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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

JUN 6 1973

GENERAL GOVERNMENT
DIVISION



The Honorable Robert Gottschalk
Commissioner of Patents
Department of Commerce

Dear Mr. Gottschalk:

We have surveyed the Patent Office's administration of fees charged specific beneficiaries for services, giving particular attention to the establishment and review of fees as required by the Office of Management and Budget (OMB) Circular A-25, and the Department's Administrative Order 203-5. We do not intend further review at this time; however, we wish to present our views on certain matters which we believe could be improved.

Need to establish responsibility
for review and setting of fees

We found that the Patent Office's formal delegations of authority for the review of fees were, in practice, never fully implemented and the Patent Office has no instructions on who is responsible for establishing and adjusting fees.

In 1960 the Commissioner of Patents formally assigned to the Budget Branch (now Office of Budget) by Administrative Order responsibility for conducting reviews of income and cost relationships and evaluating the adequacy and propriety of existing or proposed legislative and administrative fees. The 1967-1968 study of fees was made by the Office of Organization and Systems Analysis. According to the Director of that office, a former Assistant Commissioner for Administration gave him the authority to review user fees in an informal memorandum. A Departmental Organizational Order issued November 26, 1969, gave the duty to that office. Subsequent orders issued November 16, 1970, and May 4, 1971, did not mention user charge reviews. The December 11, 1972, order does not mention the subject either.

We were informed that a current study of fees--the first since 1967-1968--is being made by the Office of Finance in response to a verbal order by the Assistant Commissioner for Administration. They expect to finish the study by June 30, 1973.

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We found that during the 1967-1968 review of fees, only 20 fees representing collections of \$1,330,209 of the 45 administratively-established fees were reviewed. The other 25 fees were not reviewed because collections for the fees totaling \$84,000 were considered to be relatively small. For the 20 fees reviewed, the computation showed that 11 of the fees were recovering less than cost and the other nine were recovering more than cost. (See enclosed schedule). Although OMB Circular A-25 requires that user charges recover costs as nearly as possible, only five of the 11 low fees and two of the nine high fees were adjusted subsequent to the review. We believe fee reviews should be conducted on an annual basis in the future as provided in OMB Circular A-25 and necessary adjustments made in the fee schedules to reflect review results.

Recommendations

Recognizing that the Patent Office is currently completing a review of fees, we recommend that the Patent Office (1) conduct its reviews of administratively-set fees annually in the future as provided by OMB Circular A-25 and adjust the fee schedules based on the review results, and (2) formally delegate responsibility for evaluation of the user charges including adjusting fee schedules to an appropriate office or offices.

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We wish to acknowledge the courtesies and cooperation extended to our representatives during the survey. We would appreciate receiving information as to your action or views on the matters discussed in this letter.

Copies of this letter are being sent to the Assistant Secretary for Science and Technology, the Assistant Secretary for Administration, and the Director, Office of Audits.

Sincerely yours,

Donald C. Pullen

Donald C. Pullen
Assistant Director

Enclosure

Patent Office's 1967-1968 Fee Study
and Year Fees Were Last Changed

	<u>Fee Code</u>	<u>Fee Code Description</u>	<u>Amount Collected</u>	<u>Cost of Service</u>	<u>Percentage of Cost Recovered</u>	<u>Year Fee Was Changed</u>
1.	342	Making patent drawings	\$ 8,181	\$ 8,701	93.4	1957
2.	344	Correction of patent drawings	73,115	79,942	91.5	1965
3.	442	Making trademark drawings	4,613	4,301	105.3	1957
4.	444	Correction of trademark drawings	616	1,094	56.3	1965
5.	316	Reproduction of patent records, per page	941,035	273,214	344.4	1953
6.	318	Special services equal to order cost	111,533	28,098	386.0	1960
7.	416	Reproduction of trademark records, per page	13,253	3,674	360.7	1953
8.	418	Special service, 100 percent of trademark cost	7,468	527	1,417.1	1960
9.	423	Certifying under oath certification, trademark	14	36	38.9	1953
10.	317	While-you-wait and self-service reproduction	118,762	20,333	584.1	1968
11.	417	While-you-wait reproduction service	6,188	965	641.2	1968
12.	324	Typewritten copies of patent records	1,478	1,103	134.0	1965
13.	424	Typewritten copies of trademark records	216	147	146.9	1965
14.	310	Patent record search, per 1/2 hour	4,796	5,603	85.6	1965
15.	410	Trademark record search	97	117	82.9	1965

**Patent Office's 1967-1968 Fee Study
and Year Fees Were Last Changed**

	<u>Fee Code</u>	<u>Description</u>	<u>Amount</u> <u>Collected</u>	<u>Cost of</u> <u>Service</u>	<u>Percentage</u> <u>of Cost</u> <u>Recovered</u>	<u>Year</u> <u>Fee Was</u> <u>Changed</u>
16.	345	Comparison of patent drawings	\$ 25,456	\$ 26,055	97.7	1968
17.	361	Certification of good standing, attorney or agent	110	739	16.1	1968
18.	367	Attorney registration-admission to examination	10,200	21,056	48.4	1969
19.	368	Attorney registration to practice	2,000	7,484	36.6	1969
20.	369	Application for registration of a firm	180	2,298	7.8	1969
Total Fee Codes Under recovered (11)			125,646	153,179	82.0	
Total Fee Codes Over recovered (9)			1,294,146	131,212	361.5	
Total and Net Percentage of Recovery			\$1,390,209	\$486,421	273.5	

U. S. GENERAL ACCOUNTING OFFICE
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APPENDIX
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NAVY REGIONAL FINANCE CENTER
WORFOLK, VIRGINIA

EXTENT OF ERRORS

TYPE OF RECORD	TOTAL	REVIEWED	ERRORS	RECORDS WITH ERRORS	
				Number	Percent
Military travel vouchers ^a	4,589	417	40	35	8
Civilian travel vouchers ^a	1,983	330	19	10	3
Military pay records ^b	15,078	378	25	23	6
Totals	21,650	1,125	75	68	6

SUMMARY OF ERRORS

<u>TYPE OF ERROR</u>	<u>NUMBER</u>	<u>OVERPAYMENT</u>	<u>UNDERPAYMENT</u>
<u>MILITARY TRAVEL VOUCHERS</u>			
<u>Per Diem</u>			
Meals/quarters - deductions	17	\$120.52	\$ 9.59
Wrong rate	5	63.00	14.41
Exceeded constructive travel	5	22.80	
Not entitled - mileage status or at permanent duty station	4	65.15	
Not paid while en route between stations	2		18.05
Computation	2		28.50
<u>Mileage</u>			
Incorrect distance	3	3.54	11.94
Not entitled - transportation request issued	1	18.20	
<u>Other</u>			
Reimbursement for extra collision insurance on rental car not authorized	1	5.20	
Subtotal	40	\$296.41	\$ 82.49

^aTravel vouchers were selected from the November 1972 account

^bPay records were selected from those closed December 31, 1972

<u>TYPE OF ERROR</u>	<u>NUMBER</u>	<u>OVERPAYMENT</u>	<u>UNDERPAYMENT</u>
<u>CIVILIAN TRAVEL VOUCHERS</u>			
<u>Per Diem</u>			
Computation	6	\$ 42.00	\$ 66.15
Wrong rate	2	5.00	3.25
<u>Miscellaneous Reimbursable Expenses</u>			
Computation	1	17.39	
Reimbursement for extra collision insurance on rental car not authorized	1	25.00	
Subtotal	10	\$ 89.39	\$ 69.40
<u>MILITARY PAY RECORDS</u>			
<u>Pay and Allowances</u>			
Not entitled to housing allowance - credited TLA	1	\$ 35.70 ^c	
Commuted rations not deducted - on leave	1	16.06	
Computation - allotment deductions	1		\$ 35.00
Computation - total cash/check payments	1	116.00	
Subtotal	4	\$167.76	\$ 35.00
Total monetary errors	54	\$553.86	\$186.89
		<u>OVERSTATED</u>	<u>UNDERSTATED</u>
<u>Leave Accounting</u>			
Balance computed incorrectly	21	<u>04 1/2 days</u>	<u>27 1/2 days</u>
Total all errors	75		

cError made by other D.O. Pay Adjustment Authorization issued by Norfolk Navy Regional Finance Center