor the direction of VA's eye/vision care program and any request for additional funds for staffing and expanding the program.

VETERANS ADMINISTRATION

INCOME SECURITY

Veterans Administration Benefits Programs in the Philippines Need Reassessment

Budget Function: Education, Manpower, and Social Services: Training and Employment (504).

Legislative Authority: (P.L. 89-641; 38 U.S.C. 107). Armed Forces Voluntary Recruitment Act of 1945. National Service Life Insurance Act of 1940. P.L. 79-301. P.L. 94-432. P.L. 95-117. P.L. 94-502. P.L. 95-202.

Filipino veterans, primarily of World War II, are entitled by law to pensions, educational benefits, and other compensation as American veterans. However, they receive much higher benefits because the level of income in the Philippines is lower than in the United States. The situation causes many abuses of the programs in the Philippines and payments to American veterans in the United States that are disproportionate to their Filipino counterparts.

Recommendations: The Subcommittee on HUD and Independent Agencies of the Senate Committee on Appropriations should reassess the benefits programs and study the following alternatives to curtail program abuses and to better equate benefit payments with the prevailing level of income in the Philippines: retain the present level of benefits but do not increase them in the future, move Veterans Administration functions to the United States, change the basis used to compute benefits, and set up a trust fund or negotiate a lump-sum settlement with the Republic of the Philippines to cover costs of all remaining benefits. The subcommittee should also consider rescission of the authority which permits Filipinos to enlist in the U.S. Armed Forces so that they will

no longer be eligible to receive benefits. Since a reassessment of the program will probably take considerable time, the Administrator of Veterans Affairs should take the necessary actions in the interim to insure that payments are being made only to eligible beneficiaries.

VA said they were currently insuring, to the extent possible, that only eligible veterans and their families are receiving benefits. VA said they did not believe it was practical or necessary to gather additional statistical data on the various program abuses.

Congressional action to direct VA to implement some of our recommendations was pending on H.R. 5029 at the close of the 95th Congress. (HRD-78-26, 1-18-78)

Appropriations Committee Issues

The Committee needs to reassess the benefits programs and study alternatives to curtail program abuses and to better equate benefit payments with the prevailing level of income in the Philippines.

WATER RESOURCES COUNCIL

Improvements Needed by the Water Resources Council and River Basin Commissions to Achieve the Objectives of the Water Resources Planning Act of 1965

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Legislative Authority: Water Resources Planning Act of 1965.

Twelve years after the passage of the Water Resources Planning Act of 1965, only limited progress has been made in carrying out its purposes. None of the river basin commissions, for example, has completed a comprehensive water plan for its entire region. Although the Water Resources Council is required to review these plans, it still has not determined how it will conduct the reviews nor has it reviewed the partial plans that it has received.

Recommendations: The Chairman of the Water Resources Council and the chairmen of the river basin commissions should jointly prepare guidelines for the preparation and review of comprehensive, coordinated joint plans and priority reports and for the clarification of the working relationship among the Council, river basin commissions, the States, and their members. At a minimum, the guidelines should include: a description of the essential elements to be included in regional plans; a format so that plans may be compared among regions; and a procedure detailing how these plans will be reviewed, processed, and used at the various levels of government. The Chairman of the Council should encourage the Director of the Council and individual members of the Council of Representatives to take a more aggressive role in bringing unresolved matters to the at-

tion of the Council of Members for resolution.

The Council is developing a Water Assessment and Appraisal Program for the purpose of appraising national water policy and programs through the integration of water resources planning at the Federal, regional, and State levels. Also, to assist in deciding unresolved matters in a more timely manner, they abolished the Council of Representatives in October 1978. The Council also has prepared draft "Procedures for Regional Water Resource Planning" to implement our other recommendations. (CED-78-1, 10-31-77)

Appropriations

Water Resources Council—Water Resources Planning

Appropriations Committee Issues

The Committee should determine the Council's progress in implementing the Water Assessment and Appraisal Program and the draft "Procedures for Regional Water Resource Planning."

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION DEPARTMENT OF COMMERCE DEPARTMENT OF LABOR

The Federal Role in Improving Productivity: Is the National Center for Productivity and Quality of Working Life the Proper Mechanism?

Budget Function: General Government: Executive Direction and Management (802).

Legislative Authority: National Productivity and Quality of Working Life Act of 1975 (P.L. 94-136). Economic Stabilization Act (P.L. 92-210). P.L. 93-311.

The National Center for Productivity and Quality of Working Life was established in 1975 to be the focal point for a national effort to improve America's rate of economic growth. The Center established the following objectives: develop more effective approaches to improving productivity in the public sector, stimulate and support industry efforts to improve productivity, coordinate productivity enhancing efforts by Federal agencies, encourage labor-management efforts by Federal agencies, encourage labor-management cooperation to enhance productivity, recommend ways of improving the rate of capital investment, recommend changes in productivity-inhibiting government regulations, and encourage understanding and use of productivity measures.

Findings/Conclusions: The Center's objectives were not expressed in terms that facilitate measuring success or failure. However, the Center was unsuccessful in accomplishing some major functions: no assessment has been made of the extent to which Federal programs have enhanced national productivity; no recommendations have been made on how Federal programs could be better coordinated; and no recommendations have been made for revising specific laws or regulations that adversely affect productivity. The Center did not accomplish more because: it was not given resources and authority necessary to carry out its responsibilities; it was not given support by the Congress or the administration; and it failed to develop an overall plan for achieving its objectives and a system for evaluating the impact of

its programs. Although the Center has not satisfactorily fulfilled its goals, continued Federal leadership and involvement in productivity improvement is needed.

Recommendations: Leadership for private sector productivity improvement effort should be assigned to the Department of Commerce, guided by a National Productivity Council which would be charged with developing a national productivity program plan. The Office of Management and Budget should take the lead in developing an analysis of productivity to be made part of the President's budget. A unit dealing with regulatory mediation should be established in the Executive Office to develop recommendations to resolve specific regulatory problems inhibiting productivity.

The functions of the National Center for productivity and Quality of Work Life have been transferred to the Departments of Labor and Commerce and the Civil Service Commission. (FGMSD-78-26, 5-23-78)

Appropriations

Departments of Labor, Commerce, and the Civil Service Commission.

Appropriations Committee Issues

The Committees should consider appropriate funding levels for the functions that have been reassigned.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION
DEPARTMENT OF DEFENSE
DEPARTMENT OF STATE

Cost-of-Living Adjustments for New Federal Retirees: More Rational and Less Costly Processes Are Needed

Budget Function: Income Security Federal Employee Retirement and Disability (602).

Legislative Authority: Federal Employees Compensation Act. P.L. 89-205. P.L. 93-136; 5 U.S.C. 8340; 10 U.S.C. 1401; 22 U.S.C. 1121

To protect the purchasing power of retirement income, the annuities of Federal employees under the various retirement systems are automatically adjusted each March 1 and September 1 for the increase in the consumer price index during the preceding 6-month period ending December 31 and June 30, respectively. Since, by law, cost-of-living adjustments are applicable to all annuities payable on the effective date of the increase, retiring Federal employees benefit from cost-of-living increases which occurred while they were still employed. They can receive a higher starting annuity which reflects the preceding annuity cost-of-living adjustment and, depending on the timing of their retirement, may be eligible for an additional adjustment immediately. Such increases escalate the already high costs of Federal retirement by inflating the basic annuity upon which succeeding adjustments are applied and can encourage valuable, experienced employees to retire.

Findings/Conclusions: The existing process overcompensates retiring employees by providing annuity increases based on changes in the consumer price index which occurred before their retirement. Eliminating the added enrichment of compensating retiring Federal employees and new Federal retirees for living cost increases which occur while they are still in an active status would still fully protect the purchasing power of retirement annuities. Federal annuity cost-of-living adjustment processes, which fully protect the purchasing power of retirement income as living costs rise, would

still be more liberal than those of essentially all non-Federal pension systems. Few non-Federal plans have automatic adjustment provisions and those which do generally limit the amount of increase that can be granted in any 1 year. A more rational method of computing adjustments of new retirees would be to prorate their adjustments to reflect only the cost-of-living increases that occur after they retire. Proration of the annuity adjustments of new retirees would be much less costly than the existing process: over \$800 million in annuity payments could be saved over the remaining lifespans of civil service employees retiring in 1978.

Recommendations: Congress should enact legislation making the cost-of-living adjustment processes of the Civil Service, uniformed services, foreign service, Central Intelligence Agency, and Federal Reserve Board retirement systems more rational and less costly by: (1) repealing the provisions of existing law which permit retiring employees and new retirees to receive higher starting annuities because of changes in the consumer price index before their retirement; and (2) providing that new retirees' cost-of-living adjustments be prorated to reflect only consumer price index increases after their retirement.

The Civil Service Commission informed the Chairmen of the House and Senate Appropriation Committees, Senate Governmental Affairs Committee, House Post Office and Civil Service Committee, and House Government Operations Committee that it agrees the cost-of-living ad-

justment processes should be made more rational and less costly. The Commission and Office of Management and Budget are considering GAO's recommendations as well as other alternatives to the existing process. As soon as an administration position is formulated, a legislative proposal will be submitted to the Congress. (FPCD-78-2, 11-17-77)

Appropriations

Civil Service Commission—salaries and expenses

Department of Defense—salaries and expenses

Appropriations Committee Issues

The Congress should enact legislation that permits cost-of-living adjustments to be made to Federal retirement annuities only for cost-of-living increases occurring after employees retire from the Federal service.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION DEPARTMENT OF DEFENSE VETERANS ADMINISTRATION

Need to Improve the Pay Determination Process for Federal Blue-Collar Employees

Budget Function: Central Personnel Management (0805)

Legislative Authority: Federal Wage System, P.L. 92-392 Aug. 19, 1972, (5U.S.C. 5341).

Legislation approved in 1972 (5 U. S. C. 5341 *et seq*) established the Federal Wage System and enacted into law the principles, policies, and processes which previously had been handled administratively. The law provides that pay rates for Federal blue-collar employees be fixed and adjusted from time to time, by administrative action, in accordance with local prevailing rates.

The legislative pay principle of comparability is not being attained, GAO reported to the Congress, because the application of certain other legislative provisions results in substantially higher pay rates for Federal blue-collar employees than the rates of their private sector counterparts in the same localities. These other legislative provisions include (1) broadening the pay range at each non-supervisory grade to 16 percent with five equal steps, in contrast to most private sector employees that are paid under single-rate pay schedules, and use of the second step to determine comparability even though most Federal blue-collar employees are in the fourth or fifth step; (2) under certain conditions private sector wage rates used in setting Federal rates may be based on private rates of other localities; and (3) Federal night differentials are based on a percentage of employees' scheduled wage rates. The report suggested that the Congress may wish to reconsider these legislative provisions.

Other improvements needed in the pay determination process included increasing the survey coverage to make it more representative of local prevailing wages and improving the data collection techniques. To ensure that wage data is sufficiently representative, the report

stated that the Congress may wish to consider allowing State and local Governments to be included in the process and CSC should make certain administrative changes in the survey.

CSC generally agreed with most of the recommendations contained in GAO's report and has initiated projects to implement several of the recommendations and is studying others. Administration-supported legislation to bring the Federal wage system closer to the prevailing rate concept (H.R. 12843) was introduced on March 29, 1976, and referred to the House Post Office and Civil Service Committee. No action was taken in 1976 on this legislation and CSC submitted another legislative proposal on these issues on January 17, 1977. (FPCD-75-122, June 3, 1975.) Civil Service has submitted legislative proposal to Congress which, would satisfy the major criticisms we have of the blue-collar system and result in substantial savings to the Government.

The administration has, also proposed legislation to the Congress to correct the provisions of the Federal blue-collar law, but to date the Congress has not acted on this proposal. (FPCD-75-122, 6-3-75)

Appropriations

Civil Service Commission—salaries and expenses.

Appropriations Committee Issues

Comparability with the private sector is not being attained for Federal blue-collar employ-

ees because certain legislative provisions result in higher pay rates for Federal blue-collar em-

ployees than the rate of their private sector counterparts in the same localities.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION DEPARTMENT OF JUSTICE OFFICE OF MANAGEMENT AND BUDGET

Proposals to Resolve Longstanding Problems in Investigations of Federal Employees

Budget Function: General Government; General Personnel Management

Legislative Authority: Civil Service Act of 1883, sec. 2. P.L. 81-733. Executive Order 10450. Executive Order 9835.

Authority to conduct investigations of Federal personnel is based on Executive Order 10450 which united previously separate suitability, security, and loyalty programs under the framework of a security program. The Civil Service Commission is primarily responsible for conducting such investigations.

Findings/Conclusions: Since 1953, new laws and court decisions have imposed constraints in the investigation process which have had the effect of reducing the authority of employing agencies to remove employees under the provisions of the Executive Order and limiting the Commission's ability to obtain information bearing on their suitability for employment. Federal regulations provide criteria for agency classification of positions according to the sensitivity of their duties which indicates to the Commission what type of investigation to conduct. Criteria for these determinations are not clear, and many positions are classified as nonsensitive although they involve a high degree of public trust. The national agency check and inquiry as now conducted are inadequate for employees in positions with sensitive duties, while the extent of investigation is excessive for the majority of positions. Deficiencies noted in the Commission's information system were: the information gathering system has few limits or controls; the Commission has no overview on how the agencies use the information; it disseminates information developed during investigations even though much of the infor-

mation may have little relationship to disloyalty; and security files maintained on supposedly subversive individuals are not specifically authorized.

Recommendations: Congress should consolidate into one law the authority to investigate and judge the suitability of federal employees including their potential to impair national security. The Civil Service Commission should: improve agencies' consistency in classifying positions as to the scope of investigation needed, establish criteria to provide clear instructions on classifying positions based on sensitivity of duties, and assign more people to the review of agency classifications; insure that occupants of sensitive positions are investigated properly by establishing necessary controls and clear criteria; insure that loyalty investigations protect the interests of the Government and the rights of individuals; and insure that investigative information is limited to that which is needed to make suitability, security, and loyalty determinations.

The Commission agreed with the findings and principles recommended in our report, and some of the actions taken appear adequate. Other proposed actions remained inadequate and will not solve some of the critical issues we identified and reported. The Congress has not acted on our recommendation to consolidate into one law the authority to investigate. (FPCD-77-64, 12-16-77)

Appropriations

Civil Service Commission—salaries and expenses

Department of the Treasury—operations and maintenance

Appropriations Committee Issues

Costs of personnel investigations could be reduced with improved management of the investigation process

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION DEPARTMENT OF LABOR OFFICE OF MANAGEMENT AND BUDGET

Federal Compensation Comparability: Need for Congressional Action

Budget Function: Income Security: Federal Employee Retirement and Disability (602)

Legislative Authority: (P.L. 92-392: 5 U.S.C. 53). Federal Salary Act of 1967 (2 U.S.C. 351).

Most Federal employees' pay is governed by the legislated principle of comparability with pay in the private sector. Non-Federal pay rates vary among geographic areas, types of industries, size of establishments, and occupations. Provisions of the Federal pay-setting processes generally prevent the Government from considering such variances. This results in overpayment or underpayment of Federal employees in specific occupations or localities and affects the credibility of the concept of comparability.

Findings/Conclusions: Changes have been made to the Federal white-collar pay-setting process which have saved about \$3.7 billion annually, but congressional action is needed to include State and local government employees in the pay surveys and to compare benefits and pay with private sector compensation.

Recommendations: For Federal white-collar employees under the general schedule, action is needed to: establish salary schedules that are more in line with labor market characteristics, eliminate cost-of-living allowances paid to employees in nonforeign areas, develop a method to reduce or compensate for the 6-month time lag between the reference date of comparability data and the date of the pay adjustment, and develop a method for granting within-grade salary increases based on merit. For Federal blue-collar employees under the Federal wage system, action is needed to revise the five-step system for non-

supervisory grades, wage rates based on private sector rates paid in another wage area, and night-shift differentials. Action is also needed to establish a new salary system for top Federal executives.

The Civil Service Commission is developing legislation which covers most of our recommendations for improving the white and blue-collar pay setting processes. The Commission has previously submitted legislation that would have satisfied our major criticisms of the blue-collar pay setting process. Congressional action is needed, however, to make these changes. (FPCD-78-60, 7-21-78)

Appropriations

Civil Service Commission—salaries and expenses.

Office of Management and Budget—salaries and expenses.

Appropriations Committee Issues

Congressional support is needed to make appropriate changes to the Federal pay setting processes which will resolve shortcomings in these processes as well as provide needed credibility.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION DEPARTMENT OF STATE

Federal Retirement Systems: Unrecognized Costs, Inadequate Funding, Inconsistent Benefits

Budget Function: Income Security: Federal Employee Retirement and Disability (602).

Legislative Authority: Title 5, chapter 83; title 10, chapters 61 to 73; title 14, chapters 11 and 13; title 33, chapter 17; title 42, section 212; title 22, sections 1061 to 1121; title 26, sections 7447 to 7448; title 28, chapter 17, United States Code.

The cost and liabilities of Federal retirement programs are much greater than recognized by current costing and funding procedures.

Findings/Conclusions: In 1976, seven of the Government's retirement systems paid over \$15.6 billion to retirees and the survivors of deceased employees and retirees—an increase of \$10 billion since 1970. The systems also reported liabilities exceeding \$320 billion for which less than \$44 billion had been set aside in Federal trust funds. Federal retirement systems' funding requirements vary, and in most cases are less stringent than those imposed by law on private pension plans. Usually, little or no consideration is given to the effect of future general pay increases and annuity adjustments on ultimate benefit payments, resulting in a considerable understatement of benefit costs accruing each year.

Recommendations: The Congress should enact legislation requiring that the full cost of Federal retirement systems be recognized and funded and that the difference between currently accruing cost and employee contributions be charged to agency operations. In addition, Congress should establish an overall Federal retirement policy to guide retirement system development. Centralization of committee jurisdiction over all Federal employee retirement systems would facilitate the establishment and implementation of such a policy.

Some of the agencies commenting on the draft report agreed with GAO that the full cost of retirement benefits should be recognized. Others had no comment on the recommendation. Some self-supporting agencies agreed

that the costs of their operations were being understated. Others, however, believed the Congress should appropriate funds to pay the higher costs rather than increase charges to the users of the agencies' service.

During the 95th Congress, three pieces of legislation were introduced relative to the report's recommendations—H.R. 9701, Senate Resolution 244, and H.R. 12392.

Public Law 95-595 (H.R. 9701), approved November 4, 1978, subjected all Federal pension plans to the annual financial and actuarial reporting requirements of the Employee Retirement Income Security Act of 1974. Under the law, GAO is responsible for developing the reporting standards for certain pension plans and, when appropriate, for auditing required reports.

Senate Resolution 244, adopted in June 1978, calls for GAO to study the major Federal retirement systems, using dynamic assumptions, to determine the extent of the present and future unfunded liability of each system, the method of financing each system, and the actions necessary to be taken to insure the solvency of each system.

H.R. 12392 proposed the establishment of a Department of Defense Military Retirement and Disability Fund and called for fully funding the military retirement system on a dynamic normal cost basis. However, time did not permit consideration of the legislation. (FPCD-77-48, 8-3-77)

Appropriations

Civil Service Commission—salaries and expenses

Military Personnel—Army, Navy, and Air Force

Appropriations Committee Issues

The legislation enacted in the 95th Congress was the first step toward full cost recognition and funding of retirement benefits. Similar legislation needs to be introduced and enacted for

all Federal retirement systems. Further, retirement costs need to be allocated to the participating agencies to eliminate the unrecognized subsidies that are accruing to agencies whose operations are intended to be self-supporting.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION GENERAL SERVICES ADMINISTRATION

Special Travel Benefits for Federal Employees in Nonforeign Areas

Budget Function: General Government: Central Personnel Management
Legislative Authority: P.L. 83-737

Some Federal employees and their families located in States, territories, and possessions outside the continental United States receive periodic Government-paid trips back to their former residences. The law (Public Law 83-737) authorizing these special travel benefits was enacted over 20 years ago to provide a recruiting incentive for Federal employment in such areas. Since then the cost of providing these benefits has grown to several million dollars annually. Conditions in these areas (where most Federal employees are located) have changed considerably since enactment of the law. However, Federal administrators are not authorized under the law to terminate or adjust the benefits.

GAO recommended that the Congress amend Public Law 83-737 to:

- authorize Federal administrators, within guidelines prescribed by General Services Administration and the Civil Service Commission, to offer special travel benefits only when they determine it necessary to further the recruitment and retention of qualified personnel, and
- limit the number of years that employees may continue to receive special travel ben-

efits, except for special instances where there is a demonstrated need to provide the benefits on a continuing basis.

Both GSA and the Civil Service Commission generally agreed that changes in the law to provide greater flexibility would be desirable. (FPCD-76-65, 3-2-77)

Appropriations

Civil Service Commission—Salaries and expenses. Office of Management and Budget—salaries and expenses.

Appropriations Committee Issues

Special travel benefits for certain Federal employees and their families located in nonforeign areas cost the Government several million dollars annually. Although conditions have changed considerably since enactment of the law which authorizes these benefits, the law provides no authority to adjust or terminate such benefits when warranted.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION OFFICE OF MANAGEMENT AND BUDGET

Federal White-Collar Pay Systems Need Fundamental Changes

Budget Function: Central Personnel Management (0805)

Legislative Authority: Federal Salary Reform Act of 1962

Present law provides that Federal white-collar salaries be comparable with private sector pay for the same levels of work. Pay is assessed and adjusted periodically by administrative action. Presently, there are about 1.4 million white-collar employees with a payroll cost of \$25 billion.

Findings/Conclusions: As reported to the Congress, Federal pay differs, often substantially, from private sector pay because of the method of classifying jobs and the fact that Federal pay rates are in force Government-wide, regardless of occupation or locality. Legislation should be enacted establishing more rational white-collar pay systems. Separate systems should be designed around more logical groupings of occupations, and pay should be based on the rates existing in the labor market in which each group competes.

Recommendations: To develop the necessary legislative changes, GAO recommended that the Director, Office of Management and Budget, and the Chairmen, Civil Service Commission:

- Develop logical homogeneous groupings of white-collar occupations.
- Design pay standards and systems appropriate to each group
- Develop an assessment and adjustment process for each system.
- Develop a method of granting within-grade salary increases reflecting an individual's contribution to the job which is integrated with a performance appraisal system.

—Propose legislation to establish such pay systems and paysetting processes.

OMB and CSC stated that CSC is making compensation studies on the types of shortcomings we addressed in the Federal paysetting process. These studies were made available to the President's top-level review panel and used in determining whether any changes are needed in compensation policies and practices. Although CSC has made or initiated studies to resolve the shortcomings, congressional action is needed to make appropriate changes.(FPCD-76-9, 10-30-75)

Appropriations

Civil Service Commission—salaries and expenses

Office of Management and Budget—salaries and expenses

Appropriations Committee Issues

The fixed structures of the white-collar pay schedules are ill-equipped to serve the needs of the Federal work force which has been shifting toward higher skilled occupations. These pay schedules fail to recognize that the labor market consists of distinctive major groupings which have different pay treatments. Consequently, the Government is paying, in varying degrees, more or less than labor market rates for some employees.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION OFFICE OF MANAGEMENT AND BUDGET

Government Consultants: Standard Definition and Uniform Data Needed

Budget Function: General Government: Central Personnel Management (805).

Legislative Authority: Administrative Expenses Act of 1946. 5 U.S.C. 3109. F.P.M. ch. 304.

It is not possible to determine the extent of the use of consultants by the Federal Government, at what costs, and for what purposes.

Findings/Conclusions: Five sources of centralized information were identified: The Senate Committee on Appropriations; the Senate Subcommittee on Reports, Accounting, and Management; two divisions of the Office of Management and Budget (OMB); and the Civil Service Commission (CSC). Although data available at these sources vary considerably, two data systems being developed have the potential of improving the information. The Office of Federal Procurement Policy, OMB, is developing an automated system that will report much information on each Government consultant contract over \$10,000 and provide some information on contracts under this amount. CSC is developing a system to replace its personnel data file which will contain more data on Federal employees and on appointed consultants. Lack of agreement by agencies on definitions of consultants, with more than 20 different definitions noted, has made it impossible to determine how many consultants are used by the Federal Government and at what cost.

Recommendations: The Comptroller General has suggested that an information system, rather than a reporting system, be applied to agencies to identify consultant usage. He also recommended modification of the definition of consultant, use of uniform data elements in data systems, and that OMB should be the single authority for prescribing the standard definition to be applied, data and files to be maintained, and reports to be prepared.

OMB has established policy and guidelines to be followed by executive branch agencies using consulting services. (FPCD-78-5, 11-29-77)

Appropriations

Civil Service Commission—salaries and expenses

Appropriations Committee Issues

Cost of consultants used in the Federal Government cannot be effectively controlled or managed if these costs cannot be accurately identified.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION OFFICE OF MANAGEMENT AND BUDGET

Need for a Comparability Policy for Both Pay and Benefits of Federal Civilian Employees

Budget Function: Central Personnel Management (0805).

Legislative Authority: Federal Salary Reform Act of 1962

In a report to the Congress, GAO concluded that legislation should be enacted requiring that the pay and benefits of Federal Government employees be assessed and adjusted on the basis of comparability with that received by non-Federal employees. Various laws establish the principle that pay rates for Federal employees shall be comparable with those in the private sector. These laws prescribe processes for annual review and adjustment by administrative action. There is no standard or method for assessing the adequacy of Federal employee benefit programs, however. Benefits are considered and adjusted by law on a piecemeal basis. Since the pay comparability processes do not recognize the benefit element of compensation, the processes do not meet the purposes for which the comparability principle was adopted.

Benefits are a growing and increasingly important part of both Federal and non-Federal employees' compensation. In recent years benefit expenditures in both sectors have increased proportionally more than pay. Major non-Federal employers view benefit programs generally as equal in importance to pay in determining compensation packages. They have adopted definitive policies and procedures to govern their processes for determining benefits.

GAO recommended that CSC, in coordination with OMB, should (1) develop a policy of total compensation comparability for determin-

ing Federal employees' pay and benefits and (2) propose legislation to establish the objectives, standards, criteria, and processes for achieving total compensation comparability.

CSC advised that it had made significant progress in developing a benefit analysis procedure for use in the Federal sector and had developed, and to a limited extent, tested a total compensation comparability method.

CSC, in response to our recommendation, has developed and is presently testing a total compensation comparability process. Need exists for the Commission to expedite its development and testing of a total compensation process and for the Congress to enact appropriate legislation to insure the timely implementation of this concept. (FPCD-75-62, 7-1-75)

Appropriations

Civil Service Commission—salaries and expenses

Office of Management and Budget—salaries and expenses

Appropriations Committee Issues

There is a need for a comparability policy for both pay and benefits of Federal civilian employees in order to provide equity for the Government employee with his private sector counterpart and to enable the Government to be a fair competitor in the labor market.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION OFFICE OF MANAGEMENT & BUDGET

Need to Better Control Federal White-Collar Job Classifications

Budget Function: Central Personnel Management (0805)

Legislative Authority: The Classification Act of 1949, as amended (5 U.S.C. 5101)

In 1974 the Government paid \$18 billion in salaries to 1.3 million employees under the General Schedule, its chief category of white-collar workers. In order that these employees may receive equal pay for equal work, the Government classifies General Schedule positions according to duties, responsibilities, and qualifications.

GAO reviewed the Civil Service Commission's administration of the Federal classification program and selected agencies' administration of their position classification responsibilities. Weak controls and pressures exerted on job classifications had resulted in overgraded Federal positions which increase costs and adversely affect employee morale and productivity. In a report to the Congress, GAO concluded that top Federal management must make a commitment to improve job classifications and to organize the workload of Federal departments and agencies more economically. This attitude must permeate all Government echelons. GAO recommended that the President issue a directive to the heads of Federal agencies, emphasizing the importance of position management and classification and the need to develop at all management levels a special, informed interest in economically structuring work and properly classifying positions. Agency heads should:

- Establish adequate, effective position management and classification systems,
- Have managers periodically attend training programs on position management and classification,
- Evaluate managers on how well they carry out their classification responsibilities, and

—Provide adequate numbers of trained classifiers.

In addition, CSC should:

- Keep pressure on agencies to establish their own personnel management evaluation systems, assess the adequacy of such systems, and require improvement where necessary.
- Monitor the effectiveness of actions being taken to improve CSC's own evaluations of agencies' classifications. Effective evaluations should include identifying overgrading, determining the underlying causes of classification errors, taking firm stands on issues, making prompt followup on agency corrective actions, and, when necessary, certifying positions or revoking classification authority.
- Implement the plan to update classification standards and follow it with a timely and well-controlled review cycle to ensure that standards are kept current.

CSC & OMB developed and issued a Presidential directive, May 27, 1976, to agency and department heads emphasizing effective position management and classification systems and adequate numbers of competent classifiers. (FPCD-75-173, 12-4-75)

Appropriations

Requests for funds for salaries and expenses from all departments and agencies having employees paid under the General Schedule.

Appropriations Committee Issues

1. Departments and agencies should establish effective position management and classification systems, train and evaluate managers in classification, provide adequate numbers of trained classifiers, and have adequate personnel management evaluation systems.

2. CSC should keep pressure on agencies to ensure effective personnel management evaluations, make sure that actions taken to improve CSC's own evaluations are effective, and update classification standards.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION VETERANS ADMINISTRATION

Need to Improve the Pay Determination Process for Federal Blue-Collar Employees

Budget Function: Central Personnel Management (0805)

Legislative Authority: Federal Wage System, P.L. 92-392 Aug 19, 1972, (5 U.S.C. 5341)

Legislation approved in 1972 (5 U.S.C. 5341 et seq.) established the Federal Wage System and enacted into law the principles, policies, and processes which previously had been handled administratively. The law provides that pay rates for Federal blue-collar employees be fixed and adjusted from time to time, by administrative action, in accordance with local prevailing rates.

Findings/Conclusions: The legislative pay principle of comparability is not being attained, GAO reported to the Congress, because the application of certain other legislative provisions results in substantially higher pay rates for Federal blue-collar employees than the rates of their private sector counterparts in the same localities. These other legislative provisions include (1) broadening the pay range at each non-supervisory grade to 16 percent with five equal steps, in contrast to most private sector employees that are paid under single-rate pay schedules, and use of the second step to determine comparability even though most Federal blue-collar employees are in the fourth or fifth step; (2) under certain conditions private sector wage rates used in setting Federal rates may be based on private rates of other localities; and (3) Federal night differentials are based on a percentage of employees' scheduled wage rates. The report suggested that the Congress may wish to reconsider these legislative provisions.

Recommendations: Other improvements needed in the pay determination process included increasing the survey coverage to make

it more representative of local prevailing wages and improving the data collection techniques. To ensure that wage data is sufficiently representative, the report stated that the Congress many wish to consider allowing State and local Governments to be included in the process and CSC should make certain administrative changes in the survey.

CSC generally agreed with most of the recommendations contained in GAO's report and has initiated projects to implement several of the recommendations and is studying others. Administration-supported legislation to bring the Federal wage system closer to the prevailing rate concept (H.R. 12843) was introduced in the last several Congresses, but action was not taken on it. (FPCD-75-122, 5-3-75)

Appropriations

Civil Service Commission—salaries and expenses.

Appropriations Committee Issues

Comparability with the private sector is not being attained for Federal blue-collar employees because certain legislative provisions result in higher pay rates for Federal blue-collar employees than the rate of their private sector counterparts in the same localities.

VARIOUS DEPARTMENTS AND AGENCIES

COMMUNITY SERVICES ADMINISTRATION DEPARTMENT OF AGRICULTURE DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Federal Domestic Food Assistance Programs: A Time for Assessment and Change

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Legislative Authority: Community Services Act of 1974

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

Findings/Conclusions: These programs have helped many people obtain more adequate diets. However, the large and accelerating costs of the programs, their piecemeal authorization and administration, and proposals for comprehensive welfare reform have created a need and opportunity to examine the programs' interrelationships and effectiveness. Multiple participation in the programs, which is sanctioned in legislation, has created a situation in which benefits often exceed amounts average American families of comparable size spend for food. In addition, food stamp allotments—the total value of food stamps a household could receive—alone covered 82% to 164% of the thrifty food plan diet. If adjustments to the allotments were made based on the ages and sexes of household members, about \$570 million less in benefits would be paid out annually. The extent of food benefit gaps and overlaps cannot be measured precisely because of inadequate data collection. If needed studies show that some program participants do not receive adequate benefits their benefit levels could be increased by using the savings resulting from individualizing food stamp allotments and eliminating program overlaps. Problems also result from varying eligibility criteria and procedures, lack of a uniform definition of "needy," and inadequate program

coordination. There is also a lack of adequate data to determine the proper level of benefits, interrelationships of the programs, and the nutritional effectiveness of the programs.

Recommendations: The Secretaries of Agriculture and HEW and the Director, CSA, should determine the extent of benefit overlaps and gaps among the programs; develop and carry out a way to measure Americans' nutritional status in order to evaluate the effectiveness of food assistance efforts; propose consistent income and asset eligibility requirements and procedures and study their effects on program participation, costs, and work incentives; establish demonstration projects to test procedures for individualized food stamp allotments; study the feasibility of considering benefits from one program when determining eligibility and benefits in other programs, and consolidating administrative aspects of certain programs at the local level; explore alternatives to food delivery systems in the women, infants, and children program; make sure that persons in need of specific benefits from one program are referred to other programs; and study ways to encourage the exchange of information among local administrators to identify potential and ineligible recipients. The Congress should, on the basis of the executive branch's study, adopt a definition of "needy", establish consistent criteria and procedures for who is eligible for food assistances, eliminate duplicate benefits, and require a single State/local agency to be responsible for food program administration. The Congress should also approve a national policy on how much food assistance should be provided to needy Americans, con-

solidate Federal food programs, and authorize individualized food stamp allotments nationwide if they are shown to be administratively feasible.

The Community Services Administration said that it agreed with the recommendations to reduce duplication and increase the efficiency of Federal feeding programs, but cautioned that great care must be taken to avoid reducing the total level of nutrition to the poor.

The Departments of Agriculture and Health, Education, and Welfare disagreed with several of the principal recommendations. However, due to the large amounts of benefit overlaps involved, further consideration by the Departments is warranted. (CED-78-113, 6-13-78)

Appropriations

Department of Agriculture, Food and Nutrition Service, food stamp program, special milk

program, child nutrition programs, special supplemental food program, food donations program, elderly feeding program

Department of Health, Education, and Welfare, Social Security Administration, supplemental security income program and assistance payments program; Office of Human Development, human development services

Appropriations Committee Issues

The Committees should give consideration to the gaps and overlaps existing in these programs when considering their annual appropriation levels.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

DEPARTMENT OF AGRICULTURE

Farmers Home Administration

Soil Conservation Service

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

ENVIRONMENTAL PROTECTION AGENCY

GENERAL SERVICES ADMINISTRATION

VETERANS ADMINISTRATION

Municipal and Industrial Water Conservation: The Federal Government Could Do More

Budget Function: Natural Resources, Environment, and Energy (300).

Legislative Authority: Water Resources Planning Act of 1965 (P.L. 89-80). Water Supply Act of 1958, as amended (43 U.S.C. 390b). Clean Water Act of 1977. P.L. 92-500.

An adequate supply of water is essential to the needs of the Nation's citizens and industries. While the development of some new water supplies may be needed to meet the needs of a growing population, making more efficient use of existing water supplies can help meet these needs.

Findings/Conclusions: Conserving municipal and industrial water supplies frees additional supplies for other purposes; prevents or delays construction of costly water supply and treatment facilities; decreases the amount of energy needed for pumping, treating, and heating water; and reduces the required capacity of future wastewater treatment facilities. No centralized data bank or clearinghouse on water conservation exists; such a clearinghouse could serve a useful purpose in providing water conservation information.

Recommendations: The Chairman of the Water Resources Council should take the lead in establishing an interagency task force of the Federal and non-Federal agencies involved in water supply activities which would jointly develop Federal objectives, policies, and action plans for a clearinghouse for water conservation practices involving municipal and industrial water supplies. The task force would also ascertain the current technology, additional

research needed, Federal incentives needed, priorities, and additional legislative authority needed for implementing effective water conservation practices. Unless the findings of the task force clearly justify a different approach, the Council should request the necessary authority from the Congress to make the clearinghouse activity operational. Federal agencies including the Department of Housing and Urban Development, the Bureau of Reclamation, the Soil Conservation Service, the Corps of Engineers, General Services Administration, and the Department of Defense, should encourage water conservation techniques in programs they administer.

In May, the Water Resources Council voted to delay establishing a water conservation task force until the President came forward with his water policy. The policy, issued in June, directs GSA to encourage water conservation at Federal facilities and directs Interior, Agriculture and HUD to increase farmers' and urban dwellers' technical assistance programs by \$15 million for water conservation purposes. In July, the Director WRC said the Council will reevaluate the need for a clearinghouse after the President's directives are finalized (CED-78-66, 4-3-78)

Appropriations

HUD-Independent Agencies and Department of the Interior

Appropriations Committee Issues

In reviewing the WRC appropriation's request, the Committee should determine whether sig-

nificant funding is available for WRC to operate a water conservation clearinghouse. Also, the adequacy of the water conservation measures implemented by the Federal agencies to encourage water conservation techniques should be considered when reviewing appropriations requests.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

DEPARTMENT OF AGRICULTURE

Soil Conservation Service

DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

WATER RESOURCES COUNCIL

An Overview of Benefit-Cost Analysis for Water Resources Projects: Improvements Still Needed

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Legislative Authority: Flood Control Act of 1936 (49 Stat. 1570). Water Resources Planning Act of 1965 (42 U.S.C. 1962). BOB Circular A-4. Senate Document 97. H.R. 10004 (95th Cong.). H.R. 8060 (95th Cong.). B-177442 (1974). B-167941 (1973). B-136280 (1972). B-167712 (1972). B-164844 (1969). B-125042 (1967).

Federal water resources projects are seldom authorized unless their estimated benefits exceed their estimated costs. The Water Resources Council (WRC) established principles and standards for planning water resources projects which were to help establish uniform procedures for more accurate benefit-cost analysis.

Findings/Conclusions: In spite of the importance of cost-benefit analyses, Federal water resources agencies have had a continuing problem preparing accurate, uniform, logically developed benefit-cost ratios. Present standards and criteria are not specific enough to provide guidance for developing procedures for benefit-cost analysis. Lack of uniformity in methods of computing benefits has resulted in inconsistent and questionable computations, especially in areas such as recreation, area redevelopment, and navigation benefits. In some instances, agency regulations were not being followed, and questionable assumptions and inaccurate computations were made. Also, objective analysis is hampered by agency self-interest and outside influence. Alternatives for achieving more objective and reliable analyses would be to establish a focal point within the existing organizational structure or to establish an independent group to either prepare or review benefit-cost analysis.

Recommendations: The WRC should: review principles and standards and provide specific guidance and criteria to insure uniform benefit computations, request the agencies, if they have not done so, to submit their procedures for implementing the principles and standards for approval, and review implementing procedures which have been approved for uniformity. The Secretaries of Agriculture, the Army, and the Interior should agree upon uniform methods and revise implementing procedures to insure consistency. These Secretaries should insure that internal regulations for benefit computations are specific enough to insure logical and consistent development and that they are developed for all authorized benefits used in agency calculations. They should also have their agencies strengthen their internal management review procedures for benefit-cost analyses to prevent mathematical errors, resolve inappropriate assumptions, and insure that adequate studies and supporting documentation are provided. (CED-78-127, 8-7-78)

Appropriations

Corps of Engineers—general civil construction

Department of Agriculture, Soil Conservation Service—watershed and flood prevention operations

Department of the Interior, Bureau of Reclamation—construction and rehabilitation.

be considered when reviewing appropriation requests for Federal Water resource projects.

Appropriations Committee Issues

The adequacy of the corrective actions to be taken by the Council and the agencies should

VARIOUS DEPARTMENTS AND AGENCIES

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

Improved Project Authorizations and Agency Practices Can Increase Congressional Control of Water Resources Projects

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Legislative Authority: Flood Control Act of 1965 (P.L. 89-298). Water Resources Development Act of 1974. Water Resources Development Act of 1976. Colorado River Basin Salinity Control Act, title I.

The Congress has used two separate authorization methods to control the development of funding of water resources projects—the two-phase authorization for the Corps of Engineers and an authorization ceiling for the Bureau of Reclamation. The two-phase authorization was begun in 1974 to give the Congress increased control over the design of water resources projects and the changes which occur during project planning by providing the Congress with a second look during the planning phase before authorization of construction.

Findings/Conclusions: Each of the authorization methods provides some benefits to the Congress, but neither is adequate by itself to provide effective control over planning and developing the projects. No Corps projects have been through the two-phase process because of delays by the Secretary of the Army and the Office of Management and Budget in reviewing Corps planning documents. Although the Corps must state that a project is without substantial controversy to allow a continuation of planning, no criteria for defining this term have been established. The Corps has not adequately notified the Congress of changes to projects and the reasons for them. It has exceeded estimated costs by significant amounts for noninflationary items without notifying the authorization committees and has credited inflation for too much of increased costs. Benefits of the authorization ceiling are that it serves as an early indicator of problems, limits Federal expenditures, and controls the nature and scope of projects. Current problems in

establishing the authorization ceiling are that it is established too early in the planning process for adequate data to be available, and the Bureau sometimes overstates the ceilings.

Recommendations: The Secretary of the Army should direct the Corps of Engineers to develop criteria which would identify a project as having substantial controversy, including in the criteria a recognition that opposition by the State or local sponsor qualifies as controversy; and require that post-authorization change reports be provided to the appropriate authorization committees when cost increases for noninflationary items are significant and assure that causes of cost increases are properly identified. The Secretary of the Interior should direct the Bureau of Reclamation to limit the noncontract portion of the ceiling represented by Federal salaries to increases caused by Federal classified pay raises, limit the land ceiling increases to those caused by inflation, exclude from the indexing system all expended funds on an annual basis, and improve the review process to assure compliance with Bureau regulations and guidelines. If the Congress believes that additional control over projects is warranted, an alternative method should be used that includes an improved two phase authorization coupled with an authorization ceiling.

The Bureau generally agreed with (1) our recommendations to improve project cost information provided to the Congress and (2) our alternative proposal for authorizing water re-

sources projects. However, the Corps disagreed in both cases. (CED-78-123, 7-11-78)

Appropriations

Department of the Interior—Bureau of Reclamation—general investigation and construction and rehabilitation.

Appropriations Committee Issues

GAO's suggestion to improve the two-phase authorization together with the establishment

of an authorized cost ceiling would provide the authorization committees with better control over water resources projects. The appropriations committees should evaluate the effect of this change, if implemented, on the appropriations process.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

DEPARTMENT OF THE INTERIOR

Bureau of Reclamation

FEDERAL COORDINATING COUNCIL FOR SCIENCE, ENGINEERING AND TECHNOLOGY

Actions Needed to Increase the Safety of Dams Built by the Bureau of Reclamation and the Corps of Engineers

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Legislative Authority: Reclamation Act of 1902 (43 U.S.C. 371 et seq.).

The site selection, design, and monitoring processes used by the Bureau of Reclamation and the Corps of Engineers during dam construction projects were examined to determine if the Bureau and Corps could significantly reduce the risk of dam failures through improved policies, procedures, and practices.

Findings/Conclusions: Except for the Bureau's very limited use of an independent review process during site selection, no major difference was found in Bureau and Corps procedures for selecting damsites from the standpoint of safety. During the design phase, neither the Bureau nor the Corps utilized independent consultants to review project designs and site investigations for all storage dams. Furthermore, in the past, the Bureau has not always taken steps to ensure that the intent of its designers is adequately implemented during construction. In addition, the Bureau failed to use several key monitoring and control measures to detect possible seepage in the case of the Teton Dam failure.

Recommendations: To improve the site selection process, the Bureau and the Corps should use consultants to independently evaluate site investigations. Similarly, the Bureau should utilize independent consultants to review project designs and evaluate its technical procedures for investigating and designing dams. In addition, the Bureau should establish written procedures to ensure that the design intent is achieved. More effective surveillance

procedures are needed to monitor and control dam safety during reservoir fillings. Both the Bureau and the Corps should reevaluate their policies for instrumenting dams relative to the number and types of instrumentation that should be used and the frequency for reading instruments and reporting the data to designers. The Bureau should also revise its guidelines and procedures to establish a stronger emergency preparedness program. The Secretaries of the Interior and Defense should establish a formal agreement to arrange for the prompt transmittal from Geological Survey to the Bureau and the Corps of all existing reports and information relating to an actual or potential damsite.

The Bureau of Reclamation and the Corps of Engineers are taking corrective actions to implement GAO's recommendations. The Federal Coordinating Council for Science, Engineering, and Technology is expected to issue Federal dam safety guidelines by January 1979. (CED-77-85, 6-3-77)

Appropriations

Department of the Interior, Bureau of Reclamation—construction and rehabilitation, and operation and maintenance.

Corps of Engineers—General Civil Construction.

Appropriations Committee Issues

Dam safety needs the attention of all Federal agencies who are involved in the planning, construction, operation, and disposal of dams.

The Committee should evaluate the progress being made by the Federal agencies in implementing the Federal dam safety guidelines.

VARIOUS DEPARTMENTS AND AGENCIES

**CORPS OF ENGINEERS (CIVIL FUNCTIONS)
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation
TENNESSEE VALLEY AUTHORITY**

Power Production at Federal Dams Could Be Increased by Modernizing Turbines and Generators

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Existing Federal hydroelectric plants could increase power production by modernizing turbines to increase efficiencies and capacities and by modernizing generators to increase capacities.

Findings/Conclusions: Increasing hydroelectric power production will increase the Nation's energy supply, displace consumption of nonrenewable fuels by fossil-fuel powerplants, reduce pollution, increase Federal revenues, and displace or delay construction of alternate power sources. Detailed analysis at each powerplant is needed to determine what modernization improvements might be made and if they would be cost effective. At present, the agencies do not have a system to make sure that opportunities are identified and acted upon.

Recommendations: The Secretaries of the Interior and the Army and the Chairman of the Board of the Tennessee Valley Authority should: identify opportunities to improve hydropower production through equipment modernization, implement those that are economically justified, and consider making changes before the end of the equipment's useful life; include in the economic analysis the value of oil or coal consumption displaced and, either directly or indirectly, the value of maintenance costs reduced by installing new equipment; include feasible turbine and generator modernization in their overall hydroelectric power expansion plans; and develop systems to make sure that future technological improvements are recognized and considered for implementation in existing systems.

The Bureau, Corps, and TVA agreed in concept that efficiencies and capacities may be increased at some plants. TVA officials agreed that it would be worthwhile to make preliminary studies to identify potentials. The Bureau has conducted a preliminary study which showed the potential for 584 megawatts of increased capacity. The Corps believes that opportunities for improvements are slight at its dams. (CED-77-22, 3-16-77)

Appropriations

Corps of Engineers—general investigation
Department of the Interior, Bureau of Reclamation—general investigations and construction and rehabilitation
Tennessee Valley Authority—power program

Appropriations Committee Issues

The extent of equipment modernization has not yet been identified by TVA or the Corps. The Bureau has identified potential increases in a preliminary study and is studying this in detail to support authorization for funding. In addition, the Corps is doing a three-year National hydro study to identify total hydro potential including modernization. The potential cost of modernization cannot be made until the potentials have been identified.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS) DEPARTMENT OF TRANSPORTATION

Opportunities for Large Savings by Altering Some Inland Waterway Operations

Budget Function: Commerce and Transportation: Water Transportation (406).

Legislative Authority: Department of Transportation Act of 1966 (49 U.S.C. 1651). River and Harbor Act of 1909 (P.L. 60-317). 33 U.S.C. 541. 33 U.S.C. 499.

Many Federal, State, and private drawbridges or locks are operated 24 hours a day despite little or no boat traffic during predictable periods. The U.S. Coast Guard regulates operations of drawbridges along navigable waterways, and the Army Corps of Engineers operates and maintains some inland waterway routes and owns and operates some bridges and locks. In many instances the cost to maintain unobstructed navigation at all time is enormous, and considerable savings could be realized with little impact on navigation if such services were reduced or eliminated.

Findings/Conclusions: Reducing drawbridge operations when justified by traffic patterns could save millions of dollars. In Florida, Georgia, North Carolina, South Carolina, and Virginia, 62% of the bridges analyzed were manned 24-hours a day, although 45% had less than one boat in an 8-hour period. The costs and other maintenance problems associated with the Dismal Swamp Canal outweigh its benefits. The current annual cost of keeping the canal open is \$435,000.

Recommendations: The Secretary of the Army should direct the Corps of Engineers to: analyze vessel usage of its bridges and locks, consult with users as to their ability to adjust to new operating hours, consider various alternatives for reducing hours and costs, and request Coast Guard approval for adjusting operations where the savings from reducing such operations are more than the benefits of operating continually. The Corps of Engineers should

also: determine whether States or local communities would assume the costs to maintain the Dismal Swamp Canal for through navigation, hold meetings to obtain public views regarding closure of the canal, and determine the environmental impacts of such closure. The Secretary of Transportation should require the Coast Guard to develop and disseminate to drawbridge owners criteria for evaluating requests for reducing bridge operating hours during periods of low vessel usage.

Corps officials generally agreed with the report and identified actions taken to implement our recommendations. Department of Transportation officials disagreed with our recommendations and corrective actions have been taken. (CED-78-12, 12-12-77)

Appropriations

Corps of Engineers—operation and maintenance.

Department of Transportation.

Appropriations Committee Issues

The Committee should require the Department of Transportation to provide it with information outlining the advantages and disadvantages of developing and disseminating drawbridge criteria so that the Committee can independently evaluate the need for such criteria.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS) ENVIRONMENTAL PROTECTION AGENCY

Dredging America's Waterways and Harbors. More Information on Environmental and Economic Issues

Budget Function: Natural Resources Environment, and Energy: Water Resources and Power (301).

Legislative Authority: National Environmental Policy Act of 1969, § 102 (P.L. 91-190). River and Harbor Act of 1970, §123 (P.L. 91-611). Federal Water Pollution Control Act Amendments of 1972, § 404 (P.L. 92-500). Marine Protection, Research and Sanctuaries Act of 1972; Ocean Dumping Act (P.L. 92-532).

The effects that dredging and disposing of dredged material will have on the environment have come into sharper focus within the last decade. As a result, the Army Corps of Engineers has been required by legislation, litigation, and regulations to modify its practices.

Findings/Conclusions: The Corps has undertaken a research program and changed its dredging practices at certain locations, but at much higher costs. The research is still incomplete, and the cause-and-effect relationships between materials considered contaminated and significant damage, especially long-term damage, have not been determined. Before appropriating funds for channel maintenance projects, the Congress needs adequate information on the tradeoffs between economic and environmental values.

Recommendations: The Corps should advise the Congress of how a follow-up research program can be expedited to develop and obtain information not provided by the original program. Even though the current program is almost complete, the Environmental Protection Agency (EPA) should participate in the final stages of the program by assigning staff to work full time with the Corps' researchers in inter-

preting research results and developing final conclusions for the program. EPA should participate fully in any follow-up program from the beginning. The Corps, in coordination with EPA, should prepare and provide appropriate information to the Congress when EPA objects to methods or location of the Corps' disposal activities. Agency officials agreed in principle with GAO's recommendations, but questioned how they would be implemented. (CED-77-74, 6-28-77)

Appropriations

Corps of Engineers (Civil Functions)—operation and maintenance.

Appropriations Committee Issues

The Committee should obtain information concerning the cost of, and basis for, alternatives to those proposed Corps dredging projects where EPA objects to the disposal method of location so that the Committee can evaluate the tradeoffs between economic and environmental values.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS) ENVIRONMENTAL PROTECTION AGENCY

Improvements Needed in the Corps of Engineers' Regulatory Program for Protecting the Nation's Waters

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Legislative Authority: Clean Water Act of 1977; H.R. 3199 (95th Cong.). River and Harbors Act of 1899, sec. 10. Federal Water Pollution and Control Act Amendments of 1972, sec. 404.

The Army Corps of Engineers has a broad mandate to protect and conserve the Nation's waters by approving only those activities such as dredging, filling, and construction that are in the public interest. While some elements of local discretion are necessary in a program of this nature, inconsistencies and variances between the operations of the Corps' districts have been of such magnitude as to hamper the establishment of an effective nationwide program.

Findings/Conclusions: The Corp's regulatory program is difficult to manage and evaluate because of its ambiguity, size, diversity, and the variety of approaches the Corps districts use in carrying it out. The headquarters and districts will have management and evaluation difficulties until the Corps: (1) defines the geographical boundaries of the regulatory program; and (2) provides guidelines to the districts to aid in achieving expected program results and interpreting and applying regulations and guidelines.

Recommendations: The Secretary of the Army should: provide for improved management and control of the Corp's regulatory program by directing the Corps headquarters office to take a more aggressive posture in

ensuring that regulatory boundaries are defined and in providing additional guidance for districts to use in defining geographic boundaries; provide additional guidance to the districts for evaluating permit applications that involve wetlands, making cumulative impact assessments, using general and blanket permits, handling violations, and providing information to the public on proposed projects; provide additional guidance to the districts as to the methods to be used to achieve expected program results; and establish a requirement for and specific guidance to conduct periodic program evaluations. (Author/SC)

Agency generally concurred with our findings and specified actions planned to improve management and control of the program. (CED-78-17, 12-23-77)

Appropriations

Corps of Engineers—operation and maintenance.

Appropriations Committee Issues

The Committee should ascertain the reasonableness of the Corps' plans for satisfying the concerns expressed in the GAO report.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS) ENVIRONMENTAL PROTECTION AGENCY

Metropolitan Chicago's Combined Water Cleanup and Flood Control Program

Budget Function: Natural Resources, Environment, and Energy: Pollution Control and Abatement (304).

Legislative Authority: Federal Water Pollution Control Act Amendments of 1972 (P.L. 92-500). Clean Water Act of 1977 (P.L. 95-217). Flood Control Act of 1936 (P.L. 74-738).

The Tunnel and Reservoir Plan (TARP) and associated projects in the Chicago, Illinois, area are part of a total water cleanup and flood control program estimated to cost about \$8 billion.

Findings/Conclusions: The Environmental Protection Agency (EPA), which contributes about 75% of project costs, has already funded \$667 million for construction of water pollution aspects. EPA funds will probably be available to complete the combined sewer overflow facilities but, with the current authorization, funds may not be available for the remaining wastewater treatment plant improvements. The Congress has not yet approved funding for the Corps of Engineers to construct flood damage reduction features. The Corps prepared a preliminary study to determine appropriate Federal interest in flood control aspects of projects, and the Congress conditionally authorized \$12 million for a study of advanced engineering and design. The completion of all segments of the program is in doubt because of delays, high and escalating costs, and funding uncertainty. Partial completion will cost a significant amount without realizing all benefits of installed facilities. No one Federal agency has oversight responsibility.

Recommendations: If funds are appropriated for the Corps study, the Secretary of the Army should require the Corps to develop alternatives for solving flood control problems and to compare benefits at various funding levels. The Congress should: establish a national policy defining the extent of Federal assistance to be provided to urban areas for such multipurpose projects; designate one agency to be responsi-

ble for the project and similar multiagency projects; require the designated agency to submit to the Congress periodic status reports; and consider whether some reduction or flexibility in water quality goals would be acceptable in the interest of economy. The Administrator, EPA, should coordinate funding from all sources before beginning future construction of projects of this nature.

The Department of the Army and EPA concurred in the message of the report and the recommendations. EPA supports the establishment of a national policy defining the extent of Federal participation in large multi-agency projects. OMB commented that direct Federal management in this project was not appropriate and did not consider it a Federal construction project. (PSAD-78-94, 5-24-76)

Appropriations

Environmental Protection Agency
Department of the Army; Corps of Engineers

Appropriations Committee Issues

All issues identified in the report are unresolved. Senator Percy requested GAO to undertake further work in this area, and report on the location and frequency of the most concentrated flooding and the damage sustained. At his request we are also analyzing the available technology to solve such flooding problems in lieu of completing the flood control segment of TARP.

VARIOUS DEPARTMENTS AND AGENCIES

**CORPS OF ENGINEERS (CIVIL FUNCTIONS)
ENVIRONMENTAL PROTECTION AGENCY
INTERNAL REVENUE SERVICE
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
OFFICE OF MANAGEMENT AND BUDGET
UNITED STATES INFORMATION AGENCY**

OMB Needs to Intensify Its Work Measurement Effort

Budget Function: General Government: Central Personnel Management (805).

Legislative Authority: OMB Bulletin 77-9. OMB Circular A-11.

The Office of Management and Budget (OMB) has directed Federal agencies to use work measurement systems, when available, in preparing their fiscal year 1979 Zero Base Budget (ZBB) submissions. Without reliable work measurement systems, budget reviewers cannot review, evaluate, and set ZBB priorities from well-supported staffing requirements. Therefore, agencies may be employing too many or too few employees to support their missions. A review was conducted of five agencies which OMB designated as having the best ZBB submissions—the Environmental Protection Agency, the Army Corps of Engineers, the United States Information Agency, the International Revenue Service, and the National Aeronautics and Space Administration.

Findings/Conclusions: The agencies reviewed varied considerably in their use of work measurement systems to determine staffing requirements. The general attitude among these agencies was that the use of work measurement systems to support staffing requirements is not mandatory. They have not received any specific guidance from OMB identifying those areas which are susceptible to work measurement. Since they do not believe that establishment of work measurement systems would be cost effective, these agencies generally do not have any immediate plans to develop such systems.

Recommendations: The Director of OMB should: identify areas where work measure-

ment systems are applicable and cost effective and enforce their use, clearly specify the functions or elements of agency responsibilities where use of work measurement systems to support staffing requirements is optional, provide agencies with assistance in developing work measurement systems and enforce their use as planning tools, and monitor the reliability of agency work measurement systems.

OMB said the President has decided that the operating responsibilities for work measurement should be assigned to line agencies while OMB should concern itself with policy formulation and coordination. The President had also decided that the Office of Personnel Management established under the Civil Service Reform Act would provide guidance to agencies on the use of work measurement. (FPCD-78-63, 7-24-78)

Appropriations

Army Corps of Engineers (Civil)—operation and maintenance, general

Various Program Appropriations for Civil Agencies.

Appropriations Committee Issues

Agency work force planning should identify the numbers of employees needed to effectively and efficiently accomplish the Government's essential work.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE DEPARTMENT OF COMMERCE

Foreign Ownership of U.S. Farmland: Much Concern, Little Data.

Budget Function: Natural Resources, Environment, and Energy: Conservation and Land Management (302).

Legislative Authority: Foreign Investment Study Act of 1974 (P.L. 93-479; 88 Stat. 1450). International Investment Survey Act of 1976 (P.L. 94-472; 90 Stat. 2059).

In response to a congressional inquiry, information was compiled on State laws that place constraints or reporting requirements on ownership of farmland by nonresident aliens and on data collected as a result of State reporting requirements. Information was also presented on the availability of data on foreign investment at state and county levels, and on alternatives for a nationwide data collection system.

Findings/Conclusions: There is virtually unanimous agreement among persons at all levels of government and in the private sector that there is, currently, no reliable data on the amount of U.S. farmland owned by nonresident aliens or on recent trends of such ownership. In the aggregate, State laws do not significantly inhibit foreign ownership of land. The laws range from general prohibitions on such ownership to a total absence of provisions dealing with this subject. As of May 1978, 25 States had laws that placed some constraints on aliens acquiring or holding farmland. Nine States had laws that generally prohibit or restrict individual alien investors residing outside the United States from owning real estate in their names. The States have collected very little data on foreign ownership of farmland. Only two States—Iowa and Minnesota—require nonresident aliens to file annual reports on their agricultural landholdings. In a survey of the 50 States, 18 indicated that foreign investment was not an actual or potential problem while 10 States felt that it could become a problem in the future. County records provided little information on foreign investment in county farmland, and local authorities expressed differing views

about the implications of nonresident aliens' purchases of farmland. Available information indicated that at least 44,700 acres (0.3 percent) of total county farmland in 25 counties in 5 States GAO visited were owned by nonresident alien interests. Current or planned Federal data collection efforts are not encouraging. Of the alternatives considered, GAO believes a Federal registration system, similar to the current resident alien registration system, may be the simplest and best means for obtaining nationwide data.

Recommendations: The Senate Committee on Agriculture, Nutrition, and Forestry should request the Department of Commerce to adjust its reporting requirements to specifically identify farmland and include such information in its report to the Congress.

The Agricultural Foreign Investment Information Act of 1978 requires registration with the Secretary of Agriculture of foreign investors who buy, hold, acquire, or transfer agricultural land. Also, at the request of the Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, GAO is following up on its June 1978 report to provide a more comprehensive look at foreign ownership of farmland. (CED-78-132, 6-12-78)

Appropriations

Department of Agriculture, Economics, Statistics, and Cooperatives Service—salaries and expenses

Department of Commerce, Economic and Statistical Analysis—salaries and expenses; Industry and Trade Administration—operations and administration

and reporting efforts relating to foreign investment in farmland.

Appropriations Committee Issues

The Committees should review the progress being made to improve Federal data collection

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE

Animal and Plant Health Inspection Service

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Public Health Service

DEPARTMENT OF JUSTICE

Immigration and Naturalization Service

DEPARTMENT OF THE TREASURY

U.S. Customs Service

Premium Pay for Federal Inspectors at U.S. Ports-of-Entry

Budget Function: Administration of Justice: Federal Law Enforcement Activities (751).

Legislative Authority: U.S. Customs Service—19 U.S.C. 267; Immigration and Naturalization Service—8 U.S.C. 1353 (a); Animal and Plant Health Inspection Service—7 U.S.C. 2260; Public Health Service—42 U.S.C. 267.

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

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

Recommendations: Congress should enact one premium pay law to apply to the four agencies' inspection services at ports of entry. Also, Congress should enact legislation (1) establishing a uniform policy on charges to be made to

parties-in-interest for inspections at ports of entry and (2) requiring the establishment of specific days and hours at each port of entry during which the full cost, including overhead, of inspections performed by any of the four agencies would be charged to the parties-in-interest.

All the agencies agreed on the need for uniform legislation but had varying views on how it could best be accomplished. (GGD-74-91, 2-14-75)

Appropriations

Department of Agriculture, Animal and Plant Inspection Service. Department of Health, Education, and Welfare, Center for Disease Control, preventive health services. Department of Justice, Immigration and Naturalization Service, salaries and expenses. Department of the Treasury, U.S. Customs Service, salaries and expenses.

Appropriations Committee Issues

1. Inequitable premium pay for Federal inspectors at U.S. ports of entry. 2. Lack of uniform policy on charges made to parties-in-interest for inspectors at ports of entry. In this connection, a public law enacted on July 12,

1976, Airport and Airway Development Act Amendments of 1976, affected the charges to parties-in-interest. This law provides that the cost of any required Federal inspection or quarantine service at airports of entry or other places of inspection as a consequence of operation of aircraft performed during regularly

established hours of service on Sundays and holidays shall not be reimbursed by the owners or operators of such aircraft. Also, the new law prohibits administrative overhead costs associated with inspections at airports from being assessed against the parties-in-interest.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE
DEPARTMENT OF LABOR
DEPARTMENT OF TRANSPORTATION
OFFICE OF MANAGEMENT & BUDGET

Developing State Automated Information Systems to Support Federal Assistance Programs: Problems and Opportunities

Budget Function: Miscellaneous: Automatic Data Processing (1001).

Legislative Authority: OMB Circular A-90. OMB Circular A-102.

Federal assistance to State and local governments is provided through about 1,000 programs administered by over 50 Federal departments and agencies. Many of these programs are so large and complex that States must use computerized systems to support them. Office of Management and Budget (OMB) Circular A-90 provides guidance to Federal agencies for cooperating with and assisting State and local governments in the coordinated development and operation of information systems.

Findings/Conclusions: The Departments of Agriculture; Labor; Transportation; and Health, Education, and Welfare (HEW) have not been effective generally in helping States to develop automated information systems to support Federal assistance programs although the Department of Labor has done more than the other departments. Agencies in these departments have not been involved in the design, development, or installation of State systems for most of the programs reviewed. Even when agencies did attempt to provide guidance and assistance, their actions were not timely. There was little evidence of coordination between Federal agencies and the States in planning, developing, or operating information systems. Instead, data processing and technical resources at the four departments have been devoted primarily to internal automated systems development.

Recommendations: The Secretaries of Agriculture, Labor, Transportation, and HEW should establish and adequately staff offices

within their departments to be responsible for State information systems supporting the agencies' assistance programs, including: assessing States' needs for an automated system and determining whether the program lends itself to a standardized system, determining the extent that States have information systems already operational and identifying States that need systems providing overall direction and coordination for system development efforts, and providing States with onsite technical assistance in installing information systems and modifying operational systems. The Director of OMB should clarify the intent of OMB Circular A-90 to disclose the circumstances under which States should be funded to develop systems independently when a model system is available, obtain the names of individuals and offices within each agency responsible for working with State information systems, and provide a forum for these Federal officials and

The agencies generally agreed with the magnitude and importance of system development efforts in support of Federal assistance programs. The agencies were also essentially in agreement with the recommendations in the report, although each took exception to some aspect of the report dealing with its own agency. OMB has published a list of Federal and State officials responsible for the development of automated information systems in support of Federal assistance programs. (FGMSD-78-31, 5-26-78)

Appropriations

Various appropriations that include funds for Federal assistance programs to State governments.

Appropriations Committee Issues

The Committees should question whether Federal agencies are providing adequate guid-

ance and support to State agencies for the development of automated information systems in support of Federal assistance programs as a means of reducing systems development costs that are funded significantly by the Federal agencies.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE

Forest Service

DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

Federal Interests Should Receive More Consideration under the Forest Highway Program

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Federal Aid Highway Act of 1970 (P.L. 91-605; 84 Stat. 1713; 84 Stat. 1737; 23 U.S.C. 101(a)). Federal Aid Road Act of 1916. Federal Highway Act of 1921. 23 U.S.C. 244(b). 23 U.S.C. 205(b). 23 C.F.R. 660 et seq.

The forest highway program, as currently administered by the Federal Highway Administration (FHWA) and the Forest Service, is not meeting the Forest Service's needs for managing the national forest resources.

Findings/Conclusions: Forest highways total about 22,000 miles and are of special Federal interest because they link the national forests to the Federal-aid highway system. The Congress, in establishing the forest highway program, expressed a special interest in providing access to Government-owned national resources as well as for the benefits of communities in or near national forest boundaries. Incremental administrative and legislative changes in the forest highway program between 1970 and 1977 have changed the program's focus from Federal control to State control and have lessened the Forest Service's input. As a result, forest highway funds were devoted to roads of primary importance to the States and had little or no relation to national forest transportation needs.

Recommendations: The Secretaries of Agriculture and Transportation should direct the FHWA and the Forest Service to jointly develop and issue specific criteria for selecting projects meriting forest highway funding and should jointly develop proposed legislation to permit those forest roads that were formerly considered forest highways to be eligible for funding under the forest highway program.

The FHWA has submitted, as part of its 1978 legislative package, a proposed change to the

present forest highway definition which would permit the development of roads which connect forest development roads to other Federal-aid highways, whether or not such roads are on a Federal-aid system. This and related definition changes are presently being considered by Congress.

The FHWA and Forest Service have jointly developed a draft of project selection criteria which will result in assigning more weight or higher priority to those projects vital to the protection, development, management, and utilization of the national forests and their resources. These criteria will be issued in the form of joint regulations by the FHWA and the Forest Service following Congress' deliberations and final action on the proposed changes to the definitions affecting forest highways. (CED-77-130, 12-13-77)

Appropriations

Department of Transportation, Federal Highway Administration—Federal-aid highways
Department of Agriculture, Forest Service.

Appropriations Committee Issues

Committee interest and concern are needed to assure the implementation of criteria for selecting projects that will meet national forest transportation needs.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE DEPARTMENT OF LABOR

What Causes Food Prices to Rise? What Can Be Done about It?

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Agricultural Act of 1970 (84 Stat. 1358). Agriculture and Consumer Protection Act of 1973 (87 Stat. 221). Food and Agriculture Act of 1977 (P.L. 95-113; 93 Stat. 913). Agricultural Marketing Agreement Act of 1937, as amended (7 U.S.C. 601). Farmer-to-Consumer Direct Marketing Act of 1976. Interstate Commerce Act. Fair Packaging and Labeling Act. Federal Food, Drug, and Cosmetic Act. P.L. 94-463. 90 Stat. 1982. 49 U.S.C. 303 (b) 15 U.S.C. 1451. 21 U.S.C. 301. H.R. 12101 (95th Cong.). H.R. 71 (95th Cong.). H.R. 902 (95th Cong.). H.R. 4279 (95th Cong.). H.R. 4280 (95th Cong.). H.R. 4590 (95th Cong.). S. 1223 (95th Cong.). S. 1835 (95th Cong.). 29 C.F.R. 1910.

According to the Bureau of Labor Statistics (BLS), food price levels increased 57% from the beginning of 1970 through 1976, including a 31% increase in 1973 and 1974. The Consumer Price Index shows that over the last 50 years food prices have been susceptible to wider fluctuations than the prices of other goods. Farm prices and food prices are generally generated in two different markets—the market for raw agricultural commodities and the market for finished food products.

Findings/Conclusions: Farm prices of raw agricultural commodities are influenced largely by such unpredictable natural forces as the weather, pests, and crop disease. Farm and food prices are influenced by other factors that affect supply such as Federal programs for cropland set-aside, commodity disposal, export sales, and marketing orders; production costs; and the length of the production cycle. Higher marketing charges have accounted for 87% of the increase in consumer expenditures since 1973. The largest food marketing cost is labor. There are four principal reasons why food prices do not always decline when the farmer receives less for the raw commodity: (1) a drop in farm value may have little or no impact on the retail price when the farm value is a small percentage of a product's price; (2) a decrease in farm value may be offset by increases in the cost of marketing, transporting, assembling, and wholesaling; (3) retail pricing methods are based on factors other than product cost; and

(4) food chains may not pass on price drops to the consumer. Several problems relating to the collection, analysis, and presentation of food price statistics published by the Federal Government have limited the statistics' reliability and usefulness.

Recommendations: If the Congress establishes a permanent Bureau of Agricultural Statistics or National Commission on Food Production, Processing, Marketing, and Pricing, it should provide the agency with the authority to assure access to food industry records and provide for adequate safeguards to protect confidential records. The Congress should direct BLS to institute a retail collection program which would allow BLS to publish nationwide average retail prices for individual commodities and allow the Department of Agriculture to resume publishing farm value-retail price spreads. The Secretary of Agriculture should direct the Department to make certain changes in their food price statistics. The Secretaries of Agriculture and Transportation and the Chairman of the Interstate Commerce Commission should conduct an indepth study of the problem of haulers of raw agricultural commodities having to drive many miles with empty trucks and should develop and propose legislation if such a need exists.

The Department of Agriculture said the report recommends actions which, if taken, would contribute significantly to improving

their ability to monitor and report the relevant indicators of food price changes on a timely basis. The Department is presently studying the feasibility of making certain recommended improvements in this area but believes that some improvements may be costly to implement.

The Department of Labor's Bureau of Labor Statistics and the Office of Management and Budget do not see any reason to change the present method of collecting, analyzing, and presenting food price statistics. (CED-78-170, 9-8-78)

Appropriations

Department of Agriculture, Economics, Statistics, and Cooperatives Service—economic

analysis and research, crop and livestock estimates

Department of Labor, Bureau of Labor Statistics—prices and cost of living

Appropriations Committee Issues

Several problems limit the reliability and usefulness of Federal published food price statistics. Food price statistics have long been of interest to the farmers, consumers, industry, Congress, and the executive branch. They have been widely used as indicators of the performance of the food production and marketing industries and of consumer spending for food. The Committees should inquire into the Departments' efforts to increase their statistics' reliability and usefulness.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE

Forest Service

DEPARTMENT OF THE INTERIOR

Heritage Conservation and Recreation Service

Federal Protection and Preservation of Wild and Scenic Rivers Is Slow and Costly

Budget Function: Natural Resources, Environment, and Energy: Recreational Resources (303).

Legislative Authority: Wild and Scenic Rivers Act (16 U.S.C. 1271).

In 1968, the Wild and Scenic Rivers Act established the policy that certain rivers which possess outstandingly remarkable scenic, recreation, geologic, fish and wildlife, historic, cultural, or other similar values should be preserved in free-flowing condition and protected for the benefit and enjoyment of present and future generations. The act designated 8 rivers as components of a national wild and scenic rivers system and provided for expansion through legislation following studies of other wild and scenic rivers by the Departments of Agriculture and the Interior and for the addition of State-administered wild and scenic rivers.

Findings/Conclusions: As of December 1977, only 11 rivers had been added to the national system although 58 rivers had been identified as potential additions. There are two reasons for the slow progress: (1) Federal agencies take an average of more than 6.5 years to complete the studies necessary to assess a river's eligibility for the national system; and (2) States have not opted to nominate State-administered rivers because national designation contributes to increased river use with the attendant problems of deterioration of scenic value and increased administrative costs. River studies are not meeting the target completion dates of 22 and 30 months suggested by the Bureau of Outdoor Recreation and the Forest Service. The primary reasons are that the two agencies have not developed or issued instructions to guide the conduct of river studies, and study teams have lacked experienced and qualified personnel. The wild and scenic values of

some rivers have deteriorated due, in part, to slow progress in designating rivers to the national system.

Recommendations: The Secretaries of Agriculture and the Interior should improve the timeliness of future river studies by: starting river studies sooner, developing guidelines on how river studies should be conducted, keeping track of how the studies are progressing and holding study teams to timeframes, using experienced personnel to conduct additional studies, integrating environmental impact studies into river studies, and using the expertise and information available in other Federal and State agencies rather than researching and developing already available information. The two Secretaries should also require the heads of their services and bureaus to work with State and local governments to minimize land acquisitions by coordinating Federal management with local zoning to preserve existing rivers.

The Departments of Agriculture and the Interior generally agreed with GAO's conclusions and recommendations. Both recognize the need to improve the timeliness of river studies and have indicated they are taking steps to implement GAO's recommendations.

Both Departments felt that GAO's analyses concerning the use of methods other than fee acquisition to protect wild and scenic river areas was too abbreviated. Agriculture agreed with GAO's recommendations but doubted that they would work in a rural environment. Interior said that potentially the advantages of local

zoning are great but pointed out that there are certain inherent problems which may be encountered in future years by relying on zoning.

Interior said that it was considering providing incentives through the use of land and water conservation funds to encourage States to develop State systems and administer components of the national wild and scenic rivers system. (CED-78-96, 5-22-78)

Appropriations

Department of the Interior, Bureau of Outdoor Recreation—renamed the Heritage Conser-

vation and Recreation Service on January 30, 1978—salaries and expenses.

Appropriations Committee Issues

Federal agencies are not always working with States and local governments to use zoning as a means of preserving rivers but are buying land and easement rights, which may be unnecessarily costly.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR
ENVIRONMENTAL PROTECTION AGENCY

Better Federal Coordination Needed to Promote More Efficient Farm Irrigation

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).

Legislative Authority: The Reclamation Act of 1902 (43 U.S.C.391 et seq.)

In some areas of the country demands for water are approaching and, in some cases, exceeding supplies. As a result, suppliers and users of water are coming to realize that this resource needs to be protected through better management. Since agriculture irrigation is the largest user of water, accounting for about 83 percent of the water consumed in the United States, this is one area where good water management is imperative.

Findings/Conclusions: Of the 8,541.6 billion gallons of water delivered to farms by the Bureau of Reclamation in 1973, less than half was productively used by the crops. Overirrigation limits crop production by removing valuable nutrients from the soil, increases farming costs by increasing maintenance, pumping, and drainage requirements, and contributes to water pollution by washing salts from the soil into streams and rivers and reducing streamflow and oxygen levels necessary for aquatic life.

GAO reported to the Congress that, although the adverse effects of overirrigating are well documented, Federal agencies did not have comprehensive data to measure the severity of damages from overirrigating or to identify to what extent various factors such as low-cost water or inaccurate estimates of when and how much water to use contribute to the problem.

Recommendations: GAO recommended that the Secretaries of the Interior and Agriculture and the Administrator of the Environmental Protection Agency undertake a coordinated effort to

- develop more complete data on the problems of inefficient irrigation.

- determine the extent to which specific factors contribute to the problem, and
- determine what Federal actions should be taken to alleviate the inefficient practice and the Federal agency, or agencies, best structured to administer such a role.

The interagency task force has been established in accordance with our recommendations. Presumably, their efforts will have a substantial impact on Federal programs for promoting agriculture water conservation, if the Task force accomplishes its goals. Thus far, a June 1978 draft report by the Task Force's Technical Work Group contains information on the overall significance of the irrigation efficiency problem but does not adequately address the basic causes and applicable Federal role. (RED-76-116, 6-22-76)

Appropriations

Department of the Interior-Bureau of Reclamation—construction and rehabilitation and operation and maintenance.

Appropriations Committee Issues

More efficient use of existing water supplies should receive proper attention from agencies responsible for the construction and operation of water supply facilities. Prior to appropriating monies for more projects, the Committees should evaluate the efforts being made by Federal agencies to improve water use efficiencies of existing structures.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE
DEPARTMENT OF THE INTERIOR
Bureau of Reclamation
ENVIRONMENTAL PROTECTION AGENCY

More and Better Uses Could Be Made of Billions of Gallons of Water by Improving Irrigation Delivery Systems

Budget Function: Natural Resources, Environment, and Energy: Water Resources and Power (301).
Legislative Authority: Reclamation Act of 1902 (43 U.S.C. 391). Rehabilitation and Betterment Act of 1949, as amended (43 U.S.C. 504). Small Reclamation Projects Acts of 1956, as amended (43 U.S.C. 422a et seq.). Distribution System Loans Act of 1955, as amended (43 U.S.C. 421b).

Agricultural irrigation uses 83% of water consumed in the United States. Large amounts of water transported to farms are wasted annually because of inefficient delivery systems which seep water.

Findings/Conclusions: The seepage problem exists throughout the West and causes a loss of water for beneficial purposes. Federal projects supply water to only about one-fifth of the total irrigated western lands, and, therefore, cooperation among State, local and Federal agencies is necessary to lessen seepage. In 1975, the Bureau of Reclamation reported a loss of 2,600 billion gallons of water during delivery, primarily through seepage. Federal agency programs related to this problem are not specifically designed or administered to effectively deal with it. Since the Department of the Interior accounts for 90% of Federal financial involvement in projects involving irrigation, it should take the lead in promoting better management practices in this area. A program for improved water conveyance systems should be designed to: improve the accuracy of reported seepage data; consider overall basin-wide effects of conveyance system improvements, including more definitive criteria for selecting the systems to improve; and identify and resolve institutional and legal constraints hampering improvements to water conveyance systems.

Recommendations: The Secretary of the Interior should take the lead in identifying all aspects of the water conveyance system problem and devising a comprehensive action program to improve system efficiency. The Department should direct the interagency task force which is being established to consider solutions to inefficient irrigation practices to also consider solutions to inefficient conveyance systems, including the development of coordinated Federal, State, and local objectives, policies, and action plans.

The interagency task force has been established in accordance with our recommendations. Presumably, their efforts will have a substantial impact on Federal programs for promoting agriculture water conservation, if the task force accomplishes its goals. Thus far, a June 1978 draft report by the Task Force's Technical Work Group contains information on the overall significance of the irrigation efficiency problem but does not adequately address the basic causes and applicable Federal role. (CED-77-117, 9-2-77)

Appropriations

Department of the Interior-Bureau of Reclamation—construction and rehabilitation and operation and maintenance

Appropriations Committee Issues

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of water supply facilities. Prior to appropriating monies for more projects, the Committees should evaluate the efforts being made by Federal agencies to improve water use efficiencies of existing structures.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE

Forest Service

DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

Federal Interests Should Receive More Consideration under the Forest Highway Program

Budget Function: Commerce and Transportation: Ground Transportation (404).

Legislative Authority: Federal Aid Highway Act of 1970 (P.L. 91-605; 84 Stat. 1713; 84 Stat. 1737; 23 U.S.C. 101(a)). Federal Aid Road Act of 1916. Federal Highway Act of 1921. 23 U.S.C. 244(b). 23 U.S.C. 205(b). 23 C.F.R. 660 et seq.

The forest highway program, as currently administered by the Federal Highway Administration (FHWA) and the Forest Service, is not meeting the Forest Service's needs for managing the national forest resources.

Findings/Conclusions: Forest highways total about 22,000 miles and are of special Federal interest because they link the national forests to the Federal-aid highway system. The Congress, in establishing the forest highway program, expressed a special interest in providing access to Government-owned national resources as well as for the benefits of communities in or near national forest boundaries. Incremental administrative and legislative changes in the forest highway program between 1970 and 1977 have changed the program's focus from Federal control to State control and have lessened the Forest Service's input. As a result, forest highway funds were devoted to roads of primary importance to the States and had little or no relation to national forest transportation needs.

Recommendations: The Secretaries of Agriculture and Transportation should direct the FHWA and the Forest Service to jointly develop and issue specific criteria for selecting projects meriting forest highway funding and should jointly develop proposed legislation to permit those forest roads that were formerly considered forest highways to be eligible for funding under the forest highway program.

The FHWA has submitted, as part of its 1978 legislative package, a proposed change to the

present forest highway definition which would permit the development of roads which connect forest development roads to other Federal-aid highways, whether or not such roads are on a Federal-aid system. This and related definition changes are presently being considered by Congress.

The FHWA and Forest Service have jointly developed a draft of project selection criteria which will result in assigning more weight or higher priority to those projects vital to the protection, development, management, and utilization of the national forests and their resources. These criteria will be issued in the form of joint regulations by the FHWA and the Forest Service following Congress' deliberations and final action on the proposed changes to the definitions affecting forest highways. (CED-77-130, 12-13-77)

Appropriations

Department of Transportation, Federal Highway Administration—Federal-aid highways
Department of Agriculture, Forest Service.

Appropriations Committee Issues

Committee interest and concern are needed to assure the implementation of criteria for selecting projects that will meet national forest transportation needs.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE GENERAL SERVICES ADMINISTRATION OFFICE OF FEDERAL PROCUREMENT POLICY

Federal Agencies Should Be Given General Multiyear Contracting Authority for Supplies and Services

Budget Function: General Government: Other General Government (806).

Legislative Authority: Federal Property and Administrative Services Act, as amended (40 U.S.C. 481). Adequacy of Appropriations Act (41 U.S.C. 11). Anti-Deficiency Act (31 U.S.C. 665). (P.L. 90-378; 10 U.S.C. 2306(g)). Small Business Act. 15 U.S.C. 631(a). 10 U.S.C. 712a. 20 Comp. Gen. 437. 33 Comp. Gen. 57. 33 Comp. Gen. 90. 42 Comp. Gen. 272. 43 Comp. Gen. 657. S. 2309 (94th Cong.). S. 3005 (94th Cong.). S. 1264 (95th Cong.). S. 1491 (95th Cong.)

Federal agencies operating under annual appropriations generally are prohibited from entering into contracts for needs occurring beyond the year for which the appropriation is made. Multiyear contracts entitle the Government to purchase services or supplies from contractors for more than 1 year. The Commission on Government Procurement has recommended that Congress enact legislation to permit multiyear contracting of supplies and services using annual or multiple-year appropriations.

Findings/Conclusions: Federal agencies with either funding or statutory authority for multiyear procurement benefit from reduced contract prices and other advantages. Annual savings of \$3 million resulting from multiyear procurement were identified on 26 contracts having an annual cost of \$14 million. The benefits of multiyear procurement include: contract prices may be reduced for agency service and supply needs, Federal agencies' administrative costs can be reduced, the quality of performance and service could increase, and competition could increase for the initial award of a Government contract. Generally, the advantages of multiyear procurement outweigh the disadvantages.

Recommendations: Congress should enact legislation authorizing multiyear procurement for Federal agencies and provide for the Office

of Federal Procurement Policy to: develop appropriate criteria for use of the procurement method, require responsible agency officials to determine when the criteria are met, and provide for the payment of cancellation costs.

The agencies commented that the advantages of multiyear procurement outweigh the disadvantages and that it would be an advantageous procurement method. They concurred in GAO's recommendations regarding the need for multi-year contracting authority and the development of criteria for its use. No significant events have happened since the report was issued. (PSAD-78-58, 1-10-78)

Appropriations

No specific appropriations are involved. The subject covers all appropriations involving funds for contracts for needs which will occur beyond the year for which the appropriation is made.

Appropriations Committee Issues

GAO believes the Congress should enact legislation authorizing general multiyear contracting authority for Federal agencies and provide for the Office of Federal Procurement Policy to develop appropriate criteria to guide the agencies in its use.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE

Farmers Home Administration

SMALL BUSINESS ADMINISTRATION

Difficulties in Coordinating Farm Assistance Programs Operated by Farmers Home Administration and Small Business Administration

Budget Function: Community and Regional Development: Disaster Relief and Insurance (453).

Legislative Authority: Small Business Act, as amended (P.L. 94-305). Consolidated Farm and Rural Development Act, as amended (P.L. 95-89). Disaster Relief Act of 1970 (15 U.S.C. 636a). H.R. 11504 (95th Cong.). H.R. 11445 (95th Cong.). S. 2146 (95th Cong.).

The Farmers Home Administration (FmHA) has traditionally been the primary Federal agency making disaster and nondisaster loans to farmers. Public Law 94-305 amended the Small Business Act to include farmers in the definition of a small business concern, allowing the Small Business Administration (SBA) to provide disaster and nondisaster loans to farmers.

Findings/Conclusions: Both FmHA and SBA administer disaster loan programs to essentially the same target population. However, differences in the programs affect borrower eligibility, amounts and types of loans made, and terms and conditions of the loans and can result in an inequitable and confusing situation for farmers. A major difference is that FmHA cannot make loans to farmers who are able to obtain credit from other sources at reasonable rates and terms whereas SBA can. The highly subsidized interest rates of disaster loans coupled with the lack of a credit-elsewhere test create a strong incentive for farmers to borrow from SBA rather than from other sources of credit. The use of SBA's regular (nondisaster) programs by farmers has been limited however. A sample of disaster loan applicants was surveyed to determine their views on the loan programs. The majority of respondents were satisfied with the services provided by both FmHA and SEA under their disaster loan programs. Most said that the time it took to receive loan funds caused no financial hardship and that the benefits were worth the efforts made to obtain them.

Recommendations: The Congress should decide whether or not it should be Government policy to make disaster assistance loans to farmers who are able to obtain credit elsewhere. Once this decision is made, the Small Business Act should be amended so that SBA is no longer authorized to make disaster loans to farmers. Congress should also enact legislation to liberalize the eligibility requirements and increase the loan limits of FmHA's regular farm loan programs. The Administrator of FmHA should propose legislation to the Congress to revise the agency's minimum loss eligibility criteria to make it more equitable. The Administrator of SBA should request joint-payee checks for amounts of any disaster payments so that the payments may be applied against borrowers' loans.

SBA agreed, generally, with the conclusions of the report that they should not continue in the farm loan business, either for regular or disaster loans. SBA also believed that the servicing of the farm disaster loans they have already made should be turned over to FmHA.

FmHA is revising its emergency loan instructions to accommodate GAO's recommendation and to implement provisions of new legislation which has, among other things, provided for an increased interest rate not to exceed 5 percent for all loss loans. The increased rate of interest is expected to substantially reduce the demand for emergency loans. FmHA also plans to administratively limit the amount of production loss loans to only that amount of production

loss in excess of 10 percent from normal for an applicant's total farming operation. (CED-78-118, 5-25-78)

Appropriations

Department of Agriculture, FmHA—Agricultural Credit Insurance Fund.

Appropriations Committee Issues

FmHA's minimum loss eligibility needs to be changed to make it more equitable.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE

National Telecommunications and Information Administration and Maritime Administration

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration and U.S. Coast Guard

Navigation Planning: Need for a New Direction

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (258).

Legislative Authority: Federal Aviation Act of 1958 (49 U.S.C. 1301), 14 U.S.C. 81

Two general classes of navigation systems are radio-navigation systems which consist of transmitters and receivers and self-contained systems which depend on internally generated radio signals or other means. A review covered 13 major enroute navigation systems, 11 radionavigation and 2 self-contained, used by civilian and military travelers and by the military to improve the accuracy of weapons delivery.

Findings/Conclusions: Overlapping navigation systems have proliferated because it has been costly to abandon older systems as new ones are developed. Of the 13 systems (1 was terminated after the review), only 4 and parts of a 5th may be required in the future because the military NAVSTAR satellite development has the potential for meeting the navigation needs of nearly all users. Departments and agencies plan to spend \$277 million over the next 3 or 4 years for equipment or development of potentially unneeded systems. A Government-wide navigation plan is needed to reduce the proliferation and overlap of navigation systems, and a strong management focus is also needed. The Congress may have to decide whether a civil or military agency should manage the NAVSTAR navigation satellite system, recognizing that civil operation may encourage earlier civil and international use but that military operation may be needed to deny high accuracy signals to hostile forces during a war or national emergency.

Recommendations: The Congress should question future requests for expenditures on navigation systems which may not be needed in later years and allow funds only when they are cost effective or on the basis of safety or combat readiness. The President should assign to a single manager the responsibility and authority to direct the prompt development and implementation of a Government-wide navigation plan along with the budgetary controls to implement those decisions. The plan should provide for its orderly and cost effective execution and be continually updated to fully recognize NAVSTAR development progress. The Secretaries of Defense and Transportation should defer unnecessary spending for unneeded navigation systems as long as NAVSTAR remains their potential replacement. The Secretary of Transportation should become an active participant in the NAVSTAR program to ensure that civil needs are considered.

OMB, Defense, Maritime Administration (Commerce) and NASA generally agreed with the need to reduce the proliferation of navigation systems and OMB is chairing an inter agency team tasked with developing a Federal navigation plan and proposals for its management structure for the President's approval. An earlier date for completion of these efforts has slipped and no new date has yet been established. DOT (FAA and Coast Guard) are strong-

ly opposed to any consolidation of systems which would affect those they now operate and most of the agencies oppose the concept of an authoritative manager (at the Executive level) of navigation matters as an incursion upon their existing authorities. In our opinion this OMB effort may not succeed unless that office is willing to strongly assert the management prerogatives of its title. The House Subcommittee on Transportation, Aviation and Weather, Committee on Science and Technology held hearings on September 27 and 28 on the NAVSTAR and other aviation developments. Witnesses from FAA, DOD, The National Telecommunications and Information Administration (Commerce), and the civil aviation testified. Nearly all the agencies have disagreed with GAO's recommendation that the spending be deferred for the modernization or expansion of systems which NAVSTAR can replace. Most have argued that a transition to NAVSTAR cannot be made before 1995 or later and that the age and deterioration of much existing equipment demand its early replacement in the interest of either safety or maintenance cost savings. To a substantial degree, GAO agrees with these premises and so advised the House Sub-

committee on Transportation, Committee on Appropriations on June 27, 1978 concerning FAA's FY79 budget request for its VORTAC modernization program. (LCD-77-109, 3-21-78)

Appropriations

Department of Defense: Army, Navy, Air Force (procurement, RDT & E)

Department of Transportation: FAA & Coast Guard (procurement, R & E)

Appropriations Committee Issues

The Subcommittees should question agencies' Request for funds for the following navigation system transmitters: LORAN-C (Coast Guard), LORAN-D (Air Force), VOR/DME & VORTAC (FAA), TACAN (Air Force and Navy) and Transit (Navy) and allow funds only if they can be cost-benefit justified (i.e. maintenance savings off-setting new equipment costs by 1995 for FAA and Coast Guard and by 1992 for the Air Force and Navy. These are dates by which a transition to NAVSTAR-GPS could be made unless the latter program itself slips.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF COMMERCE

National Telecommunications and Information Administration

DEPARTMENT OF STATE

Bureau of Economic and Business Affairs

FEDERAL COMMUNICATIONS COMMISSION

Common Carrier Bureau

Greater Coordination and a More Effective Policy Needed for International Telecommunications Facilities

Budget Function: Commerce and Transportation: Other Advancement and Regulation of Commerce (403).

Legislative Authority: Communications Act of 1934 (47 U.S.C. 151). Communications Satellite Act of 1962 (47 U.S.C. 701). Cable Landing License Act of 1921 (47 U.S.C. 34). Administrative Procedures Act (5 U.S.C. 551). Executive Order 11556. Executive Order 11191. Executive Order 10530. (Executive Order 12046.) *Home Box Office Inc., et al. v. FCC*, 567 F.2d 9 (D.C. Cir. 1977).

Although the organization of entities providing international telecommunications services varies from nation to nation, the United States and foreign entities jointly provide international telecommunications services and jointly own the cable and satellite facilities over which the services are provided. Development and implementation of a U.S. policy governing the construction and use of international telecommunications facilities involves primarily the responsibilities of the Federal Communications Commission (FCC), but can also involve the responsibilities of the State Department, the Office of Telecommunications Policy, and the Office of Telecommunications in the Department of Commerce.

Findings/Conclusions: A more effective international telecommunications facilities policy can be developed and carried out by developing specific procedures for coordinating the decisionmaking responsibilities of the agencies involved; establishing and maintaining policy guidelines for facilities which will allow U.S. international carriers and foreign entities to plan their own actions; clarifying the process of providing instructions to the Communications Satellite Corporation in its role as U.S. representative in the International Telecommunications Satellite Organization; amending the statute through which the FCC implements

an international facilities policy; and repealing the Cable Landing License Act of 1921.

Recommendations: The Chairman of the FCC should: initiate a rulemaking in which procedures will be established for the FCC to coordinate with other agencies in development and implementation of policy or international telecommunications; evaluate future international facilities within a regulatory policy framework; and establish policy guidelines for international telecommunications facilities in other parts of the world. The Congress should: amend the Communications Satellite Act of 1962 to clarify the process for instructing the Communications Satellite Corporation, amend section 214 of the Communications Act of 1934 to recognize the unique characteristics of the environment in which the Federal Communications Commission reaches an international facility decision; and repeal the Cable Landing License Act of 1921.

The Federal Communications Commission, Department of State and National Telecommunications and Information Administration agreed that more coordination was necessary and to develop procedures to improve coordination. The Federal Communications Commission agreed that it should establish Facilities policy

guidelines for other parts of the world, but has taken no action. The Commission also agreed it should develop a policy framework but was unclear on how it would implement this recommendation. The Congress has taken no action on the specific recommendations for legislative change. However, in June 1978 the Chairman and Ranking Minority Member of the House Subcommittee on Communications, Committee on Interstate and Foreign Commerce introduced H.R. 13015, the "Communications Act of 1978." This proposed act overhauls the nation's communications legislation and therefore addresses the problems identified. (CED-78-87, 3-31-78)

Appropriations

Federal Communications Commission—
Common Carrier.

Department of Commerce, National Telecommunications and Information Administration—
Develop Telecommunications and Information Policies.

Department of State—Administration of Foreign Affairs, Executive Direction and Policy Formulation

Appropriations Committee Issues

The Committees should establish that the agencies are developing the necessary coordination procedures.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE DEPARTMENT OF LABOR

Review of Compliance with Labor Standards for Service Contracts by Defense and Labor Departments

Budget Function: Income Security (600).

Legislative Authority: Service Contract Act of 1965 (41 U.S.C. 351). Fair Labor Standards Act of 1938, as amended (29 U.S.C. 201). 29 C.F.R. 4. A.S.P.R. 12-10. A.S.P.R. 10-104.2. A.S.P.R. 10-104.3.

The Service Contract Act of 1965 requires service employees working under Federal contracts worth over \$2,500 to be paid the minimum wages and fringe benefits earned by similar employees in the locality.

Findings/Conclusions: Most of 14 selected Department of Defense (DOD) procurement offices were not fully complying with the act and requirements in the Armed Services Procurement Regulation for obtaining wage determinations. Several offices did not request the determinations, some did not include them in contracts, many failed to make requests within the required time period, and some failed to give the Department of Labor (DOL) the required notices or contract award. Other DOD problems noted were: lack of personnel awareness of regulations for requesting wage determinations, minimal training related to the act, and little monitoring of compliance. DOL has had difficulty in enforcing compliance with the act and restoring employees' back wages. It does not have a direct enforcement program to review contractors or adequate staff to ensure compliance. The lack of a requirement for performance and payment bonds did not seriously

affect contractors' work but did hurt DOL efforts to restore back wages.

DOD officials agreed that the act and implementing regulations were not being fully complied with, and that corrective actions would be considered and taken. DOL officials stated that DOL does not have enough compliance officers to fully enforce the act, but a limited enforcement program has been started, including the training of field compliance personnel. (HRD-77-136, 1-19-78)

Appropriations

Departments of the Air Force, Army, and Navy.

Department of Labor, Employment Standards Administration—salaries and expenses.

Appropriations Committee Issues

DOL's enforcement of the labor standards provisions of the Service Contract Act is limited by staff shortage. Consideration should be given to DOL's need for additional staff resources for increased enforcement of the act.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE NATIONAL AERONAUTICS AND SPACE ADMINISTRATION OFFICE OF FEDERAL PROCUREMENT POLICY

Special Procurement Procedures Helped Prevent Wage Busting under Federal Service Contract in the Cape Canaveral Area

Budget Function: General Government: Other General Government (058); National Defense Department of Defense - Procurement and Contracts (806).

Legislative Authority: Service Contract Act of 1965, as amended (41 U.S.C. 351; P.L. 94-489). Classification Act (5 U.S.C. 5102(c)). Fair Labor Standards Act, as amended (29 U.S.C. 201). H. Rept. 89-948. H.R. 314 (95th Cong.). H.R. 4276 (95th Cong.). H.R. 4393 (95th Cong.). H.R. 4873 (95th Cong.). H.R. 5375 (95th Cong.). H.R. 5514 (95th Cong.). H.R. 7388 (95th Cong.). S. Rept. 89-798. S. 969 (95th Cong.). P.L. 92-473.

The Service Contract Act of 1965 protects all employees of service contractors from wage busting (lowering of wages and benefits by contractors in efforts to become low bidders) except bona fide executive, administrative, and professional employees. To discourage wage busting for professional employees, the National Aeronautics and Space Administration (NASA) and the Air Force designed special procurement procedures which were used for recompetition on three major contracts.

Findings/Conclusions: In a review of wages and fringe benefits of 881 of 1,034 employees not covered by the act, no cases of wage busting were found on two of the three contracts, and only two cases were identified on the remaining contract. In the two cases, the contractor paid salaries requested on job applications, and there was no indication of intent by the contractor to wage bust. The procurement procedures influenced contractors to submit proposals based on paying wages and fringe benefits comparable to those paid under the prior contracts, and these factors affected the proposal evaluations. The special procurement procedures demonstrate that a policy directed towards discouraging wage busting is a viable alternative to proposed legislation that would include professional employees under the act.

Recommendations: The Administrator for Federal Procurement Policy should establish a Government-wide policy to discourage wage busting of professional employees not covered by the act and require Federal agencies to include appropriate implementing language in their procurement regulations and service contracts. The Secretary of Defense and the Administrator of NASA should amend their procurement regulations to discourage wage busting of employees not covered by the act on recompetition of service contracts without waiting for a Government-wide policy.

Office of Federal Procurement Policy officials agreed with GAO's recommendation and issued a Government-wide policy directive in March 1978 requiring agencies to issue regulations to prevent wage busting during procurements under service contracts. Defense and NASA officials also agreed with GAO's recommendation and said appropriate corrective actions would be considered and taken. (HRD-78-49, 2-28-78)

Appropriations

Department of Defense—salaries and expenses.

National Aeronautics and Space Administration—salaries and expenses.

Office of Federal Procurement Policy—salaries and expenses.

tive to proposed legislation dealing with the wage busting issue such as H.R. 314 which was introduced in the 95th Congress.

Appropriations Committee Issues

Administratively implemented special procurement procedures are an effective alterna-

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY ENVIRONMENTAL PROTECTION AGENCY NUCLEAR REGULATORY COMMISSION

The Uranium Mill Tailings Cleanup: Federal Leadership at Last?

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Residual Radioactive Materials Act of 1978; H.R. 12535 (95th Cong.). Atomic Energy Act of 1954. Resource Conservation and Recovery Act of 1976. Clean Air Act of 1970. P.L. 92-314. 5 U.S.C. 553.

The Department of Energy (DOE) has proposed legislation that would allow it to enter into cooperative agreements with various States to clean up residual radioactive materials called uranium mill tailings at 22 inactive uranium mills. About 25 million tons of mill tailings have accumulated at these sites since the 1940's. Under the proposed legislation, the Federal Government would pay up to 75% of the cost of the joint program and the States would contribute the rest.

Findings/Conclusions: Advantages of the proposed program include: reducing a public health hazard, taking a step toward resolving problems of radioactive waste disposal, and improving the depressed value of land on or near which the tailings are located. Disadvantages include its estimated cost of up to \$126 million, the precedent for the Federal Government to pay for cleaning up other nuclear facilities, and the lack of full development of needed technology. The proposed legislation could accomplish its objectives, but the following areas require clarification: the legislation does not put a time limit on States' participation, it excludes some sites from the cleanup program, some sites do not have to be owned by the State or Federal Government and this could result in a future health hazard, the allocation of costs among governments is not clearly defined, there are no requirements for DOE progress reports to the Congress nor for GAO access to all pertinent documents, and unlimited Federal funding is authorized. In an existing cleanup program at Grand Junction, Colorado, only half of the project is finished after 6 years,

and problems may prevent effective completion of the rest.

Recommendations: The Secretary of Energy should report to the Congress whether mill tailings cleanup research and development has reached a point whereby the cleanup program can proceed with a high probability of success at this time, and if not, describe what remains to be done and make recommendations to assure timely completion. He should see that the cleanup program at Grand Junction is aggressively carried out and report on actions he is taking to contact property owners where measurements are incomplete and encourage them to apply for assistance, expedite the contracting process to complete remedial action work, and assess the significance of the tailings locations not under the purview of the current program. The Congress should amend the proposed legislation to put a time limit on when sites must be cleaned up, require reports to the Congress on plans to clean up sites excluded by legislation, require either Federal or State ownership of lands on which tailings are to be placed for long-term stabilization, specify costs to be borne by the States and by the Federal Government, and improve congressional control over the program.

The Congress enacted legislation that would allow the Department of Energy to enter into cooperative agreements with states to clean up residual radioactive materials at the 22 inactive uranium mills. (EMD-78-90, 6-20-78)

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition

Nuclear Regulatory Commission—salaries and expenses

tion preventing effective and timely completion of the program, the Appropriation Committee should closely monitor the new, much larger program to assure that adequate progress is made.

Appropriations Committee Issues

In view of the problems incurred in the existing mill tailing cleanup program at Grand Junc-

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Extending the Government's Policy of Self-Insurance in Certain Instances Could Result in Great Savings

Budget Function: National Defense - Defense Related Activities (054)

GAO reported to the Congress that the Government could have saved \$27 million over the 5-year period ended June 30, 1973, by extending its policy of self-insurance to (1) certain categories of inventories under negotiated fixed-price contracts and subcontracts thereunder, (2) all Government property in the hands of commercial shipyards under ship repair contracts, and (3) facilities leased to contractors and users. Accordingly, GAO recommended that the Department of Defense (DOD), National Aeronautics and Space Administration (NASA), and the Department of Energy (DOE) extend the self-insurance policy to these areas. GAO also recommended that DOD and DOE jointly study extending self-insurance to special nuclear material held by contractors under fixed-price contracts.

The Office of Management and Budget believes that our recommendations are feasible and is evaluating whether the level of savings would justify the costs involved. GAO believes extending the self-insurance policy would result in significant savings. DOD is awaiting DOE to initiate a study to determine the feasibility of self-insurance nuclear material held by contractors.

The Department of Defense has taken steps to clarify Defense Acquisition Regulations by eliminating the contractor's risk from the Government Property Clause. However, this extension of the policy of Government self-insurance applies only to facilities, special test equipment, and certain special tooling and does not apply to property to which the Government

obtained title under the Progress Payment Clause, such as parts, materials, work-in-process inventories, and technical data.

The National Aeronautics and Space Administration has indicated it would not take any action independent of the Department of Defense.

The Department of Energy has taken the position that it would be unlikely that it would extend the self-insurance policy on an across-the-board, unqualified basis. (PSAD-75-105, 8-26-75)

Appropriations

Procurement (Army) (Navy) (Air Force) (NASA) (DOE).

Appropriations Committee Issues

1. The Committee should pursue the reasons why the Government's policy of self-insurance has not been extended to:
 - The categories of inventories under negotiated fixed-price contracts, when similar inventories under cost-type contracts are self-insured, and in some instances, located in the same production facility.
 - All Government property in the hands of commercial shipyards under ship repair contracts, when the Government self-insures (a) all losses or damages to its property in excess of \$300,000 and (b) all Government property under new ship construction contracts.

- Facilities leased to contractors and users.
2. The Committee should inquire as to the status of studies aimed at determining

the feasibility of self-insuring nuclear materials held by contractor's under fixed-price contracts.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY NUCLEAR REGULATORY COMMISSION

An Unclassified Digest of a Classified Report Entitled 'Commercial Nuclear Fuel Facilities Need Better Security'

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Reorganization Act of 1974.

The Energy Research and Development Administration (ERDA) is responsible for safeguarding nuclear materials at its facilities, and the Nuclear Regulatory Commission (NRC) is charged with guarding such materials at commercial facilities. Security systems are based on material accountability and physical security.

Findings/Conclusions: Problems in accountability systems resulted from technical limitations in measurements and time lags in accounting for missing materials. The NRC could achieve more effective monitoring of materials if it changed procedures to apply to the individual material balance areas rather than to an entire plant. Weaknesses in physical security included testing of alarms, placing of guards, personnel search and access control, and emergency lighting. ERDA has more effective physical security regulations than does NRC, but NRC has more detailed accountability regulations. Security systems should be upgraded to protect against an increased threat level, using the best features of each system.

Recommendations: Congress should amend the Energy Reorganization Act of 1974 to provide independent assessments of ERDA nuclear facilities. Three alternatives for achieving this objective are to give authority to NRC, to retain responsibility within ERDA, or to authorize NRC to assess ERDA programs periodically. Under all alternatives, agencies should work together to achieve optimum procedures. ERDA's oversight activities should be insulated

from developmental functions by the appointing of the head of oversight activities for a specified term of office with clear-cut responsibilities.

NRC agreed with the recommendation that NRC be given the authority and responsibility for the independent assessment of ERDA nuclear facilities but it pointed out several complex issues that would have to be resolved before the recommendation could be implemented. DOE, on the other hand, did not think that NRC should be given any independent control or authority over ERDA facilities. It preferred to create an independent oversight authority within DOE. Congress has not taken any action on our recommendation.

Appropriations

Department of Energy: Energy—operating expenses and capital acquisition.

Appropriations Committee Issues

Congress should amend the Energy Reorganization Act of 1974 to provide independent assessments of all DOE nuclear facilities. Such assessments should cover both the adequacy of safeguarding nuclear material, and assuring the health and safety of the public from nuclear operations.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY NUCLEAR REGULATORY COMMISSION

Cleaning Up the Remains of Nuclear Facilities: A Multibillion Dollar Problem

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: H.R. 6181 (95th Cong.).

The disposal of nuclear facilities has become a special problem because of the growing number of these facilities and the radioactivity associated with them. The Energy Research and Development Administration (ERDA) and the Nuclear Regulatory Commission (NRC) have the chief responsibilities in this matter with help from the Environmental Protection Agency and the states.

Findings/Conclusions: ERDA, which is responsible for disposing of, or decommissioning, its own facilities, has not compiled relevant details for assessing problems, and facilities in need of decommissioning have been accumulating. NRC, responsible for regulating private users of nuclear materials, has done little to plan for decommissioning, and does not require owners of nuclear facilities, except for uranium mills, to develop plans or make financial provisions for future decommissioning. Thus, the State governments can be asked to pay for these problems. Only seven States require bonding or advance accumulation of funds for decommissioning. Before a strategy for meeting these problems is developed, basic questions must be answered pertaining to costs, methods of decommissioning, standards and limits for radiation levels, and the role of the States. A proposed bill directing ERDA to study decommissioning comprehensively is a possible vehicle for providing this information.

Recommendations: Congress should designate NRC as the lead Federal agency for overall decommissioning strategy. ERDA should continue research and development efforts to find alternatives, expand its present program, and plan for future decommissioning. NRC

should plan for decommissioning at the time of licensing, determine acceptable radiation levels, and encourage States to follow its lead in adopting comprehensive planning

Both DOE and NRC have taken action toward implementing GAO's recommendation. DOE has begun to compile and systematize detailed information on its facilities in need of decommissioning. NRC is conducting studies directed toward determining the cost and proper methods of decommissioning. DOE disagreed with GAO's recommendation to give NRC responsibility for development of overall decommissioning strategy. NRC disagreed with the recommendation to require licensees to provide an advanced funding mechanism that would ensure future decommissioning cost. (EMD-77-46, 6-16-77)

Appropriations

Nuclear Regulatory Commission—salaries and expenses.

Department of Energy: Energy—operating expenses and capital acquisition.

Appropriations Committee Issues

Congress should designate one lead Federal agency—the Nuclear Regulatory Commission—to approve and monitor an overall decommissioning strategy. NRC should require its licensees to establish a funding mechanism to assure the facility owners pay the cost of decommissioning.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF ENERGY NUCLEAR REGULATORY COMMISSION

Nuclear Energy's Dilemma: Disposing of Hazardous Radioactive Waste Safety

Budget Function: Natural Resources, Environment, and Energy: Energy (305).

Legislative Authority: Energy Reorganization Act of 1974, title I (42 U.S.C. 5811). National Environmental Policy Act of 1969. Atomic Energy Act of 1954. 10 C.F.R. 50.

The unsolved problem of radioactive waste disposal threatens the future of nuclear power in the United States. Nuclear critics, the public, business leaders, and Government officials concur that a solution to the disposal problem is critical to the continued growth of nuclear energy. The Energy Research and Development Administration (ERDA) has begun a program to demonstrate by the mid-1980s the feasibility and safety of placing radioactive wastes in deep geological formations.

Findings/Conclusions: Nearly all operations that produce or use nuclear materials generate radioactive waste. Locations must be found to isolate these wastes and their harmful environmental effects.

Recommendations: The Congress should amend the Energy Reorganization Act of 1974 to provide for: independent assessments of ERDA facilities intended for the temporary storage and/or long-term storage or disposal of commercial and its own transuranic contaminated waste; the temporary storage of ERDA's high level waste; and the temporary storage and/or long-term disposal of commercial spent fuel. The Administrator of ERDA should proceed to reevaluate the impact that spent fuel storage and/or disposal will have on its commercial repository program and reconsider the need for six high level waste repositories in view of disposal requirements through the year 2000. The Chairman of the Nuclear Regulatory Commission should proceed on a priority basis to complete its waste repository licensing procedures and proceed on a priority basis to include criteria for the storage or disposal of spent fuel.

NRC agreed with the recommendations to proceed on a priority basis to complete its waste repository licensing procedures and to in-

clude in its waste performance criteria, criteria for the storage or disposal of spent fuel. It also agreed to issue its generic environmental impact statement on spent fuel as soon as possible (the statement was issued in March 1978). NRC did not agree, however, with the recommendation to restrict the further compaction of spent fuel at nuclear powerplant storage pools. This disagreement was based on the belief that a restriction of spent fuel compaction at powerplants would severely impact on the new spent fuel storage program being implemented by DOE. NRC agreed that it should have licensing authority over DOE facilities for storage and disposal of nuclear wastes and/or spent fuel. DOE, however, strongly disagreed with that position. Since the completion of this report, the administration has created an "Intergovernmental Task Force on Nuclear Waste Management," whose responsibility was to develop an overall strategy on waste management. The Task Force draft report, recently released, called for the NRC licensing of all facilities associated with the interim or permanent storage of spent fuel or high level wastes. (EMD-77-47, 9-9-77)

Appropriations

Nuclear Regulatory Commission—salaries and expenses.

Department of Energy: Energy—operating expenses and capital acquisition.

Appropriations Committee Issues

Congress should designate the NRC to approve and monitor all facilities associated with nuclear waste management.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE DEPARTMENT OF COMMERCE

An Evaluation of the Use of the Transfer Income Model (TRIM) to Analyze Welfare Programs

Budget Function: Income Security: Public Assistance and Other Income Supplements (604).

Conceptual models, simplified representations of issues, are used within Government to perform program and policy analyses of complex issues in such areas as social welfare, food, energy, and transportation. The Transfer Income Model (TRIM) was designed to provide estimates of costs, caseloads, and income distributional effects of existing income tax and means-tested transfer programs, modifications to these programs, and proposed means-tested programs.

Findings/Conclusions: Since models are based on simplifications of assumptions, approximations, and judgments, the validity of results can be affected. The number of versions and modifications made it difficult to determine which TRIM version had been used for a particular policy analysis. Assumptions were made in the model to compensate for lack of accuracy, completeness, and currentness of data sources; other assumptions concerned transfer program characteristics that affect estimates. Documentation supporting the model lacked information on test results; there were some errors in the computer code; and the model was difficult to use. Since estimates made by TRIM are subject to uncertainty, the model should only be used to assess relative impacts of changes in welfare programs and as a research tool; it should not be used to provide absolute estimates. Its results should be used cautiously for long-term projections, and when developing absolute estimates, information indicating uncertainty of estimates should be provided.

Recommendations: The Secretary of Health, Education, and Welfare should reassess the

adequacy of models being used to support welfare policy analysis, including: identifying and obtaining additional data needed to analyze issues: identifying corrective measures needed to make analytical tools more effective and making necessary improvements: insuring that models are well documented, updated, and reassessed: and performing periodic studies of alternative types of analytical tools. The Secretary should also develop a plan for identifying and meeting future needs for analytical tools and data to support welfare policy analysis.

DHEW generally accepted the conclusions and recommendations and now has several ongoing efforts directed at these recommendations. The Department of Commerce has proposed to the Federal Committee on Statistical Methodology that it considers taking action on the GAO recommendations. (PAD-78-14, 11-25-77)

Appropriations

Departments of Commerce; Labor; and Health, Education, and Welfare

Appropriations Committee Issues

The use of the TRIM model for making cost and caseload estimates of welfare programs and alternatives without indicating the uncertainty of the estimates.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE DEPARTMENT OF JUSTICE

Retail Diversion of Legal Drugs: A Major Problem with No Easy Solution

Budget Function: Law Enforcement and Justice (750).

Legislative Authority: Comprehensive Drug Abuse Prevention and Control Act of 1970, title II; Controlled Substances Act (21 U.S.C. 801). 21 C.F.R. 1301. B-175425 (1972).

Because of the growing abuse of legitimate drugs and the potential for diversion by those who dispense drugs, an examination was made of the Federal and State preventive efforts at the retail level. Under the Controlled Substances Act, the Drug Enforcement Administration (DEA) is provided with extensive authority to register and regulate drug manufacturers and distributors but not practitioners. The act authorizes the agency to register practitioners authorized under State laws to dispense and prescribe controlled substances. Security regulations for safeguarding drugs are virtually nonexistent, and the agency lacks statutory authority to establish stronger ones.

Findings/Conclusions: The Drug Enforcement Administration is trying to assess and upgrade State capabilities to evaluate practitioners. Its largest effort involves diversion investigation units composed of State investigators and Federal agents who emphasize criminal investigations of practitioners. From 1972 to June 30, 1976, about 1,200 arrests have resulted from the activities of 11 of these units. Two basic approaches to solving the problem are by strengthening the direct role of the DEA or by continuing and accelerating the agency's role to help States carry the major burden.

Recommendations: Congress should change the DEA's role by authorizing it to either exer-

cise direct regulatory authority over retail-level practitioners or implement grant programs for assisting States in controlling diversions. Because of the potentially great cost of a change in the DEA's mission, the Attorney General should study the costs and benefits of these approaches or any other method to combat this problem.

Congress has not acted on our recommendation to control retail diversion. The Department of Justice has not studied the costs and benefits of the various methods of controlling retail diversion, but stated that they prefer the 'State assistance approach' rather than the 'direct approach.' (GGD-78-22, 3-10-78)

Appropriations

Department of Justice, Drug Enforcement Administration

Department of Health, Education, and Welfare, Food and Drug Administration.

Appropriations Committee Issues

Controlling retail diversion will require legislative changes and increased resources.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

Indian Health Service

DEPARTMENT OF THE INTERIOR

Bureau of Indian Affairs

The Indian Self-Determination Act: Many Obstacles Remain

Budget Function: Education, Manpower, and Social Services: Elementary, Secondary, and Vocational Education (501).

Legislative Authority: Indian Self-Determination and Education Assistance Act, title I (25 U.S.C. 450; P.L. 93-638). Buy Indian Act of 1910 (25 U.S.C. 47). Johnson-O'Malley Act of 1934 (25 U.S.C. 452). 25 C.F.R. 271. S. Rept. 93-762. S. 1017 (93rd Cong.). Indian Reorganization Act of 1934. P.O. 83-280. P.L. 94-437.

Title I of P.L. 93-638, the Indian Self-Determination Act, gives Indian tribes the opportunity to administer Federal Indian programs through contracts which they must request. The Secretaries of the Interior and Health, Education, and Welfare (HEW) are directed to contract with the tribes to plan and conduct programs which the Bureau of Indian Affairs (BIA) and/or the Indian Health Services (IHS) administer for the Indians.

Findings/Conclusions: In three areas reviewed, very little control has shifted to tribes since implementation of title I. Of 50 title I contracts given to the five selected tribes during fiscal years 1975-1977, only 1 resulted in a shift of services from the agency to the tribe, 40 represented renewals of previous contracts, and 9 were for new programs. Most tribal officials said that they did not plan to request contracts for large-scale takeover of programs, citing such obstacles as Federal procedures and policies, beliefs that contracts do not offer greater opportunities, and uncertainties and fears related to program administration and funding. Because of the agencies' interpretation of self-determination, they have adopted policies of reacting to tribal initiatives rather than encouraging tribes to contract for programs. GAO believes that the act allows the agencies to encourage and assist tribes without violating the

concept of self-determination.

Recommendations: The Secretaries of the Interior and HEW should direct BIA and IHS to establish criteria for measuring progress in implementing the Self-Determination Act and develop and implement procedures for making sure that tribes have a full understanding of their options under title I, helping tribes obtain information needed for informed decisions on assuming programs, and guiding the tribes in determining how to acquire needed skills or resources to contract for a particular program. Some tribes may require a description of programs available for contracting and a list or description of services delivered to the tribe. (HRD-78-59, 3-1-78)

Appropriations

Indian Health Service and Bureau of Indian Affairs

Appropriations Committee Issues

Congress needs to be assured that

- (1) Federal expenditures are not significantly increased as a result of the transfer of Federally managed activities to tribal controlled activities.
- (2) BIA and IHS managed activities are not forced upon the tribes.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE DEPARTMENT OF TRANSPORTATION

Hindrances to Coordinating Transportation of People Participating in Federally Funded Grant Programs: Volumes I and II

Budget Function: Commerce and Transportation: Ground Transportation (404).

One hundred and fourteen Federal programs that provide financial assistance for the transportation of people participating in Federally funded grant programs were identified. Although no express statutory or regulatory restrictions that specifically prohibit the coordination of the transportation resources of these programs were identified, there are a number of hindrances to coordination.

Findings/Conclusions: The most significant hindrance appears to be confusion at all government levels about the extent of transportation coordination Federally funded projects may engage in. Other hindrances to transportation coordination involve: problems inherent in the categorical grant approach to Federal assistance, grantee worries about funding availability, State transportation regulations, paperwork and bookkeeping problems, and lack of a concerted Federal effort.

Recommendations: The Congress should reduce this confusion by endorsing transportation coordination among various Federal programs and Federally funded projects when feasible. Consistent with the Congress' endorsement of transportation coordination, the Director of the Office of Management and Budget (OMB) should: issue regulations that provide clear guidance to grantees concerning permissible sharing of grantee transportation resources and reimbursement procedures when a project or program provides transportation for beneficiaries of another grantee or program; provide guidance on allocating property

costs among Federally funded projects when such property acquired by one project is also used by other projects; and direct heads of Federal departments and agencies to assist the OMB in developing administratively workable regulations.

Thirteen agencies commented on the report. The Office of Management and Budget disagreed with our recommendations because it was not convinced that a transportation coordination problem existed. The Community Services Administration criticized the report for not showing a greater sense of urgency about the problem. The Department of Health, Education, and Welfare believed that the most significant hindrance was lack of knowledge about coordination benefits and that adoption of GAO recommendations would be premature until the results of the Department's transportation demonstration program were available. ACTION endorsed the concept of transportation coordination among various federally funded projects when feasible. The Appalachian Regional Commission said that as a matter of policy it has promoted service consolidation for its projects. The Department of Transportation concurred with our recommendation to the Congress but concluded that it would be helpful if heads of Federal agencies would also endorse the concept. Most of the other departments and agencies were concerned with the methods of implementing coordination or the need for more or improved transportation rather

than the need for congressional endorsement of the transportation coordination concept. (CED-77-119, 10-17-77)

Committee should inquire about efforts being made in the Executive Branch to overcome coordination hindrances identified in the report.

Appropriations

Multiple

Appropriations Committee Issues

The Committees should consider GAO's recommendation to the Congress. Further, the

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Alcohol, Drug Abuse, and Mental Health Administration DISTRICT OF COLUMBIA GOVERNMENT

St. Elizabeths Hospital and District of Columbia Are Improving Their Mental Health Services

Budget Function: Health: Health Care Services (551)

Legislative Authority: The Organic Act (24 U.S.C. 161 et seq); Community Mental Health Centers Act (42 U.S.C. 2689).

St. Elizabeths Hospital is operated by the Department of Health, Education, and Welfare (HEW), but efforts have been made to transfer its administration to the District of Columbia. Its accreditation was taken away in 1975 and, currently, it is the subject of a lawsuit to provide alternative facilities for patients who do not need the level of care provided at the hospital. Mental health services in the District are also provided by three mental health centers operated by the District's Mental Health Administration and by several private facilities.

Findings/Conclusions: There has been a lack of effective joint planning, coordination, and agreement on how best to provide mental health services to District residents which has resulted in overlaps and gaps in services. Inadequacies in services result from failure of the District to provide adequate resources, reorganizations, and program cutbacks. Improvements at St. Elizabeths are needed in central admissions, treatment programs, outplacement services, work schedules, medical records management, industrial and recreational therapies, and medical and surgical services. A higher than necessary level of care was being provided at some facilities for many patients who could have been cared for in nursing or foster care homes if adequate facilities were available. The National Institute of Mental Health planned to request \$75 to \$100 million to regain accreditation for the hospital and to provide better housing for patients. Planned programs exceeded what was needed to regain accreditation, and plans have been subsequently revised. St. Elizabeths did not have an

effective system for information gathering, planning, evaluating, budgeting, staffing, and training because of inadequate implementation of a decentralized management system and inefficient use of committees for making management decisions.

Recommendations: The Mayor of the District should direct the community mental health centers to evaluate patients' needs and establish programs based on needs, direct the Emergency Mental Health Services and Combined Adult Inpatient Services units to establish followup procedures for discharged patients, and provide resources to the community mental health centers' partial hospitalization programs. The Secretary of HEW should require the superintendent of St. Elizabeths to : provide guidelines for staff use, make appropriate staffing changes, organize and monitor patient treatment plans, plan and evaluate outpatient programs, simplify the medical records system, develop admission criteria, perform cost-benefit analyses of services, establish criteria for identifying patients ready for outplacement, and work with the District to resolve outplacement problems. The Secretary should also require actions to improve the management system and administrative services at St. Elizabeths. (HRD-78-31, 9-27-78)

Appropriations

Alcohol, Drug Abuse, and Mental Health Administration.

District of Columbia Government; Department of Human Resources.

Appropriations Committee Issues

The appropriations committees, particularly the House Appropriations Committee, have expressed continuing concerns about the cost and quality of care provided by St. Elizabeths

Hospital. The changes either made or being considered as a result of this report should be of interest to these committees when considering future appropriation requests for the hospital.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

National Institutes Of Health

NATIONAL SCIENCE FOUNDATION

OFFICE OF MANAGEMENT AND BUDGET

Minimum Requirements Are Needed for Colleges and Universities to Justify Research Equipment Purchases

Budget Function: General Science, Space, and Technology: General Science and Basic Research (251).

Legislative Authority: National Science Foundation Act of 1950, as amended (42 U.S.C. 1861). OMB Circular A-110. OMB Circular A-21.

The National Science Foundation and the National Institutes of Health provide about 65% of the Federal grant funds awarded to colleges and universities to conduct scientific research and appear to be the primary sources of grant funds for research equipment. The Foundation's budget for equipment has increased about 50% between fiscal year 1976 and 1978, and the National Institutes of Health expenditures for equipment rose about 25% between 1976 and 1977. During this period, equipment expenses rose from 11% to 13% of total grant expenses for the Foundation and from 5.3% to 5.6% for the National Institutes of Health.

Findings/Conclusions: Both the Foundation and the National Institutes of Health rely mainly on the researcher to request only necessary equipment. The agencies also use their research proposal evaluation system, including peer review, budget cuts, and site visits to help eliminate unnecessary equipment requests. Both agencies expect the researcher and/or the department head to determine equipment availability in the department before requesting new equipment. Officials at six universities reviewed said they rely heavily on the researchers' personal knowledge of available equipment when determining the need for new equipment. The Foundation and the National Institutes of Health both required institutions to maintain property records and periodically conduct physical inventories. Had these re-

quirements been complied with, they could have helped institution officials determine equipment needs. According to Office of Management and Budget (OMB) Circular A-110 issued in 1976, grantees are no longer required to maintain inventory or other controls over Federally-financed equipment when they are given title to the equipment. The Foundation and the National Institutes of Health are vesting equipment title in nonprofit institutions at time of purchase.

OMB commented that existing provisions of Circular A-110 and proposed revisions to Circular A-21 satisfy our recommendation regarding minimum requirements. However, OMB intends to clarify the circulars. The circular provisions OMB cited are not applicable to grantee-owned equipment and, therefore, would not satisfy our recommendation. OMB has since reconsidered and advised major grant making agencies of a proposal to modify Circular A-110 to require inventory records be maintained for all property purchased with grant funds.

Regarding the second recommendation, OMB advised auditing agencies of the importance of reviewing college and university procedures for avoiding unnecessary equipment purchases. Improper management of equipment is a longstanding problem. Procedures for periodically checking compliance are needed to provide more attention to this matter. (HRD-78-52, 5-11-78)

Appropriations

Department of Health, Education, and welfare, National institutes of Health
Department of Labor
HUD and independent agencies—Research Programs
National Science Foundation
Office of management and budget—salaries and expenses

Appropriations Committee Issues

OMB should be requested to modify Circular A-110 to (1) require grantees to maintain and use inventory records to avoid unnecessary equipment purchases, and (2) provide for periodic checks of grantees' compliance. Currently there is little incentive for grantees to improve equipment management as Federal funds for new equipment are routinely available each year as part of research programs.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Public Health Service
OFFICE OF MANAGEMENT AND BUDGET
VETERANS ADMINISTRATION

Legislation Needed to Encourage Better Use of Federal Medical Resources and Remove Obstacles to Interagency Sharing

Budget Function: Health: Health Care Services (551).

Legislative Authority Heart Disease, Cancer, and Stroke Amendments of 1965 (42 U.S.C. 299). Comprehensive Health Planning and Public Health Service Amendments of 1966 (42 U.S.C. 246). National Health Planning and Resources Development Act of 1974 (P.L. 93-641; 42 U.S.C. 300). Economy Act (31 U.S.C. 686). 38 U.S.C. 5003. 38 U.S.C. 5053. 42 U.S.C. 254a. 10 U.S.C. 2301. 10 U.S.C. 1079. 10 U.S.C. 1074. 38 U.S.C. 213. 38 U.S.C. 628. 38 U.S.C. 613. H.R. Conf. Rep. 94-1314. Army Regulation 40-3. OMB Circular A-95.

Concern has been expressed about the increasing costs of medical care in the Nation. The Department of Defense, the Veterans Administration (VA), and the Department of Health, Education, and Welfare (HEW) have the major responsibility for providing health care directly to beneficiaries. Several laws have been enacted to encourage regional cooperation in health care.

Findings/Conclusions: Federal agencies' participation in regional health planning groups has been, for the most part, only advisory. In fiscal year 1977, the responsible agencies spent over \$6 billion to provide medical care to Federal beneficiaries and over \$700 million for care in the non-Federal sector. Increased interagency sharing is being planned, and an interagency Federal Health Resources Sharing Committee has been established. However, there are obstacles to interagency sharing such as the absence of a specific legislative mandate or guidance for this purpose, restrictive regulations and policies, and inconsistent methods for reimbursing agencies for services provided to beneficiaries of other agencies.

Recommendations: The Secretaries of Defense and HEW and the Administrator of VA should direct the committee to seek solutions to obstacles within agencies which impede

sharing, and report annually to congressional appropriations committees on progress. The Director, Office of Management and Budget (OMB) should establish a management group to work with agencies to better coordinate the development of an effective Federal sharing program. The Congress should enact legislation to establish an expanded and cost-effective interagency sharing program. The legislation should establish a policy that directs interagency sharing, authorize Federal direct health care providers to accept all categories of beneficiaries on a referral basis when advantageous, eliminate restrictions on medical services which can be shared, authorize sharing arrangements by Federal field hospital managers, authorize expansion of services for cost effectiveness, establish a policy requiring fullest use of nearby Federal medical resources, authorize a method of reimbursement for Federal hospitals in which revenues would offset expenses, and assign to OME responsibilities for coordinating interagency sharing and reporting to the Congress.

DOD, VA and HEW generally agreed with GAO's conclusions and recommendations, expressing their support for the concept of increased sharing of Federal medical resources. They cited several actions that have already been taken toward this objective, including the

establishment of the Federal Health Resources Sharing Committee.

The Office of Management and Budget, (OMB) agreed that inter-agency sharing should be improved, but did not agree with some of GAO's recommendations concerning OMB's role in increasing interagency sharing. OMB strongly disagreed with GAO's proposed legislative mandate and the extent to which the legislation would thrust OMB into the direct management of agency health programs. (HRD-78-54, 6-14-78)

Appropriations

Departments of Defense and Health, Education, and Welfare, the Veterans Administration, and the Office of Management and Budget.

Appropriations Committee Issues

Eliminating legislative and administrative obstacles and implementing a structured Federal interagency sharing program would be advantageous to both the Federal Government and its health care beneficiaries.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Health Resources Administration

VETERANS ADMINISTRATION

Department of Medicine and Surgery

Are Enough Physicians of the Right Types Trained in the United States?

Budget Function: Health: Health Care Services (551)

Legislative Authority: Health Professions Educational Assistance Act of 1963 (P.L. 88-129). Comprehensive Health Manpower Training Act of 1971 (P.L. 92-157). Health Professions Educational Assistance Act of 1976 (P.L. 94-484). Nurse Training Act of 1973 (P.L. 92-158). Veterans' Administration Medical School Assistance and Health Manpower Training Act of 1972 (P.L. 92-541) Veterans Health Care Expansion Act of 1973. (P.L. 93-82)

The Congress and the medical profession are concerned about whether the number of physicians practicing in various medical specialties is appropriate and whether a proper distribution of physicians by specialty is available in the United States. Discussion has focused on whether enough physicians will be practicing in primary care specialties and whether too many physicians are or will be practicing in other specialties. Considerable debate has also occurred on whether there is a sufficient aggregate supply of physicians in the United States.

Findings/Conclusions: No system exists to insure that the number and type of physicians trained is consistent with or related to the appropriate number needed. Decisions on the type and size of graduate medical education programs offered are usually made by individual medical school and hospital program directors without consideration of national needs. Programs offered are influenced by funds available, the need to provide balanced training within the institution, and patient care needs of training institutions. These programs are not coordinated with identical training programs offered elsewhere. At the present time, no public or private organization has overall responsibility for developing and implementing a system to see that the number and types of physician specialists are consistent with the number needed. The best way to answer the question about the total number of physicians

needed is first to determine the number of each type of specialist needed.

Recommendations: If the total number of needed first-year graduate training positions are greater than the number of physicians annually graduating from medical schools in the U.S., the Congress should consider whether: (1) additional medical schools should be established or the capacity of existing medical schools should be increased or (2) the shortage should be filled by U.S. citizens studying abroad or by medical graduates from other countries. If the total number of needed first-year graduate medical training positions should be fewer than the number of physicians annually graduating from U.S. medical schools, the Congress should explore the extent to which Federal financial assistance for increasing the number of medical school graduates is necessary and should be continued. Until the need for additional physicians is more precisely determined, the Congress should explore whether it wants the Veterans Administration to continue providing grants either to establish new medical schools or to increase the capacity of existing ones, as provided under Public Law 92-541

HEW has not yet submitted its comments to congressional committees on actions taken on GAO's recommendations required by the Legislative Reorganization Act of 1970. VA, however, stated it had submitted a legislative proposal to

substantially amend extension of P.L. 92-541 authorities. According to VA, their legislative proposal entirely deletes the program supporting new medical schools and proposes continued support of medical and other health professions education programs—without requiring increased enrollments—to achieve a better balance among all health disciplines and meet the needs for specific health care services. (HRD-77-92, 5-16-78)

Appropriations

Department of Health, Education, and Welfare, Health Resources Administration

Veterans Administration, Department of Medicine and Surgery

Appropriations Committee Issues

Considerable debate continues over whether a sufficient aggregate supply of physicians exists in the United States. Some believe there are not enough physicians in the nation, while other believe the country may soon be producing more physicians than it needs. Until the overall need for additional physicians is more precisely determined, the appropriation committees should explore whether it wants the Veterans Administration to continue providing Federal grants either to establish new medical schools or increase the capacity of existing ones, as provided under the Veterans' Administration Medical School Assistance and Health Manpower Training of 1972 (Public Law 92-541).

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE VETERANS ADMINISTRATION

Better Coordination Could Improve the Provision of Federal Health Care in Hawaii.

Budget Function: Health: Health Care Services (551).

Legislative Authority: National Health Planning and Resources Development Act of 1974 (P.L. 93-641). OMB Circular A-95.

In Hawaii, three Federal agencies — the Department of Defense (DOD) through its military services, the Veterans Administration (VA), and the Public Health Service — provide health care to a beneficiary population of about 230,000 people. Because of location and size, a unique opportunity exists in Hawaii to assure that Federal health care is delivered more economically without sacrificing the quality of care.

Findings/Conclusions: The DOD Mid-Pacific Review Committee has not systematically assessed the use of medical and dental facilities in Hawaii, but an interservice assessment of the beneficiary population residing around the various military clinics showed that a more equitable distribution of workload is possible at considerable savings to the Government. The DOD Mid-Pacific Review Committee needs specific guidance concerning how to assess the need for increasing or decreasing health care services in particular areas of the State and whether to include the resources of other Federal and non-Federal agencies in such assessments. The Committee does not have a clear mechanism to resolve differences of opinion and program emphasis among the services, and it has not received feedback from DOD headquarters when it has presented local interservice cooperation proposals for specific health care areas. Of major consequence is the opportunity afforded the Government by the planned renovation and construction project involving Tripler Army Medical Center on Oahu.

Recommendations: The Secretary of Defense should: make sure that the DOD Health Council provides the direction, guidance, and feedback needed by the Mid-Pacific Review Committee and directs that Committee to seek VA and Public Health Service representation; establish interagency agreements with VA and the Department of Health, Education, and Welfare to provide dental care in military facilities when this would be advantageous; and make sure that the Army keeps other Federal health care providers and State officials informed of its planning for the Tripler renovation and gives full consideration to their concerns.

DOD and VA agreed with GAO's recommendations. DOD subsequently identified space at Tripler which can be renovated and utilized by 20 additional VA psychiatric patients. In addition, VA stated that it was exploring with DOD the possibility of using a portion of the Tripler facility to provide such additional services as long-term care to veterans. (HRD-78-99, 5-22-78)

Appropriations

Departments of Defense and Health, Education and Welfare, and the Veterans Administration.

Appropriations Committee Issues

Tripler Army Medical Center can effectively serve as the only Federal hospital in Hawaii if

the Army, in its plan for renovating the facility, keeps other Federal health care providers and Hawaii State Health Planning and Development Agency officials fully apprised of the plans for the facility.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Public Health Service

VETERANS ADMINISTRATION

Computed Tomography Scanners: Opportunity for Coordinated Federal Planning before Substantial Acquisitions

Budget Function: Health Health Care Services (551);

Computed tomography scanning is a new diagnostic technique using X-rays. It is of little risk to patients, causes minimal discomfort compared to other diagnostic procedures, and eliminates some shortcomings of conventional X-ray methods. Scanners cost from \$300,000 to \$700,000 each; operation and maintenance expenses are estimated at several hundred thousand dollars a year. As many as 2,500 scanners may be operating in the United States by 1980. In an effort to control the acquisition of scanners, some States have imposed moratoria on their purchases. Criteria for planning and using scanners are limited.

Findings/Conclusions: The Federal Government has 16 scanners in operation and plans to purchase an additional 29--16 for the Department of Defense (DOD) and 13 for the Veterans Administration (VA). These 45 scanners will cost about \$21 million. VA has 11 scanners in operation, and DOD is installing scanners at three of its major hospitals. Only limited criteria and information were available to justify the need for or locations of these scanners. No coordination took place between VA and DOD in planning for these scanners, and neither department made sure that there will be enough people to operate the scanners as planned. Delays are anticipated in getting staff or authorization for the positions. It will be difficult to fully use the equipment, and staff relocations from other hospitals will be necessary for operation of the scanners. The Federal Government has purchased only a limited number of scanners; excess acquisition has not yet occurred. However, because of the large number that DOD and VA plan to acquire over the next few years, criteria should be de-

veloped quickly or the Federal health care system may have too many.

Recommendations: The Secretaries of Defense and Health, Education, and Welfare (HEW) and the Administrator of the VA should develop a coordinated approach for planning and using scanners. This approach should include specific criteria for assessing and justifying the need for the equipment and determining the most appropriate location; a policy requiring that, where possible, Federal agencies share scanners; and a mechanism for determining if it would be feasible and economical for Federal agencies to use those scanners located in the private sector. The Director of the Office of Management and Budget should ensure that DOD, VA, and HEW promptly develop this approach. Congress should consider limiting the number of scanners that can be purchased until the coordinated Federal approach is developed.

DOD, VA, and HEW agreed with GAO's recommendation that they develop a coordinated Federal approach for planning and using computed tomography scanners. National Guidelines for Health Planning, published in the Federal Register on March 28, 1978, contain a standard for the acquisition and use of computed tomography scanners. In addition, the Federal Health Resources Sharing Committee has established a Computerized Tomography subcommittee to (1) develop and propose guidelines and criteria for assessing and justifying the need for and appropriate locations of the scanners, (2) develop and propose utilization criteria, and (3) propose geographic areas

where opportunities exist to share computed tomography services. (HRD-78-41, 1-30-78)

Appropriations

Department of Defense and Health, Education, and Welfare and the Veterans Administration

Appropriations Committee Issues:

Congress should consider limiting the number of scanners that can be purchased until the Federal Health Resources Sharing Committee has developed appropriate guidelines and criteria for purchase and use of the scanners.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE Public Health Service VETERANS ADMINISTRATION

Patient Care and Reduction Costs

Budget Function: Health: Health Care Services (551).

Legislative Authority: Economy Act (31 U.S.C. 686). P.L. 89-785.

Cardiac catheterization is a procedure used to diagnose possible heart conditions. It is performed in 90 Federal hospitals: 66 Veterans' Administration (VA) facilities; 20 Department of Defense (DOD) facilities; 3 Public Health Service hospitals; and the National Institutes of Health clinical center in Bethesda, Maryland. Several medical professional organizations, as well as the VA, have developed guidelines for cardiac catheterization laboratories. These guidelines are intended to keep physicians' skills high and to minimize risk to patients. DOD and the Public Health Service have no such guidelines.

Findings/Conclusions: The number of cardiac catheterizations being performed in DOD and VA laboratories varied considerably. For fiscal year 1976, catheterizations performed at the Federal hospitals reviewed ranged from 574 at Walter Reed in Washington, D.C., to 60 procedures at Wright Patterson in Dayton, Ohio. Also, there was no correlation between the number of catheterizations performed and the number of physicians performing them. In addition, physicians at the hospitals had differing views of the number of catheterizations that should be performed to maintain their proficiency. In each of four geographic areas visited, there were opportunities to provide cardiac catheterization on a shared basis which could increase patient safety and reduce costs to the Government. The sharing opportunities could be accomplished within the framework of present laws governing DOD and VA operations.

Recommendations: The Secretaries of Defense and Health, Education, and Welfare (HEW) and the Administrator of Veterans Affairs should: (1) jointly develop uniform Federal

guidelines for the planning and use of Federal cardiac catheterization laboratories which associate the number of catheterization procedures to be performed with the number of physicians that should perform them; (2) consider what variances from those guidelines might be appropriate; (3) jointly analyze the use levels at the laboratories and adjust the manner in which this diagnostic service is provided, and, where feasible, provide cardiac catheterization on a joint or shared basis in a single Federal facility; and (4) consider discontinuing the procedure in Federal facilities in geographic areas where the Federal guidelines cannot be met and obtaining this service from nearby civilian hospitals. The Director of the Office of Management and Budget should oversee the offers of DOD, HEW, and the VA in developing uniform Federal guidelines for the planning and use of Federal cardiac catheterization laboratories to insure it is accomplished in an appropriate and timely manner.

HEW, VA, and DOD generally agreed with GAO's recommendations and have taken prompt action since June 1977 to begin the joint development of uniform Federal cardiac catheterization guidelines. By letter dated January 19, 1978, DOD advised GAO that the three agencies had established an interagency committee to gather baseline information regarding the present extent of interagency sharing among the three agencies. Subcommittees were established to look into the following areas: Cardiac Catheterization Laboratories, Computerized Tomography, Medical Information Systems, and Mobilization Support. VA and DOD established interim guidelines for

cardiac catheterization laboratories pending receipt of the interagency committee's recommendations. DOD also advised GAO that the cardiac catheterization laboratories at Malcolm Grow Hospital, Scott Air Base, and Naval Regional Medical Center, Great Lakes would be closed. (HRD-78-14, 11-17-77)

Appropriations

Departments of Defense and Health, Education, and Welfare and the Veterans Administration

Appropriations Committee Issues

Budget requests for funds for cardiac catheterization laboratories or similar specialized services should include justifications as to the need for the services. These justifications should adequately assess the patient demand and the possibility of using other DOD, VA, or HEW facilities.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF JUSTICE
DEPARTMENT OF TREASURY
DEPARTMENT OF TRANSPORTATION
OFFICE OF MANAGEMENT AND BUDGET

Illegal Entry at United States-Mexico Border: Multiagency Enforcement Efforts Have Not Been Effective in Stemming the Flow of Drugs and People

Budget Function: Law Enforcement and Justice: Federal Law Enforcement and Prosecution (751).

The flood of illegal aliens and illicit drugs across the United States-Mexico border continues. Federal agencies responsible for law enforcement along the border operate almost independently—little consideration is given for each other's missions. These separate yet similar lines of effort are diluting border coverage and control.

Findings/Conclusions: Although Federal expenditures to improve border control have nearly doubled since 1971, costly overlapping and poorly coordinated enforcement continues to exist. Border forces do not intercept significant quantities of heroin and cocaine. Border drug apprehensions primarily involve the small-time operator or carrier and seldom lead to the identification or conviction of important drug traffickers. The Government believes that for each illegal alien caught, at least two others pass the border.

Recommendations: The Director of the Office of Management and Budget (OMB) should prepare an annual analysis on law enforcement along the United States-Mexico border. Such an analysis would bring together the separate budget requests of the various border enforcement agencies to facilitate integration of agencies' plans, programs, resources, allocations, and accomplishments. An essential element of the analysis should be a statement of strategies and milestones to show the most important results intended to be accomplished over a period of time (e.g., 1, 2, or more fiscal years) with the resources requested from the Congress. This analysis should be provided to the Congress with the agencies appropriation requests. In concert with this analysis, we rec-

ommend that OMB and ODAP, together with the Attorney General, Secretary of the Treasury, and other Department Heads having responsibility for border law enforcement, develop an integrated strategy and comprehensive operational plan for border control. OMB should coordinate closely with responsible congressional committees legislation needed to accomplish the proposed plan. The Secretary of State should require the U.S. Mission in Mexico to expand the Narcotics Control Action Plan to include program goals and specific objectives for supporting border interdiction efforts. To diminish the incentive to smuggle drugs across the border, the Congress should: expand the jurisdiction of Federal magistrates to encompass most misdemeanors, including minor drug offenses; appropriate funds for additional U.S. magistrates to be appointed in the southwestern border area; and establish criminal penalties for pilots who fly without a valid certificate.

The White House and the Congress are currently considering a broad reorganization of border agencies to improve border management.

The Department of State said the U.S. Mission in Mexico is working closely with the Mexican Attorney General to develop an integrated narcotics strategy including border interdiction efforts.

Legislation was introduced in both the House and Senate in the 95th Congress to widen the scope of Federal magistrates. This legislation was not enacted. (GGD-78-17, 12-2-77)

Appropriations

Department of Justice: Immigration and Naturalization Service; Drug Enforcement Administration; Federal Bureau of Investigation.

Department of the Treasury: Customs Service; Bureau of Alcohol, Tobacco, and Firearms.

Department of Transportation: Federal Aviation Administration; Coast Guard.

Department of Defense

Department of Agriculture

Department of Health, Education, and Welfare: Public Health Service.

Appropriations Committee Issues

Law enforcement agencies continue to seek additional funds for border programs, without clear support as to meaningful results or impact. An integrated Federal border strategy is needed.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR

Office of Federal Contract Compliance Programs EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Major Federal Equal Employment Opportunity Programs for the Private Sector Should Be Consolidated

Budget Function: Nondiscrimination and Equal Opportunity Programs (1006).

Legislative Authority: Civil Rights Act of 1964, title VII (42 U.S.C 2000e). Executive Order 11246. Reorganization Plan 1 of 1978.

Two major Federal programs evaluate equal employment opportunity activities of many of the Nation's employers: (1) the title VII program authorized by the Civil Rights Act of 1964 and administered by the Equal Employment Opportunity Commission and State and local fair employment practice agencies; and (2) the contract compliance program established to carry out Executive Order 11246 administered by the Department of Labor.

Findings/Conclusions: Many Federal contractors have undergone equal employment evaluations under both the title VII and the contract compliance programs. About 50% of the contractors evaluated were evaluated under both programs; about half of those evaluated under both programs experienced overlap; and about 60% of those evaluated under both programs had problems with duplicate reporting and paperwork. Factors which caused the evaluation of the same contractors under both programs included: dual jurisdiction, different approaches and methodologies used by the two programs, and a concentration on firms with a large number of employees. As presently operated, the title VII and contract compliance programs have resulted in: frustration among the people the programs are designed to assist, inefficient use of the Government's resources, discriminatory practices going unchecked because many employers have not been evaluated under either program, and dissatisfaction and confusion among contractors which have fostered negative attitudes toward the Government's equal employment opportunity efforts.

Recommendations: The Congress should consolidate the title VII and the contract compliance programs.

The Equal Employment Opportunity Commission agreed and stated that every component of Federal equal employment enforcement should be consolidated in a single agency. The Department of Labor disagreed because the advantages of a separate contract compliance program would be jeopardized by consolidating the two programs. The 95th Congress took no action on the recommendation. (HRD-78-72, 6-9-78)

Appropriations

Departments of State, Justice, Commerce, Labor, HEW, The Judiciary, and related agencies

Appropriations Committee Issues

Consolidation of the two programs should minimize problems and increase the effectiveness of the Federal Government's efforts to achieve equal employment opportunity.

VARIOUS DEPARTMENTS AND AGENCIES

GENERAL SERVICES ADMINISTRATION NATIONAL TECHNICAL INFORMATION SERVICE

The Federal Software Exchange Program: A Small Step in Improving Program Sharing

Budget Function: Miscellaneous: Automatic Data Processing (1001).

Legislative Authority: Brooks Act (P.L. 89-306). F.P.M.R. 101-32. 16.

The General Services Administration (GSA) created the Federal Software Exchange Program to identify and collect computer programs developed by Federal agencies that could be used by other Federal agencies. The program is financed by the ADP Fund. The sharing of such computer programs and related documentation among agencies with common needs is intended to avoid the time, effort, and expense involved in replicating software. Software, as defined by GSA, means all computer programs and routines used to extend the capabilities of computers, including single programs, independent subroutines, related groups of routines, and sets or systems of programs.

Findings/Conclusions: Agencies submit abstracts of computer programs they believe useful to the National Technical Information Service which publishes abstracts of the computer programs in a catalog. The first catalog of software abstracts, published in January 1977, contained 100 abstracts. The October 1977 catalog contained 365 abstracts. No programs had been sold through October 1977. Generally, such operations related to sharing technology have had limited success.

Recommendations: GSA should: stimulate more agencies to submit abstracts of computer programs for the catalog, adopt a policy to guarantee that the catalog will include abstracts only of programs that have been documented according to prescribed standards, and provide more technical assistance to purchasers so that they can overcome any problems in changing the programs to work in their environment. (FGMSD-78-11, 1-13-78)

Appropriations

GSA—financing of ADP Fund.

Appropriations Committee Issues

- (1) Unless GSA strengthens the program, it represents a duplication of a software exchange program administered by the National Technical Information Service.
- (2) Unless GSA sells computer programs and documentation, operations of the Software Exchange Program will have an adverse impact on the ADP Fund.

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