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The annual review and audit included analysis of Federal computer systems uses and management, personnel management, and ways of saving money in operations costs for all Federal civic departments and agencies. Findings/Conclusions: Agriculture needs to reassess its funding of various areas and should consider better vocational education for small farmers to increase productivity. Commerce should increase funding for research into the census undercount and should develop programs to help manage and maintain fishery resources. HEW health service programs, including training programs, and health safety programs should be reevaluated to determine better management procedures. Social service and special education programs also need to be improved. HUD programs for assessment of the environmental impact of proposed projects and collection of outstanding mortgage payments need improvement, but weaknesses in the taxpaying systems are being corrected. Interior mineral and fuel policy needs improvement, as do the reclamation activities. Labor should improve its auditing and investigating operations, its funds allocation, and its worker protection programs. Data are available to measure the impact of minimum and overtime wage provisions for the Fair Labor Standards Act on working parents hiring babysitters. State's international aid programs need to be reevaluated and funds possibly redistributed. Transportation should improve controls over various projects. All the Commissions and boards need to improve program and Fund Management. (JS)

00430

*REPORT TO THE
HOUSE AND SENATE COMMITTEES
ON APPROPRIATIONS*

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*



Summaries Of Conclusions And
Recommendations On The Operations
Of Civil Departments And Agencies



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

B-106190

Chairman, Senate Appropriations Committee
Chairman, House Appropriations Committee

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 1978. 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 appropriation hearings.

A handwritten signature in black ink, reading "Thomas B. Steeds".

Comptroller General
of the United States

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ABBREVIATIONS

ADP	automatic data processing
AEC	Atomic Energy Commission
AFDC	Aid to Families with Dependent Children
AID	Agency for International Development
AMTRAK	National Railroad Passenger Corporation
ATF	Bureau of Alcohol, Tobacco, and Firearms
BPA	Bonneville Power Administration
CCC	Commodity Credit Corporation
CETA	Comprehensive Employment and Training Act
CSC	Civil Service Commission
DOD	Department of Defense
EEOC	Equal Employment Opportunity Commission
EPA	Environmental Protection Agency
ERDA	Energy Research and Development Administration
FAA	Federal Aviation Administration
FCIC	Federal Crop Insurance Corporation
FDA	Food and Drug Administration
FDIC	Federal Deposit Insurance Corporation
FPC	Federal Power Commission
GAO	General Accounting Office
GPO	Government Printing Office
GSA	General Services Administration
HEW	Department of Health, Education, and Welfare
HMO	Health Maintenance Organization
HUD	Department of Housing and Urban Development
IRS	Internal Revenue Service
NASA	National Aeronautics and Space Administration
NCI	National Cancer Institute
NIH	National Institutes of Health
NRC	Nuclear Regulatory Commission
OE	Office of Education
OMB	Office of Management and Budget
OSHA	Occupational Safety and Health Administration
PFE	plenum fill experiment
PHS	Public Health Service
R&D	research and development
SBA	Small Business Administration
SCS	Soil Conservation Service
SRS	Social and Rehabilitation Service
SSA	Social Security Administration
UMTA	Urban Mass Transportation Administration
UNDRO	United Nations Disaster Relief Office
USRA	United States Railway Association
VA	Veterans Administration

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF

ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

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AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF

ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Civil service retirement system cost estimates are understated

The Civil Service Commission (CSC) estimates the cost of the civil service retirement system on a "static" basis. That is, no consideration is given to the effect of future pay increases and annuity cost-of-living adjustments on ultimate benefit payments in the cost calculations. The costs associated with proposed retirement legislation are estimated in the same manner.

Pay and annuity adjustments have occurred frequently and in large amounts. Since 1939, Federal white-collar pay rates have increased 58 percent and annuity adjustments have totaled 72 percent. If future increases are ignored in retirement cost calculations, the true cost of the retirement system under current benefit provisions as well as cost estimates of any future retirement legislation are seriously understated.

The normal cost of a retirement system is the level percentage of pay which, invested at interest, is required to cover the cost of benefits earned each year. While the static normal cost of the civil service system is currently estimated at 13.64 percent of pay, the Board of Actuaries of the system estimates that normal cost is actually 28.74 percent of pay using the very conservative assumptions of future annual general pay increases of 3 percent and cost-of-living increases of 4 percent. Since most agencies are now contributing only 7 percent to the retirement fund in addition to the employees' 7 percent contributions, the true cost of agency operations is significantly understated.

GAO suggested that, until the law is changed to require cost estimates to be made on a "dynamic" basis, the appropriate Committees should request CSC to submit cost estimates of future retirement legislation on a dynamic as well as a static basis. (FPCD-76-42, Jan. 28, 1976.)

Appropriation

All department and agency requests for funds for civil service retirement system contributions.

Issue for consideration by
the Committees on Appropriations

In the interest of sound fiscal and legislative decisionmaking, the true cost of accruing retirement benefits should be fully recognized and reflected in agency budgets.

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

Computer-related crimes in
Federal programs

Computer systems have added a new dimension for potential crime. Information on computer-related crimes in Government is difficult to gather because investigative agencies do not classify crimes as computer-related. But GAO did learn of 69 instances of improper use of computers in Federal programs which caused losses of over \$2 million.

Most of the cases GAO examined did not involve technically sophisticated attempts to defraud with computer technology. Instead, they were uncomplicated acts which were made easier through inadequate management controls.

GAO recommended that the heads of Federal agencies emphasize management controls in their computer systems, including:

--An established system of practices to be followed for each duty and function of the organizational element.

--A system of authorization and record procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenses.
(FGMSD-76-27, Apr. 27, 1976.)

Appropriations

Appropriations for automated systems (various agencies).

Issue for consideration by the
Committees on Appropriations

In appropriating funds for new systems, the Committees should be certain that the systems are adequately controlled to protect public funds.

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

Further opportunities to improve
radio spectrum management
in the Federal sector

The radio frequency spectrum is unique among our national resources and is probably one of the least understood. Unlike most other natural resources, it can be used without cost. It can't be depleted through use, but it can be polluted or misused so as to prevent use by others. As a national and natural resource, the spectrum is used by the Government and the private sector in national defense, law enforcement, travel safety, education, resource management, entertainment, and for many other purposes. It is also an international resource that must accommodate all the world's radio users. (A radio wave, once transmitted, is no respecter of national or international boundaries.)

GAO reported on how Federal agencies are managing their share of the spectrum because it is important to the Government and the Nation that the spectrum be used effectively, the demand for frequencies is increasing, and there are indications of intensive congestion in certain frequency bands.

A major problem is a lack of spectrum management personnel, both in numbers and in competency, needed to effectively manage the ever-increasing demands upon the finite spectrum resource. GAO recommended that the Office of Telecommunications Policy and the Office of Management and Budget (OMB) identify and support the level of personnel and funding needed by agencies to surmount this problem, with particular emphasis on the needs of the military departments.

The agencies involved generally agreed with the findings and conclusions. (LCD-74-122, Oct. 21, 1975.)

Appropriations

Military personnel (Army, Navy, Air Force),
Federal personnel (many Federal departments and agencies).

Issue for consideration by the
Committees on Appropriations

Since this problem involves the efficient and effective management of a national resource which really is international in character--the committees should ascertain the extent to which Federal departments and agencies (Army, Navy,

and Air Force being three of the larger Federal (ers)
have addressed and are attempting to resolve the problem.

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

Improvements needed in managing automated decisionmaking by computers throughout the Federal Government

Computers are especially useful in automating business-type applications which involve repetitive processing of large volume of data. GAO reported that Federal agency computers cause more than 1.7 billion payments and other actions a year without anybody evaluating whether or not they are correct. These unreviewed actions include:

- Authorizations for payments totaling \$26 billion.
- Bills totaling \$10 billion.
- Requisitions, shipping orders, repair schedules, and disposal orders for material valued at \$8 billion.

GAO identified two categories of causes of incorrect actions by automated decisionmaking applications: (1) software problems and (2) data problems. For example:

- One military department incurred \$2.2 million in extra costs because of erroneous computer software.
- Another military agency incurred millions of dollars in unnecessary overhaul of equipment because of software and data problems.

GAO recommended that:

- The Director, Office of Management and Budget, require that (1) each agency determine whether any of its computer operations involve automated decisionmaking applications, (2) the agencies review each operation to determine whether or not incorrect actions are being taken as a result of these applications, (3) agencies take proper steps to insure correct decisions before initiating new automated decisionmaking applications, and (4) agencies report on the actions taken and establish an appropriate mechanism for monitoring.
- The Secretary of Commerce direct the National Bureau of Standards to issue technical guidelines for developing, using, evaluating, documenting, modifying, and monitoring these applications in the Federal

Government.

- The Civil Service Commission add training courses in automated decisionmaking applications to its curriculum.
- Agencies' internal audit groups participate in the design, test, and review of their automated decision-making applications.

GAO received comments from several agencies agreeing in principle to the need for increased management attention to automated decisionmaking applications. (FGMSD-76-5, Apr. 23, 1976.)

Appropriations

National Bureau of Standards appropriations, appropriations for automatic data processing systems (various agencies).

Issues for consideration by the Committees on Appropriations

- Increased management attention to automated decision-making applications could yield significant savings to the Government.
- The Committees may wish to appropriate funds for developing the recommended technical guidelines by the National Bureau of Standards.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF

ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Managers need to provide better protection for Federal automatic data processing facilities

Many of the Federal Government's 9,000 computers are inadequately protected against sabotage, vandalism, terrorism, or natural disasters. GAO found the cause to be bad security measures and/or recovery procedures for continuity of operations at a number of Federal computer installations. These problems made the installations susceptible to catastrophic losses caused by bombing, fires, floods, frauds, thefts, embezzlements, and human errors.

The Office of Management and Budget agreed generally with GAO's findings but felt that further action was not warranted at that time. (FGMSD-76-40, May 10, 1976.)

Appropriations

Various appropriations for automatic data processing (ADP) installations (various agencies).

Issues for consideration by the Committees on Appropriations

The Committees should question large Federal users of ADP systems regarding:

- Who is responsible for their computer security.
- Whether or not they use some type of risk management approach when determining security needs.

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

More improvement needed in equipment management practices in Government laboratories

GAO reported to the Congress that although Federal Property Management Regulations issued by the General Services Administration (GSA) require agencies to make walk-throughs (periodic inspection tours) at laboratories to identify idle and unneeded research equipment and to establish laboratory equipment pools where appropriate, these techniques were not being used or not being used effectively to improve equipment utilization. Also, GSA did not have any procedures for verifying agencies' compliance with its walk-through and equipment pool requirements.

GAO recommended that the Administrator of General Services issue guidance which should require that each agency

- establish teams of top management and scientific personnel to make laboratory walk-throughs and report their findings to the head of the agency;
- establish laboratory equipment pools or give the head of the agency written reasons why such pools are not needed;
- prepare an annual report for the agency head on the use and effectiveness of the pooling of equipment; and
- make periodic independent reviews of walk-through practices and equipment pool operations, to determine their effectiveness.

GAO recommended that the Administrator also institute procedures to insure that agencies are complying with GSA's walk-through and equipment pool policy guidance and that this guidance is achieving the desired results.

The Administrator agreed to issue an amendment to the Federal Property Management Regulations requiring action by agencies on walk-throughs and equipment pools. (PSAD-76-37, Dec. 3, 1975.)

Appropriations

All agencies requesting funds for laboratory equipment.

Issue for consideration by the Committees on Appropriations

The success of the GAO recommendations depends heavily on the agencies responsible for implementing GSA policy guidance. Therefore, the Committees, in reviewing future appropriation requests for additional laboratory equipment, may wish to inquire about actions agencies are taking to achieve effective use of equipment.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF

ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Need to better control Federal
white-collar job classifications

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.

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 insure that standards are kept current.

On May 27, 1976, the President issued a memorandum calling upon agency and department heads to reexamine their position management and classification systems to ensure effective operations and full compliance with applicable laws and regulations. Agency heads were instructed to report to CSC actions taken and the results of those actions. At the same time, CSC would vigorously evaluate agency classification performance and bring about corrective action. (FPCD-75-137, Dec. 4, 1975.)

Appropriation

Request for funds for salaries and expenses from all departments and agencies having employees paid under the General Schedule.

Issues to be considered by the Committees on Appropriations

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 insure effective personnel management evaluations, make sure that actions taken to improve CSC's own evaluations are effective, and update classification standards.

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

Need to reduce funding uncertainties
associated with Federal assistance programs

GAO reported to the Congress that State and local governments have substantial problems identifying, obtaining, and using Federal assistance. Because of funding uncertainties, available assistance is often learned of too late or offered under time constraints which sometimes prevent State and local governments from taking advantage of it.

Delays in notifications and allocations of funds to State and local governments and other grantees can also lead to poor planning, program delays, and waste in the administration of Federal assistance programs. Such delays can also adversely affect Federal agencies' ability to plan and implement programs.

GAO recommended that the Congress, to relieve the time pressure on its deliberations and to eliminate funding uncertainties resulting from delays in the passage of authorization and appropriation bills, consider greater use of (1) advance funding and (2) authorizations and appropriations covering more than 1 fiscal year. GAO added that, because these measures would tend to restrict budget flexibility and the Congress' ability to respond to changing national priorities and economic conditions, they should be considered primarily for those Federal programs and activities, including grants-in-aid to State and local governments, for which firm planning before the beginning of the appropriation year is a major factor in successful execution. (GGD-75-75, Aug. 19, 1975.)

Appropriations

Various agency appropriations.

Issues for consideration by the
Committees on Appropriations

The use of advance funding and authorizations and appropriations covering more than 1 fiscal year should be considered case by case, weighing their restrictive effect on the flexibility of Federal fiscal policy against recipients' need for greater certainty about future funding levels of Federal assistance.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF

ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Opportunities for reducing
office copier costs in
multiagency Federal buildings

Agencies in multiagency Federal buildings generally obtain office copiers independently of other building occupants. As a result, copier costs are increased and copiers are not effectively used. General Services Administration figures show that costs for acquiring office copiers and related supplies have increased from \$38 million in 1964 to \$139 million in 1974.

GAO reported to the Administrator of General Services that centralized management of office copiers in multiagency Federal buildings could reduce costs by identifying copier needs for an entire building and determining the best method of fulfilling these needs. GAO recommended that the Administration initiate a test program for centralized management of copiers in one or more multiagency Federal buildings and include copiers in its program for providing common services in such buildings.

The Administration endorses the idea of centrally managing office copiers and agreed to initiate a test program. However, it believes agencies' desire to maintain their independence under traditional self-supporting arrangements will result in enforcement problems requiring support from the Office of Management and Budget, Joint Committee on Printing, and heads of Federal Agencies. (LCD-76-109, Mar. 9, 1976.)

Appropriations

GSA, Federal Supply Service, working capital fund.
Army, Navy, and Air Force, operation and maintenance.
All departments and agencies, operating expenses.

Issues for consideration by
the Committees on Appropriations

The Federal Supply Service Working Capital Fund, which is reimbursed by agencies for printing and duplicating services, will be used by the Administration for its test program of centralized copier services. Additional spending

for copier leases or purchases and related supplies and services will be reflected in this fund. If the test results in a program for centralized copier services, then agencies' funding requests for copier supplies and leases or purchases of copiers should decrease significantly.

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

Opportunity for saving large
sums in acquiring computer systems
under Federal grant programs

It is important that Federal managers make sure grantees follow businesslike procedures in acquiring computers for grant programs. Although Federal instructions and procedures exist, they need to be extended to require grantees to consider all reasonable alternatives in acquisition, whether by lease, purchase, or other methods.

GAO recommended that the Office of Management and Budget strengthen its policy encouraging joint use of equipment by requiring grantees and Federal grantor agencies to evaluate costs and benefits of sharing where possible. GAO recommended that the Administrator of General Services:

- Adopt followup procedures to insure that Federal agencies uniformly implement OMB and General Services Administration instructions and that grantees comply with them.
- Issue instructions requiring Federal agencies to insure that grantees make hardware requirements studies which include performance evaluations of existing equipment.
- Strengthen existing instructions to require grantees to consider all potential sources of supplying equipment.
- Work with OMB to establish procedures allowing grantor agencies to use the Federal Automatic Data Processing Fund to purchase computer equipment for use by grantees when purchasing is advantageous and other funds are unavailable.

Both OMB and GSA agreed with GAO's recommendations. However, OMB wanted to guard against overregulating State and local managers. (FCMSD-75-34, July 24, 1975.)

Appropriations

Various agencies, various appropriations for grant programs.

Issues for consideration by the Committes on Appropriations

1. Better business practices by grantees could mean more economy in grant programs and could reduce the need for additional computer hardware.
2. Use of the Federal Automatic Data Processing Fund could also reduce expenditures under grants, and equipment purchased using Federal funds would remain Federal property.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF

ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

Problems in reimbursing State
auditors for audits of federally
assisted programs

Federal Management Circular 73-2 established a Government-wide policy requiring Federal agencies to use non-Federal government auditors to the maximum extent possible in order to avoid overlapping and duplication of audits. Another circular, Federal Management Circular 74-4, recognizes State audit costs as allowable charges against federally assisted programs and provides a process to allocate them to the benefited program.

GAO supports both these policies and reported to the Administrator of General Services that State auditors were having problems in obtaining reimbursement for audits of federally assisted programs because of the funding procedures used. Although the programs' administrative procedures generally provided that State auditors could be paid from Federal program funds, this was resisted by the program managers who wanted to reduce all expenses not involved in direct program support. Forcing State auditors to rely on program administrators for audit funds is not compatible with the auditor's requirement for independence because the Federal managers can influence audits by resisting payment, thus inhibiting the thoroughness of the audit or effectively delaying or even preventing it entirely.

Since this report was issued, the responsibility for Federal financial policy has been transferred from the General Services Administration, Office of Financial Management, to the Office of Management and Budget, Financial Management Branch.

OMB concurs that State and local governments should be reimbursed for costs of audits of federally assisted programs. It does not feel that there are significant legal obstacles to reimbursement, and is working with the various agencies concerned to improve their administrative procedures. Additionally, OMB now chairs the National Intergovernmental Audit Forum, composed of audit officials from Federal, State, and local governments, which has adopted this matter for study and will submit its recommendations for solution to OMB and GAO.

Copies of the report were furnished to the House and Senate Committees on Government Operations and Appropriations. (FGMSD-75-22, June 25, 1975.)

Appropriation

All Federal grant agencies, operating and administrative expenses.

Issues for consideration by the Committees on Appropriations

1. Federal and State audit coverage could be improved without additional funding if State auditors were directly reimbursed for their audit efforts.
2. Direct funding for audits, channeled through the agency audit organizations rather than through program administrators, could provide greater independence and improve the thoroughness and timeliness of audits.
3. Intergovernmental cooperation could be improved if State auditors' reports on federally funded programs, prepared under Federal guidelines, were used to satisfy agency requirements.

AGENCY-WIDE MATTERS AFFECTING APPROPRIATIONS OF

ALL OR MOST FEDERAL DEPARTMENTS AND AGENCIES

The Government can save more under the composite check program

In 1974, 864,000 Federal employees (about 19 percent of the Federal work force) had their pay sent directly to banks by use of composite checks. As a result, the Treasury estimated the Government saved about \$2.3 million. However, there is potential for greater savings if Federal agencies can encourage more employees to participate in the composite check program.

Efforts by agencies to promote employee participation have varied considerably. The Air Force had 45-percent participation and about \$1.2 million of the \$2.3 million Government-wide savings while several other agencies either had not implemented composite check procedures or were using composite checks only to a limited extent. If the Air Force's 45-percent participation rate was achieved Government-wide an additional \$3 million could be saved.

In view of such potential savings GAO concluded that Federal agencies should take more positive action to promote use of composite checks and that the Treasury should take certain actions to assist agencies in promoting the program. The report was sent to the heads of all Federal departments and major agencies who were asked to make sure the program received appropriate management emphasis and the responsibility for the program be assigned to a high level. The Treasury generally agreed with the recommendations. (FGMSD-76-11, Nov. 11, 1975.)

Appropriation

All Government organizations, operation and maintenance.

Issue for consideration by the Committees on Appropriations

The Committees may wish to determine the progress made by the Treasury and all other Federal organizations in promoting the composite check program, increasing participation, and reducing payroll processing costs.

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

Use of minicomputers in the
Federal Government: trends,
benefits, and problems

Minicomputers, now used in Government primarily for scientific data processing and control of machinery, are expected to be increasingly adopted for more general data processing to improve productivity.

GAO's report described several cases of enhanced productivity through the use of minicomputers including:

- Automating a process previously done manually.
- Augmenting work previously done on large central computers.
- Replacing existing equipment or services.

GAO found that there were problems in and limitations on using minicomputers, especially with software. Also some agencies reported that the complicated procurement regulations governing minicomputer acquisitions caused excessive administrative costs and delays.

GAO recommended that the General Services Administration simplify procurement requirements that agencies must follow to buy small quantities of low cost minicomputers. GSA agreed that the procurement regulations should be simplified, and indicated that some steps would be taken to that end. (FGMSD-75-53, Apr. 22, 1976.)

Appropriations

Various agencies, automatic data processing appropriations for equipment.

Issues for consideration by
the Committees on Appropriations

Streamlined procurement procedures could make the use of low cost minicomputers for agency ADP needs a more attractive and economical alternative.

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

Ways to improve management of federally
funded computerized models

Each year the Government spends millions of dollars developing and using computerized models. A computerized model uses mathematical and logical rules and methods to represent how a process, physical object, or entity--such as an organization--will react under different conditions during a given time. Successfully developed models can help in the management of Federal programs.

The National Bureau of Standards, under the Department of Commerce, and the General Services Administration are responsible for establishing Government-wide automated data processing standards and developing Government-wide guidance for automated activities, respectively. However, neither agency provides specific guidance to assist Federal agencies in managing the development of computerized models.

GAO's analysis of 57 models, costing about \$21 million, showed that a lack of guidance contributed to the problems experienced in developing 33 of the models. The three broad categories of problems identified by GAO were inadequate management planning, coordination, and commitment.

These problems had certain adverse effects, such as cost overruns of about \$1.1 million for some models, unsatisfactory models costing about \$1.6 million, and development of some taking four years more than planned.

GAO recommended that the Department of Commerce formulate standards and GSA develop and provide guidance for improving Federal agencies' management of computerized models.

GSA and the Department of Commerce agreed with the need for Government-wide guidance to assist managers and developers in avoiding development problems; however, neither agency stated when they were prepared to take action. (LCD-75-111, Aug. 23, 1976.)

Appropriations

Research, Development, Test, and Evaluation (Army, Navy, Air Force). Operation and Maintenance (Army, Navy, Air Force).

Issue for consideration by the
Committees on Appropriations

The Committees may want to determine if the Department of Commerce and GSA are requesting funds for programs to implement the GAO recommendations, so that millions of dollars in wasted money could be avoided in future computerized model developments.

DEPARTMENT OF AGRICULTURE

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DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE,
AGRICULTURAL RESEARCH SERVICE, AND
FOREIGN AGRICULTURAL SERVICE

Assessment of the national
grain inspection system

In a report to the Chairmen of the House Committee on Agriculture and the Subcommittee on Foreign Agricultural Policy, Senate Committee on Agriculture and Forestry, GAO said that (1) serious weaknesses existed in the national grain inspection system, (2) the Department of Agriculture, as overall supervisor, had not been able to insure the integrity of a system operated by a widely dispersed group of over 100 State and private agencies and trade associations, and (3) an essentially all-Federal inspection system was needed, among other things, to

- restore integrity and confidence in the inspection system,
- provide greater uniformity and consistency in inspection procedures and operations,
- establish an independent system, eliminating actual and potential conflicts of interests. and
- increase foreign trade or at least reduce chance of customers choosing to buy from other sources

GAO recommended that the Congress establish an essentially all-Federal grain inspection system incorporating sampling, grading, and weighing services and that the system be operated on a reimbursable basis. GAO recommended also that, in developing standards and procedures for the system, appropriate consideration be given to several matters, including:

- Prohibiting conflicts of interest and imposing appropriate penalties for violations.
- Establishing adequate controls and procedures for sampling and weighing grain.
- Integrating grain weighing in the inspection system.
- Improving grain grading accuracy and uniformity through continuing research and training.

--Establishing (1) uniform standards for recruiting, training, and supervising inspectors, (2) a rotation program, and (3) work production standards.

Public Law 94-582, enacted in October 1976, created and established the Federal Grain Inspection Service in the Department of Agriculture; made grain weighing a part of the system; provided for a Federal inspection system, with some State agency involvement, at export port locations; authorized the Service to set fees for its services; and provided for the establishment of standards and procedures which followed generally along the lines of GAO's recommendations. (RED-76-71, Feb. 12, 1976.)

Appropriations

Department of Agriculture, Federal Grain Inspection Service and Inspection and Weighing and Grain Products, Federal Grain Inspection Service (proposed).

Issue for consideration by the Committees on Appropriations

In approving budget requests for the Federal Grain Inspection Service, the Committees might wish to inquire into the progress being made to (1) implement Public Law 94-582 and (2) establish fees and charges for Federal inspection and weighing services in reasonable amounts that will substantially recover the fair costs of providing such services.

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION

Hazard insurance coverage should be eliminated on grain for which the Corporation pays storage charges

In a January 1975 report to the Congress, GAO recommended that the Commodity Credit Corporation (CCC) eliminate hazard insurance coverage on grain for which it paid storage charges and obtain a commensurate reduction in storage rates. GAO pointed out that the Federal Government generally has followed a policy of assuming its own risks rather than paying for commercial insurance protection and that, over a 5-year period, CCC collections on insured losses had amounted to only 33 cents per dollar of premium.

GAO said that the time was ripe for CCC to assume its insurable hazard risks and attain a position to economize should grain price-support operations again reach a substantial level because

- grain stocks in which CCC had an insurable interest were at a low level,
- CCC's assumption of its insurable risk would have only minimal impact on insurance companies' premium incomes, and
- the Department had announced that in July 1975 it would change from paying storage at a uniform rate to all warehousemen to paying storage at rates based on offers from individual warehousemen.

In June 1975, the Department said that, although it agreed with the facts in the report, it disagreed with the recommendation as it applied to current and anticipated future inventory activities. It said that it would reconsider the applicability of the recommendation after it had evaluated the new offer-rate system; however, it cited a number of reservations about CCC's assuming insurable risks.

In a August 1975 report to CCC's president, copies of which were sent to interested congressional committees, GAO questioned the bases for the reservations and said that it believed the principle of risk assumption for the Corporation was valid and that the present time offered an excellent opportunity to adopt a self-insurance policy. Consequently,

GAO strongly recommended its adoption at the earlier opportunity. (RED-75-320, Jan. 10, 1975, and RED-76-12, Aug. 6, 1975.)

Appropriation

Department of Agriculture, CCC, reimbursement for net realized losses.

Issue for consideration by
the Committees on Appropriations

CCC could reduce its operating costs by assuming hazard risks on grain for which it pays storage charges.

DEPARTMENT OF AGRICULTURE

COMMODITY CREDIT CORPORATION AND
FEDERAL CROP INSURANCE CORPORATION

Alleviating agricultural producers' crop
losses: What should the Federal role be?

Two Department of Agriculture programs--the Commodity Credit Corporation's disaster payment program and the Federal Crop Insurance Corporation's (FCIC's) crop insurance program--offer thousands of the Nation's agricultural producers some protection against loss of income if their crops are damaged or destroyed by natural disasters or other uncontrollable hazards.

CCC's program, a direct payment program without charge to producers, was authorized in 1973 for the 1974-77 crops. It is limited to producers with acreage allotments for five specific crops. It covers both prevented-planting and abnormally low-production situations. FCIC's crop insurance program is available for more than 20 crops, including the 5 crops covered by CCC's program. It is not available everywhere and does not cover prevented-planting situations.

For 1974 crops, CCC payments totaled \$557 million and for 1975 crops, payments were estimated at \$275 million. FCIC indemnities for 1974 on the crops covered by CCC's program exceeded premiums by \$18 million. FCIC premiums of these crops since 1948, however, exceeded indemnities by \$24.7 million. For 1975 crops, FCIC estimated premiums would exceed indemnities by \$7.3 million.

The President proposed legislation to expand the crop insurance program and to repeal the disaster payment program. In a May 1976 report to the Congress, GAO described various alternatives for providing agricultural disaster protection and discussed their advantages and disadvantages. GAO concluded that the proposed legislation had considerable merit but recognized that it also had certain shortcomings which would have to be dealt with in the legislative process.

Agriculture agreed with GAO's findings on the limitations of CCC's program and strongly supported the legislative proposal to expand FCIC's insurance program and eliminate CCC's program. Agriculture estimated that enactment of the proposed legislation would save the Government \$259 million annually. (RED-76-91, May 4, 1976.)

Appropriations

Department of Agriculture, FCIC, Federal Crop Insurance Corporation Fund. Department of Agriculture, CCC, reimbursement for net realized losses.

Issue for consideration by the Committees on Appropriations

The Government could save an estimated \$259 million annually if proposed legislation to expand the crop insurance program and eliminate the disaster payment program were enacted.

DEPARTMENT OF AGRICULTURE

EXTENSION SERVICE

Programs needed to overcome
problems impeding economic
improvement of small-farm
operations

GAO reported to the Congress that the Department of Agriculture and the land-grant colleges needed to make a more concerted effort through their research and extension programs to assist and encourage small-farm operators to use available technology and efficient management practices. Results of demonstration projects sponsored by cooperative extension organizations and the Tennessee Valley Authority showed that some small-farm operators were capable of increasing the productivity of their land and increasing their income.

More complete data was needed, however, to determine the type and extent of assistance needed by small-farm operators and to provide the basis for planning extension and research programs oriented to those needs.

The Department disagreed that it should take action to extend training and technical assistance to small-farm operators.

Subsequent to the issuance of the GAO report, two bills, H.R. 12917 and S. 2823, were introduced in the Congress to amend section 502(c) of the Rural Development Act to provide for the development and implementation of programs to assist small-farm operators in upgrading their farming operations. (RED-76-2, Aug. 15, 1975.)

Appropriation

Department of Agriculture, Extension Service.

Issues for consideration by
the Committees on Appropriations

1. Many small-farm operations might be capable of increasing the productivity of land under their management if programs were initiated to educate them in the use of new and improved agricultural technology and efficient management practices. Helping small-farm operators to better use their land would increase their incomes and help meet the world's food and fiber needs.

2. Additional funds may be required to implement programs extending training and technical assistance to small-farm operators having the potential for improvement.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Problems in administration of the summer feeding program for children

In a report to the Congress relating to the special summer feeding program for children, GAO pointed out several problems in reaching eligible children and in operations at feeding sites.

The effectiveness of the summer feeding program was difficult to assess because the Food and Nutrition Service and State agencies had not identified either the total number of children who were eligible or their locations. However, the number of needy children participating in the National School Lunch program—which the summer program had intended to supplement—indicated that the summer program had achieved rather limited coverage, especially in areas other than large cities.

State agencies could have done more to recruit sponsors in areas of low coverage. State agencies had generally directed their recruiting efforts to sponsors who had participated in the program in previous years. They attributed this limitation primarily to lack of staff which was due, in turn, to insufficient administrative funds.

In July 1976, the Service told GAO that it believed the States were implementing the outreach portion of their State plans of operation in 1976, but the results would not be known until about November--after the program was completed for the year.

GAO also reported that procedures for estimating program costs were inadequate to permit effective use of allocated funds and to maximize sponsor participation. In the six States covered in the GAO review, about \$8.5 million, or 29 percent of the \$29.2 million allocated for the 1973 program, remained unspent--although additional eligible children could have been assisted if additional program sponsors or feeding sites had been approved. State officials said that the unspent funds resulted primarily from sponsors' cost estimates being inflated.

Service officials told GAO that, pending extension of the program beyond its September 1975 expiration date, the Service had not refined its estimating procedures as recommended in the GAO report. Public Law 94-105, enacted in

October 1975, extended and amended the program. However, the Service still did not take direct action on this recommendation before the 1976 program began.

Service personnel believed that other requirements imposed on the State agencies might partially correct the problem. (RED-75-336, Feb. 14, 1975.)

Appropriation

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

Issue for consideration by the Committees on Appropriations

The Committees may want to assess the Food and Nutrition Service's progress in increasing sponsor participation and in making the most effective use of funds allocated for the National School Lunch Program.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Forest Service efforts to
change timber sale method

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.

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.

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 July 1976 that no additional funds had been allocated to its regions for test sales. (RED-75-396, July 16, 1975.)

Appropriation

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

Issue for consideration by
the Committees on Appropriations

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 direct cooperative forestry programs toward increasing softwood sawtimber supplies

In a report to the Chairman, Subcommittee on Conservation and Natural Resources, House Committee on Government Operations, GAO said 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 July 1976 that the collection of regional field data was underway and was expected to be completed about September 1976. The field data was to be analyzed and the evaluation completed by January 1977. (RED-75-258, Oct. 8, 1974.)

Appropriation

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

Issue for consideration by the Committees on Appropriations

Evaluating the results of meeting specific program objectives would provide a better basis for reporting accomplishments to the Congress for its use in considering budget requests.

DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE

Need to increase progress in meeting
objectives of the Great Plains
Conservation Program

The Great Plains Conservation Program, scheduled to expire in 1981, provides technical assistance and direct cost sharing to help Great Plains landowners and operators voluntarily carry out planned soil and water conservation practices.

In view of the program's legislative history, program accomplishments had been less than might have been expected-- in part because since 1961 the Soil Conservation Service had limited the Federal share for work under any one contract to \$25,000.

In a report to the Congress, GAO recommended that the Secretary of Agriculture increase the administrative limitation placed on the total amount of Federal financial assistance under any one cost-sharing contract to recognize cost increases since the limitation was established and to speed the achievement of important program objectives.

The Department recognized that limiting cost shares under any one contract was sometimes a problem but stated that any increase per contract would result in fewer contracts. In February 1976, during the Senate hearings on appropriations for 1977, the Service said that it planned to raise the Federal financial assistance limitation from \$25,000 to \$30,000 a contract. In September 1976, a Service official told GAO that the Service had not yet done so. (RED-73 32, June 28, 1973.)

Appropriation

Department of Agriculture, Soil Conservation Service,
Great Plains Conservation Program.

Issue for consideration by
the Committees on Appropriations

If greater progress is to be made before the Great Plains Conservation Programs's scheduled expiration date in 1981, the administrative limitation placed on the total amount of Federal financial assistance under any one cost-sharing contract should be increased. However, this could result in more funding being needed to achieve program objectives.

DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE, AGRICULTURAL
STABILIZATION AND CONSERVATION
SERVICE, AND EXTENSION SERVICE

Action needed to discourage removal
of trees that shelter cropland
in the Great Plains

Under a variety of Federal programs over the past 100 years, millions of trees were planted on the Great Plains. Many of these were planted to form field windbreaks to help reduce wind erosion. GAO reported to the Congress that, in recent years, some windbreaks, particularly those planted in the 1930s and early 1940s, had been removed to make more land available for production or to install and use irrigation systems. Normal deterioration of trees and poorly maintained windbreaks also had led indirectly to removal. Continued removals of windbreaks would make the erosion problem in the Great Plains more serious and result in the loss of a valuable resource which had taken many years to develop. No Federal or State program existed which was specifically designed to discourage windbreak removals or to assist farmers on a wide scale to renovate old windbreaks.

GAO recommended that the Secretary of Agriculture have the appropriate departmental agencies:

- Survey, especially in the Great Plains, the extent of windbreak removals and the renovation needed to preserve existing windbreaks.
- Encourage counties to carry out a cost-sharing windbreak renovation program.
- Initiate an educational program to support efforts to preserve and renovate existing windbreaks.

Agency officials generally agreed with GAO's recommendations. In June 1976 the Department announced that the Soil Conservation Service (SCS) had started a pilot study of windbreaks in 10 counties in 5 Great Plains States. The study will determine the number and types of windbreaks now on the land, trends in windbreak removal and planting, and reasons for windbreak removal. The pilot study was expected to be completed by December 31, 1976. (RED-75-375, June 20, 1975.)

Appropriations

Department of Agriculture - Agricultural Stabilization and Conservation Service, Agricultural Conservation Program; SCS, Conservation Operations and Great Plains Conservation Program; and Extension Service.

Issue for consideration by the Committees on Appropriations

Actions needed to preserve and renovate existing wind-breaks may require increased funding.

DEPARTMENT OF COMMERCE

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DEPARTMENT OF COMMERCE

Programs to reduce the decennial census undercount

The Bureau of the Census estimated that 2.5 percent of the population--5.3 million people--were not counted in the 1970 census. According to the Bureau, the undercount rate varied throughout the country and, therefore, the 2.5 percent should not be used to correct population counts for State and local governments.

GAO reported to the Chairman, House Committee on Post Office and Civil Service, that the Bureau, in estimating the number of persons in the census, did not take into account illegal aliens living in the U.S. As a result, the undercount rate was understated.

GAO concluded that the coverage probably would not improve appreciably in the 1980 census, although some steps could be taken which might help.

GAO recommended that the Director, Bureau of the Census,

--develop methods which take into account the existence of illegal aliens when estimating the undercount in 1980,

--consider the use of mail carriers for followup enumeration work,

--consider using a two stage questionnaire in 1980--a shortened and simplified one dealing solely with the count of the population and another more detailed form dealing with questions related to population and housing characteristics, and

--assess the progress on the development of experimental methods to attain the Bureau's goal in 1980--to distribute undercounts below the National level and publish corrected population figures--and if necessary apply additional effort in this area to increase the probability that the Bureau's 1980 goal will be met.

(GGD-76-72, May 5, 1976.)

Appropriation

Department of Commerce, Bureau of the Census, periodic census and programs.

Issue for consideration by the
Committees on Appropriations

Research efforts to develop methods for distributing the undercount in the census may require additional funding to increase the level of effort devoted to these projects.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION AND
NATIONAL MARINE FISHERIES SERVICE

Action is needed now to
protect our fishery resources

Many fish species important to the U.S. fisheries industry are being depleted through overfishing and/or alteration of coastal areas.

GAO reported that scientists had concluded that about 25 stocks of fish off the U.S. coasts had been depleted or threatened with depletion and that about 17 commercial fisheries had excess harvesting capacity or had had their harvesting rendered inefficient through restrictive regulation.

Difficulties in management of U.S. fisheries center around (1) the common property nature of the resource (almost anyone can harvest fish); (2) fragmented jurisdiction involving foreign governments as well as Federal, State, and local entities; and (3) lack of precise biological data.

GAO recommended that the Secretary of Commerce direct the Administrator, National Oceanic and Atmospheric Administration, to (1) accelerate fisheries research, giving priority to the data needs of fisheries management, including the State-Federal Fisheries Management Program; (2) issue and implement criteria for the future selection of species to be included in the program; and (3) establish for each selected species a timetable for implementing appropriate conservation measures.

The Department of Commerce stated that, in general, the report presented a fair and comprehensive evaluation of its fisheries management programs. The Department agreed with the need to accelerate fisheries research, but stated that GAO's recommendations concerning development of criteria for selecting species and establishing a timetable appeared to be a lower priority and had been addressed to the extent practicable, pending resolution of the more basic management problems. GAO believes that development of criteria for selecting species and a timetable for establishing and implementing criteria is essential to insure conservation of the resources. (GGD-76-34, Feb. 18, 1976.)

Appropriations

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

Issues for consideration by the
Committees on Appropriations

1. If the Fish and Wildlife Act of 1956 (16 U.S.C. 742c) were amended, as suggested by GAO, the Fisheries Loan Fund could be used to help mitigate the problems of excess harvesting capacity by encouraging vessel owners to transfer their operations from fisheries with excess capacity to those that are less developed.
2. The National Oceanic and Atmospheric Administration, National Marine Fisheries Service, should increase its efforts to achieve management of domestic fishery resources. Therefore, the Secretary should insure that the Service accelerates its programs designed to protect our fishery resources.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

FOOD AND DRUG ADMINISTRATION

Stronger measures needed to insure
that medical diathermy devices
are safe and effective

The Food and Drug Administration (FDA) is responsible for regulating medical diathermy devices which are used for treating many types of muscle and tendon pain.

Although the agency is responsible for insuring that all medical diathermy devices marketed in interstate commerce are safe and effective for their intended use and properly labeled, it has not implemented an effective regulatory program to carry out this responsibility. FDA has not established safety and performance standards for diathermy devices or carried out an adequate surveillance and enforcement program to insure that these devices comply with Federal requirements.

HEW advised GAO that the Federal Food, Drug, and Cosmetic Act, as amended by the Medical Device Amendments of 1976 (P.L. 94-295), provides FDA with the needed authority to assure that the public is protected from unsafe and ineffective medical devices. According to HEW, the implementation of the amendments will provide appropriate regulations for medical diathermy devices. However GAO believes that the additional authority will not measurably improve FDA's regulation of diathermy devices unless FDA develops an effective regulatory program for these devices. (HRD-76-153, Sept. 2, 1976.)

Appropriation

Agriculture, FDA, environmental and consumer protection.

Issue for consideration by the
Committee on Appropriations

FDA needs to establish an effective program to insure that medical diathermy devices meet Federal requirements.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

HEALTH RESOURCES ADMINISTRATION

Grant and contract activities
of the National Center for
Health Services Research

The purpose of the National Center for Health Services Research is to improve health care delivery through research and demonstrations. The Center's major goals are to increase the availability and accessibility of health care, promote a higher quality of care, and contain health care costs.

GAO reported to Senator William Proxmire that although the Center has formulated various goals and objectives, they are not well defined nor have they been adequately communicated to officials of several Center divisions. In addition, the Center lacks the ability to determine whether goals are being achieved. The Center must also develop sound decision-making policies for selecting the proper funding instrument-- grant or contract.

GAO also reported that the Center has not clearly defined the role its project officers are to fulfill in the monitoring of grants and contracts, nor has the Center established any procedures or guidelines for carrying out such monitoring responsibilities.

One of the Center's major functions is to disseminate its research findings to improve the delivery of health services. The Congress, in passing Public Law 93-353, expressed the belief that it was important that the data used in health services research and the research results be available to the public. In this regard, GAO found that the publication of reports received by the Center and the availability of data developed by projects needs to be improved.

GAO recommended that the Secretary of HEW require the Center to (1) establish more specific goals and objectives, (2) have its professional staff indoctrinated on HEW instructions for selecting the appropriate funding instrument, (3) better define the role of project officers and develop guidelines for them to follow in carrying out their monitoring responsibilities, and (4) increase efforts to acquire final reports in a timely manner and implement data dissemination policies and methods consistent with the provisions of Public Law 93-353. (MWD-76-80, Apr. 6, 1976.)

Appropriation

Health Resources Administration, health services research.

Issue for consideration by the Committees on Appropriations

In approving budget requests for health services research, the Committees might wish to assure that progress is being made in defining program goals and objectives, selecting available funding instruments, monitoring of grants and contracts, and dissemination of information.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH SERVICES ADMINISTRATION

Factors that impede progress in implementing
the Health Maintenance Organization Act of 1973

GAO reported to Congress on September 3, 1976, that HEW has not organized, administered, or staffed the Health Maintenance Organization (HMO) program to effectively implement the requirements of the act.

The headquarters functionalized organization needed considerable coordination and cooperation among its components. Lack of staff, coupled with a lack of final regulations and guidelines, makes effective and uniform administration of a nationwide program of HMO grants, loans, qualifications, and regulations extremely difficult.

HEW has not taken any affirmative action in determining if any State laws could restrict developing HMOs.

GAO recommended that HEW obtain additional staff, especially in the regions, with sufficient expertise in marketing, actuarial analysis, and financial management and issue all final regulations and guidelines required by the act to more effectively and uniformly administer the nationwide HMO program within legislatively required timeframes.

Furthermore, GAO recommended that HEW identify the extent to which State laws may restrict HMOs and seek legislative amendments consistent with the objectives of the restrictive State law provision in the act. (HRD-76-128, Sept. 3, 1976.)

Appropriations

Secretary of HEW, Division of Health Maintenance Organizations, Bureau of Medical Services, Health Services Administration.

Issues for consideration by the
Committees on Appropriations

The problems noted above must be overcome to achieve better results from the HMO program. Because of the problems HEW experienced in implementing the act, the Congress should, in developing legislation to achieve a program goal by a specific time (1) specifically provide the time needed to develop and issue implementing regulations and guidelines and (2) synchronize funding with the status of program implementation.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH RESOURCES ADMINISTRATION
AND HEALTH SERVICES ADMINISTRATION

Progress and problems in
training and using assistants
to primary care physicians

From 1969 to 1974, HEW funded about 100 training programs for assistants to the primary care physician (physician extenders) through grants to universities and other non-profit organizations. HEW support during this period totaled about \$34 million.

In a report to the Congress, GAO pointed out a number of problems that must be overcome to achieve maximum results from these new health care professionals. These problems deal with (1) the length and type of training most appropriate for physician extenders, (2) the manner in which physician extenders are to be used to alleviate health manpower geographical distribution problems, and (3) the most appropriate manner of granting official recognition to physician extenders.

GAO recommended that HEW insure that physician extenders are (1) trained efficiently and economically, (2) granted appropriate and essential professional and legal recognition, and (3) deployed in health manpower shortage areas. HEW generally agreed with GAO's recommendations and advised it of actions taken or planned. (MWD-75-35, Apr. 8, 1975.)

Appropriations

HEW:

- Health Resources Administration, health manpower.
- Health Services Administration, Indian Health Service (Department of the Interior and related agencies).

Issue for consideration by
the Committees on Appropriations

The various problems noted above must be overcome to achieve maximum results from the physician extender programs.

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

NATIONAL INSTITUTES OF HEALTH

Better controls needed over
biomedical research supported by the
National Institutes of Health

The National Institutes of Health (NIH) supports through grants, intramural research conducted in its own laboratories, and contracts, most biomedical research done in the United States. In fiscal year 1974 it obligated about \$2 billion for this purpose.

GAO reported to the Congress that NIH has been funding some research grants even though better research was proposed because it does not terminate ongoing research grants when progress is poor and cannot, under its regulations, terminate grants when better applications could be funded or when recent scientific developments or other circumstances result in the research no longer being of public benefit.

Most intramural research projects were initiated without formal peer review and approval, and many ongoing projects had not been reviewed by boards of scientific counselors--outside review groups who advise institute directors on scientific matters pertaining to intramural research programs. Where NIH had specific research projects reviewed through these boards, the boards identified some research as being of low scientific merit or questionable mission relevance. None of the research so identified, and reviewed by GAO, had been formally reviewed and approved by peer review groups before it was initiated.

GAO made recommendations for improving management practices with which HEW agreed, but it generally disagreed with recommendations to help insure that NIH supports research with the greatest scientific merit, pointing out that the GAO recommendations would cost too much to implement, require large staff increases, and disrupt the stability of the scientific community.

GAO believes that HEW overemphasized the increase in staff and cost. The relatively few projects that might be terminated in favor of better grant applications would probably not disrupt the scientific community. GAO continues to believe significant benefits can be gained by adoption of its recommendations. (MWD-76-58, July 22, 1976.)

Appropriation

HEW, NIH, biomedical research.

Issues for consideration by the Committees on Appropriations

1. NIH may fund better research grants if it were to selectively terminate ongoing grants and use released funds for applications it would not otherwise support. Grounds for termination action could include applications with significantly better scientific merit being funded, poor research progress, or research no longer being of public benefit due to recent scientific developments or other events.
2. NIH's intramural research could be improved if written plans for all research were reviewed and approved by peer review groups before projects are initiated, and the boards of scientific counselors were to review all ongoing intramural research projects.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

NATIONAL INSTITUTES OF HEALTH

Policy decisions needed in designating
comprehensive cancer centers

The National Cancer Act of 1971 (Public Law 92-218) authorized the National Cancer Institute (NCI) to establish 15 comprehensive centers for clinical research, training, and demonstration of advanced diagnostic and treatment methods.

In a report to the Secretary of HEW, GAO recommended that the NCI:

- Decide on the specific factors that it will use to determine locations of comprehensive cancer centers.
- Report to the appropriate congressional committees on the effect other factors will have on locations of centers and the feasibility of achieving an appropriate geographic distribution.
- Clarify the role of the comprehensive center as a focal point for demonstration programs, including establishing criteria for determining when the centers can effectively act as focal points. (MWD-76-98, Mar. 17, 1976.)

Appropriation

HEW, National Institutes of Health, biomedical research.

Issue for consideration by the
Committees on Appropriations

To insure the most effective use of grants for core support of existing comprehensive cancer centers and planning support of potential centers, NCI should resolve the issues of the centers' geographic distribution and role in demonstration.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF CHILD SUPPORT ENFORCEMENT

New child support legislation--
its potential impact and how to
improve it

In 1975, legislation was enacted to expand and strengthen the child support program.

Before 1975, limited efforts were made to establish and enforce child support payments. Shortcomings were noted in obtaining sufficient data to locate absent parents, determining income and amount of support payments absent parents could make, and reviewing and enforcing child support payments.

Based on a review of 600 cases, GAO estimated that about \$3.1 million more in child support could have been collected by establishing new child support orders and by bringing others up to amounts required by existing payment criteria. For 429 child support cases, about 51.5 percent of \$248,400 (\$128,000) was not paid by absent parents during a 6-month period. Further, over \$644,500 in total unpaid support existed on these cases.

GAO reported on what was being done to carry out nine provisions of the new legislation and the problems being encountered. Because the impact of the new legislation will need to be assessed, GAO recommended to the Secretary that certain data be included in an annual report to the Congress indicating what effect the new legislation has had on the program. HEW agreed to this recommendation. GAO also asked the Congress to consider amending four provisions of the legislation (MWD-76-63, Apr. 5, 1976.)

Appropriation

HEW, Social and Rehabilitation Service (SRS), public assistance and salaries and expenses.

Issues for consideration by
the Committees on Appropriations

1. Revision of the requirement for an annual audit in all States to requiring less frequent audits would result in reduced audit costs since fewer auditors would be needed. Since positions for the audit staff have not been authorized, this could result in an avoidance of future expenditures.

2. If the provision to provide a financial incentive to AFDC families to encourage their assistance in identifying absent parents is not renewed beyond its present expiration date of September 1976, a decrease should take place in the funds needed for the AFDC program.
3. Making the incentive payments to localities on the basis of a constant rate rather than at a decreasing rate could have the effect of either increasing or decreasing funds needed for the AFDC program depending on what constant rate is established.
4. Clarifying garnishment as it pertains to the child support program could facilitate the collection of more child support which in turn could reduce the need for AFDC funds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Rising costs of Guaranteed
Student Loan Program

GAO reported to the Congress that the size and cost of the Guaranteed Student Loan Program had increased rapidly over the last few years and that the program currently represents a major portion of the Federal Government's efforts to assist individuals in obtaining an education. The Student Loan Insurance Fund is used to finance Federal insurance of student loans and Federal reinsurance of student loans by State or private non-profit agencies.

Higher Education appropriations are used to pay interest on eligible loans, special allowance payments to lenders, and claims arising from the death or disability of the borrower for claims on loans disbursed on or after December 15, 1968. Interest and special allowance costs from inception of the program through June 30, 1975, were \$1.1 billion and \$260 million, respectively. The Student Loan Insurance Fund appropriation is used to pay claims arising from borrower defaults, bankruptcies, and death and disability claims for loans disbursed prior to December 15, 1968. Such claims amounted to \$329 million from inception of the program through June 1975. Administrative costs of the program are paid from appropriations for salaries and expenses.

GAO reported to the Congress that losses on defaulted loans are climbing significantly in spite of the Office of Education's efforts to upgrade its debt collection program. The high default rate, estimated at 23 percent as of June 30, 1975, is greatly increasing the cost of the Guaranteed Student Loan Program and will necessitate substantial future appropriations.

Also, the financial statements of the Student Loan Insurance Fund, as shown in the appendix to the Federal budget, do not include the program's unfunded estimate of future losses. As a result, the budget statements show a much smaller net loss for fiscal year 1974 and do not show the \$300 million deficit in the Investment of the U.S. Government. Future appropriations will be needed to fund this deficit. (FOD-75-8, Feb. 12, 1975.)

Appropriation

HEW, Office of Education (OE), Student Loan Insurance Fund.

Issues for consideration by
the Committees on Appropriations

1. The estimated cost of the program is rising rapidly.
2. Most of the cost of the program will have to be paid from future appropriations.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Training educators for the handicapped:
A need for Federal program redirection

GAO reported to the Congress that HEW needs to improve its programs for helping to prepare teachers for the handicapped. The majority of the handicapped spend most their school day in regular classrooms, yet regular classroom teachers have not received training in the skills needed to effectively teach handicapped students.

Although educators view the need for training regular classroom teachers as essential to the effective education of the handicapped, HEW has directed relatively little effort toward this purpose. HEW's programs for preparation of teachers for the handicapped have been directed mainly toward stimulating growth in the capacity of colleges to prepare specialists for educating the handicapped and for financial support of college students entering the field of special education. However, the capacity of colleges to prepare such specialists has increased substantially and is at present adequate to fulfill the demand for them.

GAO recommended that the Secretary of HEW direct the Office of Education to provide a major emphasis on programs for training the Nation's regular classroom teachers to effectively deal with the handicapped, in cooperation with State and local education agencies and institutions of higher education.

HEW generally agreed with GAO's recommendation, but the amount of program funds OE plans to devote to training regular classroom educators to deal with the handicapped shows little change. (HED-76-77, Sept. 28, 1976.)

Appropriations

HEW, OE, education for the handicapped.

Issue for consideration by
the Committees on Appropriations

To improve the impact of HEW's teacher-preparation programs, the Committees might wish to redirect amounts of funds from producing new special education teachers to training regular classroom teachers.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF POPULATION AFFAIRS,
SOCIAL AND REHABILITATION SERVICE, AND
HEALTH SERVICES ADMINISTRATION

Improving federally assisted
family planning programs

GAO stated in a report to the Congress that the delivery of family planning services to welfare recipients could be improved if (1) welfare caseworkers complied with the requirement to offer family planning services to appropriate welfare recipients, (2) family planning projects established procedures aimed at enrolling low-income persons, and (3) coordination between welfare offices and family planning projects was adequate. The GAO report also stated that program management could be improved by (1) making greater use of third-party reimbursement programs, (2) performing followup actions on missed appointments, (3) establishing criteria for monitoring and evaluating costs and performance of family planning programs, and (4) conducting more HEW audits. GAO also recommended the development of a useful reporting system for family planning services. HEW administers the family planning programs under four separate organizational units with different legislative authorities. (MWD-75-25, Apr. 15, 1975.)

Appropriation

Secretary of HEW, Office of Population Affairs, Social and Rehabilitation Service, Health Services Administration.

Issue for Consideration by the
Committees on Appropriations

The various problems noted above must be overcome to achieve maximum results from the family planning programs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE

Hepatitis from blood transfusions:
Evaluation of methods to
reduce the problem

GAO examined various ways to reduce the incidence of hepatitis from blood transfusions, including HEW's plan calling for the elimination of the practice of purchasing blood and use of a national or regional registry of unacceptable blood donors.

In a report to the Congress, GAO made several recommendations which it believes will improve the quality of blood used in transfusions. GAO states, and HEW agrees, that evidence clearly indicated that some blood banks which pay their donors supply blood of relatively high quality and of a higher quality than others which rely fully on volunteer donors. This is particularly true of hospital-operated blood banks which obtain blood from well-defined and controlled populations.

GAO recommended that the Secretary of HEW modify the National Blood Policy so that it does not call for eliminating paid blood from banks which can show a valid record of supplying high quality of blood. The Secretary disagrees with this recommendation and states that, as a matter of general practice, there is no reliable means to distinguish between high and low risk paid donors. This appears to be inconsistent with a statement by the Commissioner of the Food and Drug Administration that a proposed requirement to label blood to distinguish between paid and volunteer donors will encourage blood banks which pay their donors to present practical evidence demonstrating that their paid donor population is as safe as the volunteer donor population.

GAO also recommended that the Secretary of HEW promote the establishment of a registry listing individuals unacceptable as blood donors and employ procedures to develop an effective registry system. The Secretary concurs with the need for registries of unacceptable donors, and states that the Department is prepared to work with various organizations to find the appropriate organizational loci for such registries. (MWD-75-82, Feb. 13, 1976.)

Appropriation

HEW, National Institutes of Health and FDA.

Issues for consideration by
the Committees on Appropriation

1. The medical cost of hepatitis resulting from blood transfusions has been estimated to be as much as \$40 million annually. If paid blood collected by blood banks which can show a valid record of supplying high-quality blood is arbitrarily eliminated and results in the reliance on blood from other sources, either paid or volunteer, which is of a lesser quality, additional costs for treating patients with hepatitis resulting from blood transfusions could result. A portion of these costs will be paid by Federal health programs such as Medicare, Medicaid, and health care for Federal beneficiaries, which in fiscal year 1976 had estimated outlays of \$38 billion, or 33 percent of the Nation's total cost for health care.
2. After an organization is identified to serve as the loci for a blood donor registry, funds may be needed to assist in the development and/or operation of the registry. Also, if such an organization is not identified outside the Government, HEW may have to request additional funds to operate such a registry itself.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

PUBLIC HEALTH SERVICE,
SOCIAL AND REHABILITATION SERVICE, AND
SOCIAL SECURITY ADMINISTRATION

History of the rising costs of the
Medicare and Medicaid Programs and
attempts to control these costs: 1966-1975

This report (MWD-76-93, Feb. 11, 1976) summarized HEW's response as of December 1975 to 31 reports to the Congress, its committees, and the Secretary of HEW with recommendations for controlling the costs of the Medicare and/or Medicaid programs. Of the 83 recommendations GAO made to HEW in these reports, 29 had been fully or substantially carried out by HEW, 47 had been partially fulfilled, and 7 had not been implemented. Of the 54 recommendations that had only been partially implemented or not implemented at all, 47 related to the Medicaid program.

HEW has responded very slowly to GAO recommendations to improve the Medicaid program. Following are two of the more important Medicaid recommendations which HEW has not fully or substantially implemented.

Payment for drugs under the Medicaid
program which are ineffective or show
little evidence of effectiveness

In February 1974, GAO reported to the Secretary of HEW that three States included in its survey of the administration of the Medicaid drug program were spending large amounts for prescription drugs that had been declared ineffective or possibly effective by the Food and Drug Administration. According to the Administration, "ineffective" means that there is no acceptable evidence of effectiveness and "possibly effective" means that there is little evidence of effectiveness.

On the basis of available data on Medicaid expenditures in California, Ohio, and Texas (the three States surveyed) for the period September 1972 through August 1973, GAO estimated that these States spent about \$8.3 million annually for ineffective and possibly effective drugs.

Although HEW issued regulations in October 1971 prohibiting expenditures of Federal funds under its direct care programs for ineffective and possibly effective drugs, it had not issued similar regulations for Medicaid expenditures. As early as May 1972 GAO recommended that such

regulations be issued. (E-164031(2), Feb. 15, 1974.)

Medicaid fraud and abuse

GAO recommended in April 1975 that HEW insure that all States comply with Federal requirements for investigating suspected fraud and abuse cases. While HEW has made many improvements in establishing a Medicaid fraud and abuse unit, much needs to be done by the Department to assure State compliance with Federal requirements for investigating suspected fraud and abuse cases. (MWD-75-74, Apr. 14, 1975.)

Appropriation

HEW, Social and Rehabilitation Service, public assistance and salaries and expenses.

Issues for consideration by the Committees on Appropriations

1. HEW should insure that Medicaid beneficiaries are protected from ineffective and possibly effective drugs and that Medicaid funds are not being applied wastefully and inappropriately.
2. In approving appropriations for Medicaid and related administrative expenses, the Committees might wish to obtain assurance that progress is being made in detecting and reducing fraud and abuse in the Medicaid program. Increased State and SRS efforts to reduce Medicaid fraud and abuse may result in increased administrative expenses and budget requests.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Improvements needed in evaluating Federal programs concerning the well-being of children

GAO reported to the Congress that in its review of child protective service provided by welfare agencies it found no means available for assessing the extent of change in and the adequacy of a child's situation. GAO developed and tested such a method which showed that while there was generally improvement in a child's situation, such improvement often took considerable time. At the local level, several obstacles hindered greater accomplishments by child welfare agencies. At the Federal level, HEW had not evaluated the well-being of children adequately and was not fully informing States of the results of research and demonstration projects.

GAO recommended that HEW:

- Develop a system for evaluating the well-being of children and the impact of federally supported programs.
- Develop an information system to enable it to determine reasons for differences in the well-being of children among the States.
- Focus research projects on the greatest obstacles to improvement.
- Provide better dissemination among State and local welfare agencies of the knowledge gained from research.

HEW agreed with GAO's recommendations concerning research efforts. HEW agreed in principle with the recommendation to develop an evaluation system but cited several issues which needed to be resolved. GAO's report included several suggestions for resolving the issues raised. HEW rejected the proposal for an information system citing the need to first develop the evaluation concept. GAO believed, however, that both must be developed simultaneously to avoid the risk of developing a theoretically sound but operationally impractical concept. (MWD-76-23, Apr. 9, 1976.)

Appropriations

HEW:

- Departmental management, general departmental management (executive direction).
- Assistant Secretary for Human Development, human development (child development).
- Social and Rehabilitation Service, public assistance and salaries and expenses.

Issue for consideration by the Committees on Appropriations

In approving budget requests for providing services to children, the Committees might wish to assure that HEW is adequately evaluating the impact of federally supported programs on the well-being of children.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Ineligible recipients are receiving
benefits under Medicaid

GAO reported to the Secretary of HEW that the Federal Medicaid program in New York City was erroneously charged for:

- State home relief recipients who were ineligible for federal benefits.
- Payments on behalf of medically needy persons regardless of their liability for at least some of their medical expenses.
- Payments on behalf of people whose incomes were higher than reported and were, thus, ineligible for assistance.

New York City did not exercise the required internal controls over its Medicaid computer operations. Moreover, neither New York State nor the Social and Rehabilitation Service took the necessary steps to insure the City's compliance.

GAO recommended that the Secretary of HEW direct the Administrator, SRS, to:

- Require SRS regional offices to review internal controls over States' Medicaid automated claims--processing systems.
- Encourage States to verify client-supplied earnings data against data from other sources by using available computer systems.

(MWD-76-45, Oct. 17, 1975.)

Appropriation

HEW, SRS, public assistance and salaries and expenses.

Issue for consideration by
the Committees on Appropriations

In approving appropriations for Medicaid and related administrative expenses, the Committees might wish to obtain assurance that progress is being made in insuring that States are making payments only on behalf of persons eligible for medical assistance under the Medicaid program.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE

Utilization review penalties

Section 1903(g) of the Social Security Act requires that States have an effective program over utilization of inpatient care provided in a hospital, skilled nursing facility, or intermediate care facility. Failure to comply with this requirement is supposed to result in the loss of one-third of the Federal medical percentage for all inpatient care over 60 days or in hospital for mental disease beyond 90 days. States must submit quarterly certifications that they have complied with the requirement.

The wording of the act permits the Secretary of HEW to accept as timely and valid certifications unverified statements of compliance filed months after the quarters in question are over. HEW's review of the States' compliance is not proceeding in a timely manner. Administration of the penalty provision is complex and burdensome and amending the provision could relieve this problem. GAO recommended that legislation be drafted to specify the timeframe for and minimum information content of the quarterly certifications already required by the act. (MWD-76-89, Jan. 26, 1976.)

On the basis of HEW's failure to reduce Medicaid payments as required by the Social Security Act, GAO notified the Secretaries and HEW and the Treasury that GAO will act to disallow payments with respect to State payment requests submitted on or after July 1, 1976, by States that are not in conformance with the act. (MWD-76-137, June 1, 1976.)

Appropriations

HEW:

- Assistant Secretary for Health, salaries and expenses.
- Social and Rehabilitation Service, public assistance and salaries and expenses.

Issues for consideration by
the Committees on Appropriations

In approving budget requests for Medicaid and related administrative expenses, the Committees might wish to assure that progress is being made in improving control over

utilization of inpatient care. Increased State and SRS efforts toward solutions may result in increased administrative expenses and budget requests or in reallocation of budget priorities.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE AND
SOCIAL SECURITY ADMINISTRATION

Improvements needed in managing and
monitoring patients' funds maintained
by skilled nursing facilities and
intermediate care facilities

Each aged, blind, or disabled Medicaid patient in a skilled nursing facility or intermediate care facility is entitled to an allowance of at least \$25 a month for personal needs. There were deficiencies in managing patients' funds in each of the 30 facilities reviewed. HEW has issued limited regulations or instructions on managing these patients' funds.

The annual State inspection of all facilities participating in the Medicaid program should include reviews of patients funds procedures. There is some question as to the ability of the inspectors to determine whether a facility has properly implemented the policies and procedures for handling patients' funds. In at least one region, HEW has not provided needed training on the proper handling of patients' funds to State inspectors.

Recommendations to HEW included:

- Issuing additional regulations to safeguard patients' funds.
- Training State inspectors.
- Encouraging States to modify their common audit agreements with Medicare fiscal intermediaries to include reviews of patients' funds at skilled nursing facilities (MWD-76-102, Mar. 18, 1976.)

Appropriations

HEW:

- Assistant Secretary for Health, salaries and expenses.
- Social and Rehabilitation Service, public assistance and salaries and expenses.
- Social Security Administration (SSA), Federal Hospital Insurance Fund (Medicare) and salaries and expenses.

Issues for consideration by
the Committees on Appropriations

In approving budget requests for Medicare, Medicaid, and related administrative expenses, the Committees might wish to assure that progress is being made in improving the management of patients' funds. Increased State, SSA, and SRS efforts toward solutions may result in increased administrative expenses and budget requests or in a reallocation of budget priorities.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL AND REHABILITATION SERVICE AND
SOCIAL SECURITY ADMINISTRATION

Need to reduce administratively
necessary hospital days

The Medicare and Medicaid programs pay for thousands of days of inpatient hospital care each year for persons no longer requiring hospital care and where lower cost facilities would be more appropriate. HEW officials do not know how many such social services or administratively necessary days are paid for each year nor the specific reasons. GAO recommended that HEW:

- Require States and Medicare intermediaries to report the number of and specific reasons for administratively necessary days.
- Establish criteria for determining which administratively necessary days should be paid for by Medicare and Medicaid.
- Evaluate the date to determine how to reduce administratively necessary days through more prompt placement in lower cost facilities and, where appropriate, increasing the number of beds in lower cost facilities.

(HRD-76-142, June 29, 1976.)

Appropriations

HEW:

- Assistant Secretary for Health, salaries and expenses.
- Social and Rehabilitation Service, public assistance and salaries and expenses.
- Social Security Administration, Federal Hospital Insurance Fund (Medicare) and salaries and expenses.

Issues for consideration by
the Committees on Appropriations

In approving budget request for Medicare, Medicaid, and related administrative expenses, the Committees might wish to assure that progress is being made in reducing administratively

necessary days. Increased State, SSA, SRS efforts toward solutions may result in increased administrative expenses and budget requests or in a reallocation of budget priorities.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Efforts to assess the environmental impact
of proposed projects have been ineffective

In July 1975, GAO reported to the Congress that, in the 5 years since the passage of the National Environmental Policy Act, the Department of Housing and Urban Development (HUD) had not developed and implemented an adequate program for assessing the environmental impacts of projects proposed for its approval.

GAO recommended that HUD:

- Elevate the environmental assessment function to the highest practical independent organizational level.
- Emphasize to management the need to give higher priority to complying with requirements of the National Environmental Policy Act.
- Require clearance personnel to make more effective use of the environmental expertise available in other Federal, State, or local agencies.
- Set up a specially designed training program to periodically instruct personnel in performing more adequate clearances.

HUD generally disagreed with GAO's findings and its proposals for corrective action.

Under regulations for implementing the Housing and Community Development Act of 1974, HUD has made localities responsible for assessing the environmental impacts of projects to be funded with community development block grants. HUD offices, however, retain responsibility for the function for housing assistance or insurance projects, which accounted for most actions before passage of the 1974 act. (RED-75-393, July 22, 1975.)

Appropriation

HUD, community planning and development, salaries and expenses.

Issues for consideration by the
Committees on Appropriations

1. HUD could substantially improve its implementation of the National Environmental Policy Act by (a) elevating the level of attention given to the environmental clearance function, (b) emphasizing to management the need to give higher priority to complying with requirements of the act, (c) requiring clearance personnel to make more effective use of environmental expertise available, and (d) establishing a training program to instruct personnel in performing clearances.

2. In view of HUD's lack of priority and emphasis on assessing the environmental impacts of projects which it approves, localities may not be effectively carrying out their responsibilities for the environmental review of proposed projects.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

Action being taken to correct weaknesses
in the system of paying taxes on
acquired residential properties

In a report to the Congress, GAO pointed out that weaknesses in the Department of Housing and Urban Development procedures and practices followed in administering its property tax payment system has resulted in erroneous, duplicate, and delinquent tax payments as well as failure to pay taxes owed.

Details on GAO's review of HUD's property tax system were presented in testimony on September 25, 1975, before the Subcommittee on Manpower and Housing, House Committee on Government Operations.

GAO suggested to officials of HUD various measures to improve the property tax payment system, including the use of automatic data processing and establishing an accurate accounting of tax liabilities.

HUD agreed to take corrective action in line with GAO suggestions. (FGMSD-76-24, Nov. 26, 1975.)

Appropriation

HUD, homeownership and rental housing assistance, mortgage credit.

Issues for consideration by the
Committees on Appropriations

The Committees may wish to inquire about the progress being made to establish an effective system for paying and accounting for property taxes, including the related costs involved in converting HUD's manual mortgage-accounting system to a computerized system.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

FEDERAL HOUSING ADMINISTRATION

Need to take prompt and aggressive action
to collect millions of dollars of delinquent
mortgage insurance premiums

The Department of Housing and Urban Development accounting records showed that as of February 1, 1976, about 6,400 mortgagees were delinquent in paying about 285,000 mortgage insurance premiums amounting to over \$20 million. HUD, therefore was denied the use of these funds on a timely basis to meet program needs and is required to obtain needed funds through appropriations or borrowing. As a result the Government incurs unnecessary costs.

In an interim report to the Secretary of HUD GAO recommended that HUD take prompt and aggressive action to collect the millions of dollars of delinquent mortgage insurance premiums and initiate action to improve the accounting system for mortgage insurance premiums and related billing and collection procedures.

HUD agreed with GAO recommendations and reported there has been a substantial improvement in the condition of the delinquent premium inventory. GAO is continuing to review the systems of accounting for insurance premiums at the central office and at mortgagees to fully identify the actions needed to achieve an effective system. (FGMSD-75-54, May 5, 1976.)

Appropriation

HUD, Federal Housing Administration Fund.

Issue for consideration by
The Committees on Appropriations

Additional funds will be required to maintain and operate the fund if timely collections are not made.

DEPARTMENT OF THE INTERIOR

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DEPARTMENT OF THE INTERIOR

BONNEVILLE POWER ADMINISTRATION

Status of the Grand
Coulee-Raver Transmission
Line Project

The Bonneville Power Administration (BPA) is constructing its first 500-kilovolt high capacity double-circuited electrical transmission line. GAO reported on the progress of this project in terms of changes in cost schedule and performance from the agency's original budget presentation in 1972. In addition GAO recommended several changes in the way the agency procures acquisitions of this type. For example, GAO reported that BPA did not include all project and project-related costs in its estimate provided to the Congress and recommended that costs estimates provided to the Congress for future construction projects identify all related project costs.

In addition GAO reported that the test program for the steel towers were not completed as originally planned. Some tests were canceled and others were not made at the ultimate design load. While GAO recognizes BPA comments that such a testing program would be more expensive, a successful test program is an important step in many major acquisition programs. Therefore, GAO recommended that BPA have redesigned items tested in future transmission tower test programs.

Copies of this report were furnished to the House and Senate Committees on Government Operations and Appropriations. (PSAD 76-167, Aug. 18, 1976.)

Appropriations

Department of the Interior, BPA.

Issue for consideration by the
Committees on Appropriations

The agency should have redesigned items tested in future transmission tower test programs thereby completing the test programs as originally planned.

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT

Acreage limitations on mineral
leases not effective

The mineral leasing acts and implementing Federal regulations place limitations on the number of acres of Federal land that a person, association, or corporation may hold or control under a single Federal mineral lease and under all such leases. The primary purpose of acreage limitations is to prevent monopoly of any particular mineral found on Federal lands.

In a report to the Chairperson, Subcommittee on Mines and Mining, House Committee on Interior and Insular Affairs, GAO reported that little is known about the basis and appropriateness of the current acreage limitations. Moreover, the Bureau of Land Management has no system for insuring compliance with the onshore oil and gas acreage limitation and was not effectively controlling the phosphate, potash, and sodium acreage limitations.

GAO recommended that the Secretary of the Interior require the Director, Bureau of Land Management, to make a study to help in determining whether there is a need for limitations on Federal mineral holdings based on acreage or some other measure, such as estimated mineral reserves. If so, the Director should determine the appropriate type and size of the limitation for each mineral that the Federal Government leases and recommend to the Congress that the mineral leasing laws be amended accordingly. If limitations are needed, the Secretary should require the Bureau's Director to develop and implement a system to control the limitation for each mineral the Federal Government leases. (RED-76-117, June 24, 1976.)

As directed by the Subcommittee, we did not obtain formal written comments from the Department.

Appropriation

Department of the Interior, Bureau of Land Management,
Management of lands and resources.

Issues for consideration by the
Committees on Appropriations

Acreege limitations on Federal mineral leases were not effectively controlled.

2. The Bureau needs to determine whether limitations on Federal mineral holdings are needed; and if so, to determine the appropriate type and size and to establish an effective monitoring system to control the limitations.

DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT
AND U.S. GEOLOGICAL SURVEY

Role of Federal coal resources in meeting
national energy goals needs to be
determined and the leasing process improved

GAO assessed the potential of the coal leasing process to meet the national coal production goals.

Because of its large holdings of low-sulphur coal, the Federal Government is in a key position to shape future patterns of coal development. Most of the coal lands are administered by the Department of the Interior and may be leased to mine coal.

About 70 percent of the 536 Federal leases, conservatively estimated to contain 16 billion tons of coal, have yet to produce. About 60 percent of the leases are 10 years or older, and production is not expected on half of the existing leases before 1990.

An issue which has never been adequately addressed in the 55-year history of the coal-leasing program is that of timely development.

The ease of obtaining leases and the low costs associated with holding them have not increased production, contrary to the intent of the law. In fact, these conditions, coupled with Interior's failure to enforce production clauses in the leases, provided a strong incentive for speculation.

In 1971 Interior halted the issuance of coal leases and prospecting permits because growing amounts of coal resources were being placed under lease at a time when production was falling off. Overall, production has been poor.

The Secretary of Interior announced a new coal-leasing policy on January 26, 1976. Interior has decided to lift the moratorium without having reasonable goals of how much coal to lease or when to lease, based on the best possible estimates of how much coal to expect from development of the leases.

The new leasing process appears to be much improved over the previous system. However, much remains to be done before it can be applied effectively on a large scale.

There are weaknesses in the system which will undermine seriously the effectiveness of the leasing process. Weaknesses exist in Interior's coal resources mapping program in drilling programs to obtain data for mineral classification and environmental protection, and in the land management planning system.

GAC recommends that Interior:

- Specify what demands will be placed on Federal coal resources in meeting the President's goal of doubling coal production by 1985.
- Develop a systematic coal-drilling program to provide planned and coordinated drilling through federally financed activities. Such data should be made available to the public.
- Require existing and potential lessees and permittees to furnish information on (1) reserve holdings, (2) production plans, (3) reasons and justifications for non-production, and (4) the need, if any, for additional Federal coal reserves.

Interior concurred that actions to develop the Nation's coal resources should be undertaken only with adequate knowledge and appreciation of the need and consequences for such development and believed that major initiatives now underway adequately addressed most of the valid points raised.

GAC also recommended that the Congress (1) enact legislation that would, for future leases, permit adjusting lease terms more frequently than after a 20-year primary term and (2) amend section 201a of the Mineral Leasing Act of 1920 to provide for the award of leases only on a competitive basis.

On August 4, 1976, the Federal Coal Leasing Amendments Act of 1976 was passed. This law provided for the Secretary of the Interior to (1) offer lands for coal leasing by competitive bidding and (2) issue to any person an exploration license which confers no right to a lease. (RED-76-79, Apr. 1, 1976.)

Appropriation

Department of the Interior Geological Survey, Bureau of Land Management, personnel, surveys, investigations.

Issues for consideration by the
Committees on Appropriations

The recommendations, if implemented, would require additional funds for (1) personnel to carry out an expanded coal mapping program and (2) expanded government drilling to assess coal resources.

DEPARTMENT OF THE INTERIOR

BUREAU OF MINES AND
U.S. GEOLOGICAL SURVEY

Need to develop a national
non-fuel-mineral policy

A GAO report to the Congress focused on activities of the Department of the Interior under the Mining and Minerals Policy Act of 1970 and the Nation's growing dependence on foreign sources for many minerals and materials. GAO concluded that further efforts are needed to clarify Interior's views on national non-fuel-mineral policy, particularly as to developing quantifiable standards for a strong and stable domestic mining industry and criteria for defining acceptable levels of imports.

Regarding non-fuel-minerals, the Department of the Interior generally advocates a flexible policy under which the United States can move from one supply mechanism, such as imports, to another, such as substitution of domestic resources. Yet Interior's position on this matter is not clear. Further, steps to be taken to accomplish a flexible supply policy, on a timely basis, have not been spelled out.

GAO recommended, therefore, that the Secretary of the Interior

- identify and evaluate laws and agency programs that affect maintaining and developing a sound and stable domestic mining and minerals industry,
- weigh trade-offs between the purposes of such laws and the Mining and Minerals Policy Act, and
- advise the National Commission on Supplies and Shortages, the Administration, and the Congress of changes in the regulations and/or pertinent legislation believed needed to strengthen development of a coherent national minerals policy.

GAO also recommended that the Secretary of the Interior exercise his leadership role in clarifying Interior's position on a national non-fuel-mineral policy. As a minimum this should entail (1) continuing analysis of the advantages and disadvantages of relying on imports for specific

commodities and (2) formulating recommendations for specific actions and programs that may be needed to help reduce the Nation's reliance on imports whenever and wherever such reductions are possible and desirable.

Such developments by Interior would help the Congress in its consideration of various proposed legislation and should materially help the National Commission on Supplies and Shortages in its review of permanent resource needs. (RED-76-86, July 2, 1976.)

Appropriation

Department of the Interior and Related Agencies Appropriations, Bureau of Mines, U.S. Geological Survey.

Issues for consideration by the Committees on Appropriations

The Department of the Interior indicated that, as in all efforts limited by budget and personnel, its efforts under the Mining and Minerals Policy Act could be expanded only if additional resources were available. It said the priorities and benefits of such expansion must be considered in the context of other legal responsibilities.

Interior may need additional funds in working to implement GAO's recommendations. GAO has suggested that Interior should justify the needed additional resources.

DEPARTMENT OF THE INTERIOR

BUREAU OF RECLAMATION

Appraisal procedures and solutions to
problems involving the 160-acre limitation
provision of Reclamation Law

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 insure that large landowners in the Westlands Water District do not sell their excess lands at values which include enhancement resulting from the project. The Bureau did not (1) adequately support its basis, or give consideration to all appropriate factors, in establishing land values without project benefits, (2) consider the usefulness to the purchaser of farm facilities and equipment in estimating their value, and (3) 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 (PED-76-98, Apr. 9, 1976), GAO estimated that the Federal subsidy applicable to the Westlands Water District would be about \$658 million on a simple-interest present-value basis.

GAO recommended that the Secretary of the Interior 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 of the interior require that his internal audit staff schedule reviews of the appraisal activity in the various Bureau regional offices. (RED-76-119, June 3, 1976.)

Appropriation

Department of the Interior, Bureau of Reclamation, operation and maintenance.

Issues for consideration by the Committees on Appropriations

Because of the substantial amount of Federal subsidy provided to the recipients of irrigation water from Bureau of Reclamation projects and to insure that large landowners do not sell their land at values which include enhancement resulting from these Federal irrigation projects, the Committees on Appropriations may want to inquire into the status of the Bureau's actions on GAO recommendations.

Also, additional appropriations may be required if a bill is enacted to establish a revolving fund for a governmental purchasing system of excess land for resale to family farmers.

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

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 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 of the Interior 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 of Reclamation 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, Nov. 17, 1975.)

Appropriation

Department of the Interior, Bureau of Reclamation, construction and rehabilitation and operation and maintenance.

Issues for consideration by the Committees on Appropriations

In their review of the FY 1978 project data sheets for Bureau of Reclamation projects, the Committees may want to determine if the Bureau has revised its procedures for computing authorized cost ceilings. 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

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 of the Interior:

- 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 insure that such development does not restrict public use of the reservoirs.

The Bureau generally agreed with the recommendations. The Department 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 June 1976, Bureau officials informed GAO that the Department of the Interior was further considering the legislative proposal and revised regulations. (RED-74-235, July 29, 1974.)

Appropriation

Department of the Interior, Bureau of Reclamation, construction and rehabilitation and operation and maintenance.

Issue for consideration by the
Committees on Appropriations

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 needed for
establishing payment terms and development
periods for irrigation projects

GAO reported to the Secretary of the Interior on the Bureau of Reclamation'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.

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.

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 and the related water rates and other payments on the basis of changes in irrigators' ability to pay.

Interior told GAO that the development of more uniform and equitable criteria for water contracts, including a provision for regularly reviewing ability to pay determinations was pending until the study authorized under Section 80 of the Water Resources Development Act (P.L. 93-251) was completed. It is expected that this study will be forwarded to the President by the end of 1976. (RED-75-372, May 23, 1975.)

Appropriation

Department of the Interior, Bureau of Reclamation, construction and rehabilitation and operation and maintenance.

Issues for consideration by the Committees on Appropriations

To insure 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 may want to inquire into the status of the development and implementation of Interior's uniform guidelines for determining irrigators' ability to pay and development periods. The guidelines should include a provision for regularly reviewing and updating the results of their application.

DEPARTMENT OF THE INTERIOR

FEDERAL HYDROELECTRIC SYSTEMS

Federal hydroelectric plants
can increase power sales

GAO assessed the potential of increasing the dependable electric capacity (the ability of a system to provide its maximum output under adverse conditions for a specified period) available for sale from Federal hydroelectric systems.

Additional hydroelectric dependable capacity can be made available for sale by

- changing the methods the Interior power marketing agencies use in determining how much capacity can be sold and
- reassessing the amount of capacity which is held in reserve for contingencies.

GAO recommends that the Secretary of the Interior have the Federal power-marketing agencies:

- Establish uniform guidelines for determining the Federal power systems generating capability under adverse conditions, recognizing the differences of the various systems.
- Determine the feasibility of establishing dependable capacity based on purchases of power.
- Identify and obtain the modifications which would be required to implement this method, including a provision for enough money to purchase the power needed in low-water years.
- Sell any additional capacity as dependable based on the results of the above action.

The Federal hydroelectric systems maintain larger generating reserves than GAO believes are warranted by the nature of their mission, the reliability of their systems, or, in some cases, the requirements of the power pools to which they belong. If such reserves could be reduced and made available for sale, then additional revenues could be earned by the Federal power systems, and in some cases postpone or reduce the need for additional generating capacity to be constructed.

GAO recommends that the Secretary of the Interior require:

- The Bureau of Reclamation to redetermine the reserve requirements for each power system, considering the benefits derived from pooling arrangements and the elimination of reserves based on load growth and maintenance.
- The Federal power-marketing agencies, when entering into new, or revising existing, power-pool agreements to negotiate for more equitable reserve requirements taking into consideration the historical reliability of hydroelectric facilities.
- The Federal power-marketing agencies to sell the capacity that may become available as a result of redetermining reserve requirements.

Interior said that it was impossible to generalize on the potential for adopting GAO recommendations. It pointed out that the recommendations may be very workable for some systems and impractical or have no significant impact on the capacity of other systems.

Interior said it would make appropriate studies to determine the feasibility of implementing GAO recommendations on a system-by-system basis. (CED-76-120, July 8, 1976.)

Appropriation

Department of the Interior, Surveys, Investigations, Power Marketing Agencies.

Issues for consideration by the Committees on Appropriations

1. The additional hydroelectric dependable capacity could delay or, in some instances, displace alternative construction of electric-generating capacity.
2. If reserves more realistically represented expected conditions, the Federal reserves could be reduced. The additional capacity thus made available could be sold.
3. If dependable capacity was based on purchases of power during low water years, then funds would have to be authorized during such periods.

DEPARTMENT OF LABOR

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DEPARTMENT OF LABOR

DIRECTORATE OF AUDIT AND INVESTIGATIONS

Need for greater audit coverage
of internal financial areas

The Budget and Accounting Procedures Act of 1950 requires the head of each Federal agency to establish and maintain systems of internal control, including appropriate internal audit, in order to provide effective control over and accountability for all funds, property, and other assets for which the agency is responsible.

In a report to the Secretary of Labor, GAO stated that the current audit effort of the Directorate of Audit and Investigations does not provide adequate audit coverage of internal financial operations as required by the Budget and Accounting Procedures Act of 1950. No audits had been made during fiscal years 1973-76 of accounts receivable, the payroll system, administrative control of funds, revenues, financial statements, and the effectiveness of the overall accounting system.

Directorate officials said these areas were not audited because of lack of staff and the need to apply available staff to external audits of the Department's contract and grant programs.

GAO recommended that the Secretary of Labor assess the audit function to determine what action should be taken to provide effective audit coverage of the Department's internal financial operations. (B-133182, June 25, 1976--FGMSD-76-67.)

Appropriation

Department of Labor, Office of Assistant Secretary for Administration and Management, salaries and expenses.

Issue for consideration by
the Committees on Appropriations

Many of the Department's operations are not being subjected to the important internal control which can be provided by auditors. As a result, opportunities to reduce or eliminate unnecessary or wasteful practices may be lost and potential cost reductions may not be realized.

DEPARTMENT OF LABOR

DIRECTORATE OF AUDIT
AND INVESTIGATIONS

Need to avoid duplicative
financial audits of the
Comprehensive Employment
and Training Act subgrantees

GAO reviewed Labor's plan for auditing subgrantees/contractors of the Comprehensive Employment and Training Act (CETA) of 1973 in relation to Federal Management Circular 73-2, Audit of Federal Operations and Programs by Executive Branch Agencies dated September 27, 1973, as it relates to reliance on non-Federal audits. The circular requires that in developing audit plans, Federal agencies administering programs in partnership with organizations outside of the Federal Government will consider whether these organizations require periodic audits and whether they have made or arranged for these audits. The circular further provides that Federal agencies coordinate their audit requirements and approaches with these organizations to the maximum extent possible and that the scope of individual Federal audits gives full recognition to the non-Federal audit effort.

CETA regulations require each grantee to arrange for an independent financial and compliance audit of its subgrantees/contractors at least once every 2 years. The audits may be conducted by the grantee, by State and local government audit staffs, or by certified public accountants and audit firms under contract to the grantee. The regulations also provide that existing audit systems, where acceptable under the Comptroller General's "Standards for Audits of Governmental Organizations, Programs, Activities & Functions," such as State audits of city and county activities will be used to the maximum possible extent.

While CETA regulations require prime sponsors to use existing audit systems to the maximum possible extent, Labor has not adopted a policy which fosters the acceptance of audits performed at the direction of CETA subgrantees/contractors. In this regard, Labor does not require its prime sponsors to rely on audits performed at the direction of their subgrantees/contractors; but rather, requires its prime sponsors to arrange for an independent audit of their subgrantees/contractors. This may result in additional audit expense and an unnecessary audit burden because many of the subgrantees/contractors are audited annually by a certified public accountant firm or a State auditor.

GAO recommended that Labor aggressively work with its prime sponsors to establish a coordinated audit system for CETA subgrantees/contractors which would expand the audits currently being performed at the subgrantees/contractors to include the audit requirements peculiar to the CETA program. (FGMSD - 76-81, Aug. 27, 1976.)

Appropriation

Comprehensive Manpower Assistance.

Issue for Consideration by
The Committees on Appropriations

By establishing a coordinated audit system Labor can avoid duplicative audits of its CETA subgrantees/contractors.

DEPARTMENT OF LABOR

EMPLOYMENT AND TRAINING ADMINISTRATION

Progress and problems in
allocating funds under
Titles I and II-Comprehensive
Employment and Training Act

GAO reported to the Congress that progress in meeting the Act's objectives for public service employment under title II had been hampered by the Department of Labor's methods for (1) defining eligible areas, and (2) allocating funds. These problems resulted in funding inequities among areas of substantial unemployment and diluted the impact of Federal funding.

Problems existed also in funding four rural concentrated employment programs under title I. The Department did not establish uniform criteria to compute the funding levels for the programs for fiscal year 1975. Two of the four programs received funds not legally available to them, and two States operated title I manpower programs as balance-of-State prime sponsors in areas also served by a Concentrated Employment Program. This also violated the statute.

The Department generally agreed with GAO's recommendations on funding under title II but disagreed with its recommendations that the Secretary of Labor:

- Insure that uniform criteria are used for computing funding levels for the concentrated employment programs.
- Insure the concentrated employment programs do not receive funds from the 80 percent of title I funds to be allocated by formula.
- Insure that title I funds are allocated to only one prime sponsor for operating comprehensive manpower programs in any one area, as required by the act.

(MWD-76-22, Jan. 2, 1976.)

Appropriation

Department of Labor, Employment and Training Administration, employment and training assistance.

Issues for consideration by the
Committees on Appropriations

1. Need to improve methods for allocating funds under the Comprehensive Employment and Training Act.
2. Need to insure that Concentrated Employment Program operations are in accordance with law.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

Data available to measure impact of minimum and overtime wage provisions of the Fair Labor Standards Act on working parents employing domestic service workers as babysitters

Members of Congress are concerned that extending minimum and overtime wage requirements to domestic service workers under the Fair Labor Standards Amendments of 1974 is adversely affecting the employment opportunities of full-time babysitters and working mothers. Legislation has been proposed in the 94th Congress which would exempt babysitters from coverage under the act.

GAO reported to the Subcommittee on Intergovernmental Relations and Human Resources, House Committee on Government Operations, that the impact of extending the minimum and overtime wage provisions on working parents employing domestic service workers as babysitters could not be accurately measured because adequate data was not available.

The Secretary of Labor (1) agreed that impact information was needed but that Labor's first priority would be to complete studies underway and others required by the 1974 amendments to the act, (2) said additional studies would be made when funds and personnel were available, and (3) said Labor would determine with the Census Bureau the earliest month a supplemental questionnaire could be added to the Current Population Survey to obtain the kind of data that would support an impact study.

The Census Bureau, however, informed Labor in July 1975 that it preferred not to conduct the supplemental survey because of apprehensions about the quality of data that would be collected. Labor advised GAO of this development and said it had no suggestions regarding an alternative source for the desired information. (MWD-75-75, June 3, 1975.)

Appropriation

Department of Labor, Employment Standards Administration, salaries and expenses.

Issues for consideration by the
Committees on Appropriations

1. Adequate information is needed to measure the impact of minimum and overtime wage provisions on working parents employing domestic service workers as baby-sitters.
2. A reliable methodology will have to be developed and additional funds may be needed to obtain data to support an impact study.

DEPARTMENT OF LABOR

EMPLOYMENT STANDARDS ADMINISTRATION

How to improve administration of
the Federal Employees' Compensation
Benefits Program

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.

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.

GAO recommended that Labor (1) insure that all agencies that can be legally billed under the act are billed their fair share of the Fund's administrative costs, (2) identify additional agencies which should be required by law to pay their fair share, and (3) 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) strengthen the chargeback process for agencies dependent on appropriated funds.

Labor said that action has not been completed to implement GAO's recommendations. Labor also said action has not been taken on eliminating the chargeback provision because Labor did not endorse in its entirety or accept all of the recommendations of a study done by its contractor and Labor is continuing the study to determine whether the chargeback system should be strengthened, revised, or eliminated. (MWD-75-23, Mar. 13, 1975.)

Appropriation

Department of Labor, Employment Standards Administration,
special benefits.

Issues for consideration by the Committees on Appropriations

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

OCCUPATIONAL SAFETY AND
HEALTH ADMINISTRATION

Better data on severity and
causes of worker safety and health
problems should be obtained from
workplaces.

The Occupational Safety and Health Act of 1970 and its legislative history show that Labor is to give priority to the most serious safety and health hazards to eliminate or reduce problems that cause or can cause the most deaths and seriously disabling injuries. The act authorizes Labor to obtain from employers and other sources information needed for doing so.

In a report to the Congress, GAO stated that better data on the causes and severity of safety and health problems was needed for each of three activities of the Occupational Safety and Health Administration (OSHA) and States under the 1970 act: developing and modifying standards to administer the act; insuring enforcement of, and compliance with, the act, and employer-employee information and education activities.

To provide the data OSHA needs, GAO recommended that OSHA be directed to:

- Give high priority to (1) resolving the issues on how to obtain the data it needs from employers on the severity and causes of injury and illness and (2) establishing a system for obtaining and using the data.
- Modify the accident investigation program.
- Reconsider the need for such other efforts as supplementary studies for obtaining needed specific data which is not obtainable under the accident investigation program.
- Evaluate the data on causes of death and serious injury and illness to determine what efforts are needed to eliminate or reduce such causes.

Because it is difficult to obtain health hazard data, GAO also recommended that OSHA be directed to initiate a program for reviewing all data on toxic chemicals and other health hazards to identify the toxic substances and harmful

physical agents which warrant reporting by employers. The program should require the promulgation of standards, that would include as appropriate:

- Provisions for obtaining information on employees' exposure to health hazards and the effects of the exposure on employee health.
- Requirements for periodic medical examinations and other protective measures for exposed employees.
- Not only those substances and physical agents not covered by standards, but also those that are already covered that do not require employer reporting on exposure and effects on worker health.
- Monitoring, recording, and reporting of exposure levels. (HRD-76-118, Aug. 12, 1976.)

Appropriations

Department of Labor, OSHA, enforcement.

Issues for consideration by the Committees on Appropriations

1. OSHA should improve its program for obtaining injury and illness data.
2. OSHA should set up a new program to obtain data from employers on employee exposure to and the effects of toxic chemicals and other health hazards.

DEPARTMENT OF LABOR

OCCUPATIONAL SAFETY AND
HEALTH ADMINISTRATION

Hazardous working conditions
in seven Federal agencies

Section 19 of the Occupational Safety and Health Act of 1970 requires Federal agencies to establish and maintain effective and comprehensive occupational safety and health programs.

GAO reported to the Congress that seven Federal agencies employing more than half of Federal civilian employees did not have adequate procedures for identifying and correcting hazardous working conditions. At 30 randomly selected field locations of the 7 agencies, GAO and Labor inspectors found about 14,000 conditions that did not meet occupational safety and health standards. Federal agencies did not keep accurate records on occupational deaths, injuries, and illnesses and their causes to help insure that workplace hazards that could cause deaths, injuries, and illnesses were identified and eliminated.

The agencies included the Departments of the Army, Navy, and Air Force and the Defense Supply Agency in the Department of Defense; the Departments of Agriculture and the Interior; and the Veterans Administration.

GAO recommended that the Congress amend the Occupational Safety and Health Act of 1970 to bring Federal agencies under the inspection authority of Labor and that the results of Labor's inspections be reported to the Congress.

GAO recommended that the seven agencies

- establish occupational safety and health organizations at the Assistant Secretary or equivalent level with sufficient authority and responsibility and
- establish procedures and practices for (1) inspecting workplaces using qualified inspectors, (2) preparing formal inspection reports, (3) directing inspection reports to the heads of field locations and requiring corrections of the cited violations, and (4) making followup inspections.

GAO also recommended that the Secretary of Labor (1) coordinate with Federal agencies in establishing a single recordkeeping and reporting system, (2) provide more adequate

and prompt responses to requests from Federal agencies for inspections and for other assistance, and (3) evaluate all safety and health programs at headquarters and subordinate locations annually. (HRD-76-144, Aug. 4, 1976.)

Appropriations

Department of Labor, Occupational Safety and Health Administration, Enforcement; Department of Defense, (Army), (Navy), (Air Force), (Defense Supply Agency); Department of Agriculture; Department of Interior; and Veterans Administration.

Issues for consideration by the Committees on Appropriations

1. Labor should have authority to inspect Federal agencies and report the results of inspections to the Congress.
2. The Federal agencies should establish occupational safety and health organizations at a significant level with sufficient authority and responsibility and should establish procedures for inspecting workplaces and correcting hazards.
3. The Secretary of Labor should establish a single recordkeeping and reporting system, improve its assistance to Federal agencies, and annually evaluate Federal agencies' programs.

DEPARTMENT OF LABOR

OCCUPATIONAL SAFETY AND
HEALTH ADMINISTRATION

States' protection of
workers needs improvement

Under the Occupational Safety and Health Act, States with Department of Labor-approved plans may administer and enforce occupational safety and health laws. Labor reimburses States up to 50 percent of their costs of operating under approved plans. The act contains no prerequisites for permitting States to inspect workplaces after their plans are approved, no matter how deficient their existing programs may be when approved.

GAO reported to the Congress that State safety and health enforcement activities are deficient because the act permits States to operate during a developmental period using criteria less effective than Labor's.

When reviewing States' plans, Labor did not compare the States' existing programs with all the specific Federal legal authorities, standards, enforcement procedures, and employer and employee appeals provisions. Thus all deficiencies in State programs were not identified and Labor permitted States to make inspections which did not provide (1) adequate worker protection, (2) adequate incentives to employers for voluntary compliance, or (3) adequate employer and employee appeals rights.

GAO recommended that the Congress amend the act to require that:

- A State could obtain a grant to inspect workplaces under an approved plan only if the State either (1) has fully developed, adopted, and obtained Labor's approval of all specific legal authorities, standards, enforcement procedures, standards-adoption provisions, and appeals procedures or (2) agrees to use Labor's established procedures, standards, and provisions pending development adoption, and approval of the State's.
- A contract arrangement should be used if a State wants to make workplace inspections under the act but is precluded from operating satisfactorily under a grant arrangement by limited legal authority or other problems.

--A State promptly adopt and use all new or modified standards and enforcement criteria adopted by Labor pending development and Labor approval of the State's.

GAO also recommended that the Secretary of Labor require that:

--Labor compare the States' existing safety and health criteria with Labor's criteria to identify all instances where they are not as effective as Labor's.

--State plans include specific commitments and target dates for developing, adopting, and getting Labor approval of specific program aspects needed to be as effective as Labor's.

--Citations be issued requiring abatement of safety and health violations identified during Labor's evaluations of State inspections. (HRD-76-161, Sept. 9, 1976.)

Appropriations

Department of Labor, OSHA, enforcement.

Issues for consideration by the Committees on Appropriations

1. The act should be amended to require States to use Labor's legal authorities, standards, enforcement procedures, standards-adoption provisions, and appeals procedures pending development, adoption and approval of the State's.
2. Labor should compare the States' criteria for operating its safety and health programs with the Federal criteria to identify all instances where they are not as effective as Labor's and require State plans to include specific commitments and target dates for developing, adopting, and getting Labor approval of specific program provisions needed to be as effective as Labor's.
3. Labor should insure that workplace hazards it identifies when evaluating State inspections are cited and corrected.

DEPARTMENT OF LABOR

OCCUPATIONAL SAFETY AND
HEALTH ADMINISTRATION

Worker protection must be insured
when employers request permission
to deviate from safety and health
standards

Employers must comply with any occupational safety and health standard set by the Department of Labor or by States operating under plans approved by Labor, unless they can provide equal or better protection to workers by other means.

In a report to the Congress, GAO stated that better Federal and State procedures were needed for evaluating employer requests for permission to vary from standards. GAO's recommendations were aimed at protecting workers by requiring (1) sound and timely decisions on variance requests and (2) communication of such requests and decisions to affected employers and employees and Federal and State compliance inspection officers.

Labor, in responding to GAO's report, stated that it had made a number of changes to the Federal Variance Processing System. Labor stated it had established procedures for (1) establishing timeframes for making final decisions on variance request, (2) notifying all affected parties of its decision on variance request, and (3) establishing criteria for making on-site visits to evaluate variance requests. (MWD-76-19, Dec. 31, 1975.)

Appropriation

Department of Labor, Occupational Safety and Health Administration, enforcement.

Issue for consideration by
the Committees on Appropriations

To help States improve their variance programs Labor only indicated it would notify the States of changes in its program. GAO's recommendation is that Labor require the States to adopt the needed improvements.

DEPARTMENT OF STATE

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DEPARTMENT OF STATE

Compensation conversion plan for the East-West Center, Hawaii

The Department of State-sponsored East-West Center in Hawaii is implementing a compensation system modeled on the Federal Government system. When the system is fully implemented, the Center's more than 200 employees will receive, as a minimum, about a 17 percent across-the-board compensation increase which will result in additional annual costs of about \$600,000 in fiscal year 1976. This increase has not, to our knowledge, been justified through changes in duties, responsibilities, or qualifications.

GAO recommended that the Secretary of State request the East-West Center to hold in abeyance the compensation conversion plan until an evaluation can be made to determine if current compensation practices are consistent with previous levels. (ID-76-18, Oct. 18, 1975.)

Appropriations

Department of State, Center for Cultural and Technical Interchange Between East and West.

Issues for consideration by the Committees on Appropriations

Whether the 17 percent across-the-board salary increase, as a result of implementing a compensation system modeled on the Federal system, was appropriate or justified through changes in duties, responsibilities or qualifications.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Disposition of economic assistance funds
remaining from Indochina programs

GAO examined into the action being taken by the Agency for International Development to close out its aid programs to Vietnam, Cambodia, and Laos as a result of withdrawals from those countries and inquired into the planned disposition of appropriation fund balances.

In a report to the Chairman, Special Subcommittee on Investigations, House Committee on International Relations, GAO reported that as of January 16, 1976, the Agency had identified about \$112 million as unobligated balances from terminated Indochina programs. The Agency plans to return to the U.S. Treasury those funds remaining from the Indochina Postwar Reconstruction appropriation but not those from other terminated Indochina programs.

Of the \$112 million, about \$83 million from the Indochina Postwar Reconstruction appropriation was being held for obligation adjustments or for return to the Treasury. The Agency had not fully determined the disposition of the \$29 million in non-Indochina Postwar Reconstruction funds; however, part of the funds had been earmarked for return to the Department of Defense and the remainder for reprogramming in Agency Micronesia programs. (ID-76-54, Apr. 16, 1976.)

Appropriation

Foreign assistance and related programs.

Issues for consideration by the
Committees on Appropriations

1. The Agency had not completed action on the funds because of additional deobligations of funds and other adjustments and a question remains as to when the Agency is expected to complete its action.
2. Since the issuance of GAO's report the Agency has identified additional funds for deobligation and has returned most of the funds identified to either the Treasury or to the Department of Defense for reprogramming. For all funds not returned to the Treasury, the Agency should specify how much of these funds will be returned to the Department of

Defense and how much of the remainder will be programmed for use in Middle East programs.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Improvements needed in Agency for
International Development relationships
with the Airlie Foundation and George
Washington University's Department
of Medical and Public Affairs

GAO reviewed the relationships of the Agency with the Airlie Foundation and George Washington University's Department of Medical and public Affairs. From February 1971 through April 1976, the Agency's Office of Population has had two contracts and one grant with the Foundation and one contract with the University, for a total of \$10.3 million. Since 1974 it has been considering a major new program.

In a report to the Chairman, House Committee on International Relations, GAO stated that differing and conflicting Agency and contractor/grantee management philosophies, with Agency officials believing more involvement by it in planning activities was needed than the contractor/grantee believed warranted, had created an environment not conducive to good working relationships. Due largely to these conflicts, the Foundation's output at times did not fully meet contract and grant provisions or Agency expectations. Further, all appropriate regulations concerning the award of negotiated contracts were not followed; independent, systematic, and meaningful evaluations of the Foundation's output had not been accomplished; and an Agency internal audit of its Foundation contracts and grant since December 31, 1972, had not been made.

The Agency said it generally concurred with GAO's recommendations concerning these matters and was initiating actions to implement them. In addition, the University contract was amended in September 1976 to include a major new program. (ID-76-56, Apr. 29, 1976.)

Appropriations

Foreign assistance and related agencies appropriations.

Issues for consideration by the
Committees on Appropriations

Contractor/grantee projects would be more effective and better meet objectives if the Agency Administrator would:

- (1) Undertake certain management actions before extending existing projects or entering into new ones, including: arranging for independent and systematic evaluations of its Foundation projects; making sure the Agency's management role and all contract and grant provisions are clearly understood by all parties; ascertaining whether a contract, grant, or amendment is proper for planned activities; and assessing potential activities in the light of the Agency's current priorities.
- (2) In future negotiated contracts insure that all applicable regulations are followed.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Improvements needed in the management of
U.S.-financed programs to develop free
labor movements in less developed countries

The Agency for International Development has provided over 90 percent (about \$77 million) of the support for three AFL-CIO affiliated institutes to assist in strengthening free democratic labor movements in less developed countries.

GAO reported that the Agency has not fully participated in the development of country program objectives which clearly show what the labor institutes are expected to accomplish and the extent to which these accomplishments will contribute to attaining the labor goal of the Foreign Assistance Act -- i.e., to encourage efforts of other countries to strengthen free labor unions. Program objectives in use are often stated in unspecific terms which do not permit evaluations of performance or of the programs' impact on free labor movements.

GAO also reported that increased U.S. Government participation is needed to provide assurance to the Congress and the public that these programs are consistent with U.S. foreign policy and sound management principles. The Department of State and the Agency agreed with these conclusions and recommendations and are currently preparing implementing guidelines.

Since the institutes' program objectives are often stated in unquantifiable terms which do not permit evaluations of their performance, GAO proposed an alternate approach to the institutes' labor education program. The institutes would provide advice, and technical and financial assistance needed to implement the local unions' own education programs. The assistance would be phased out as the need disappeared. Officials from two of the three institutes stated that this alternative would be possible if their only purpose were to develop the educational capabilities of local unions. These officials interpreted the Foreign Assistance Act as giving them a much broader responsibility for developing free, democratic trade unions in less developed countries and implied that the Act authorizes their assistance and "presence" until the unions in these countries become totally self-sustaining. The Department of State and the Agency basically agreed with this interpretation. (ID-76-35, Dec. 20, 1975.)

Appropriation

Department of State, Agency for International Development, foreign assistance and related programs.

Issues for consideration by the Committees on Appropriations

U.S.-financed programs, such as those to develop free labor movements in less developed countries, need to be re-assessed and their objectives and goals redefined periodically, lest they continue long after they have served their purpose. The Congress may wish to consider assessing the objectives of the program, deciding what types of activities the U.S. should continue to support, and establishing policies and priorities to guide the State Department and the Agency in carrying out the program.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Need for an international
disaster relief agency

An analysis of the international response to the disastrous drought which affected the Sahel region of Africa suggests the need for an effective international mechanism to coordinate and manage an integrated disaster relief response.

In a May 1976 report GAO noted the serious problems which arose in the absence of an adequate mechanism to assess requirements, coordinate shipment, and manage distribution of large quantities of food from numerous donors. We noted the inability of the newly established United Nations Disaster Relief Office to perform this role and the slowness with which an ad hoc coordinating mechanism was established.

GAO concluded that the best long-range solution to this problem is to establish an international disaster relief agency capable of mounting and carrying out an integrated international response to disasters. Since the Department of State and the Agency for International Development questioned the feasibility of getting international support for this proposal, GAO recommended that actions first be taken to build the U.N. Disaster Relief Office into an effective coordinating mechanism. (ID-76-15, May 5, 1976.)

Appropriation

Department of State, Agency for International Development, foreign assistance and related programs.

Issues for consideration of the
Committees on Appropriations

The Department of State and the Agency for International Development need to exercise leadership within the international community to improve the effectiveness of international disaster relief coordination. Continuous oversight over administration proposals and the results thereof if necessary in order to judge the progress made to improve future international disaster relief efforts.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

Observations on the Guatemalan
earthquake relief effort

GAO's analysis of the international response to the Guatemalan earthquake of February 4, 1976, again demonstrates that the primary need in international disaster relief efforts is strong centralized management. As discussed in a prior GAO report (ID-76-15, May 5, 1976), this management can best be provided over the long term by an international disaster relief agency capable of mounting and carrying out integrated relief responses utilizing donor community resources.

GAO's report also discusses a number of lessons that can be learned to improve the international community's response to future disasters. In particular the U.N. Disaster Relief Office (UNDRO), established in 1972 to coordinate donor relief efforts, helped to stimulate relief contributions for Guatemala but did not establish communication among, nor coordinate the efforts of, the donor incountry. The U.S. has contributed substantially to the costs of establishing and operating UNDRO. In GAO's view the relatively limited role of UNDRO in Guatemala does not meet its U.S. coordinating mandate and suggests the need to clarify that mandate and just what services this office can be expected to provide for the international community. The Committee may wish to review with State and the Agency for International Development their plans to build this office into an effective international disaster relief coordinating mechanism (ID-76-71, Aug. 23, 1976.)

Appropriation

Department of State, Agency for International Development, foreign assistance and related programs.

Issue for consideration of the
Committees on Appropriations

The issues raised in this report should be useful in assessing the actions taken or proposed by the Department of State and the Agency for International Development in improving the effectiveness of international disaster relief coordination.

DEPARTMENT OF STATE

AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S. assistance to Pakistan
should be reassessed

The United States continues to provide Pakistan with substantial amounts of economic assistance although the country has not taken sufficient action to improve its general economic condition. Basic factors contributing to debt problems have not been resolved, high military spending levels detract from funds available to develop natural resources, and Pakistan's policies discourage increased food production.

Furthermore, disaster relief funds were used to replace regular development assistance funds used elsewhere, the fixed-cost reimbursement method of assistance has not been properly implemented, and Pakistan had not demonstrated the necessary continued support for the Agency for International Development's large malaria program.

GAO recommended that the U.S. assistance programs be re-examined along with consideration of other means to help Pakistan over the longer term. Possible alternatives cited were the increased use of multilateral assistance and achievement of a coordinated commitment by developed nations to insure Pakistan a reasonable market for goods resulting from assistance to develop its resources and productivity. (ID-76-36, Feb. 6, 1976.)

Appropriation

Department of State, Agency for International Development, foreign assistance and related programs.

Issues for consideration by the
Committees on Appropriations

1. Unless overriding political considerations are present, concessional U.S. assistance should be provided only to countries which demonstrate sufficient willingness to improve the general economic condition of their poorer people or in cases wherein humanitarian justifications exist due to the occurrence of disaster or similar events.
2. To reduce the seemingly never-ending burden of foreign assistance costs, the United States must continue to encourage the evolution of more

coordinated efforts by developed nations to provide developing countries with the means to progress economically.

DEPARTMENT OF TRANSPORTATION

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DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Difficulties of the FAA in acquiring the ARSR-3 long- range radar system

The Federal Aviation Administration (FAA) is buying 26 new long-range radar systems for enroute air traffic control purposes. GAO reported that the agency did not follow well-recognized procurement practices in contracting for a prototype radar system. GAO found that FAA entered a cost-type contract based on a proposal that projected costs below what agency personnel believed the prototype would cost. Also, the agency did not prepare a detailed in-house prototype cost estimate and, after considering the contract, did not require the contractor to provide periodic estimates of the cost to complete the prototype. When, 8 months after signing the contract, the contractor projected a 100-percent cost increase, FAA drastically reduced the scope of its prototype program.

GAO recommended that the Secretary of Transportation require FAA to develop detailed independent cost estimates for systems it plans to purchase and assure, by a complete review of proposals, that contractors can produce at proposed prices. GAO also recommended that FAA require contractors to provide periodic cost-to-complete estimates, especially when cost reimbursable contracts are used. (PSAD 76-169, Aug. 25, 1976.)

Appropriations

Department of Transportation, FAA.

Issue for consideration by the Committees on Appropriations

Better contracting procedures by FAA particularly with respect to estimating and progress reporting would allow FAA to better manage its procurement of major acquisitions.

DEPARTMENT OF TRANSPORTATION

FEDERAL AVIATION ADMINISTRATION

Improved controls needed over
private pilot licensing

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. 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.

GAO recommended that the Secretary of Transportation direct the Administrator of FAA to:

- Clarify its biennial review standards.
- Obtain information on pilots completing biennial flight reviews in order to enforce requirements.
- 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 review 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, Feb. 26, 1976.)

Appropriation

Department of Transportation, FAA, operations (fiscal year).

Issue for consideration by the
Committees on Appropriations

Committee guidance may be needed to assure that FAA obtains information needed to enforce biennial flight review requirements.

DEPARTMENT OF TRANSPORTATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Amtrak procurement practices
need strengthening

The National Railroad Passenger Corporation (Amtrak) relies heavily upon Federal grant appropriations and Federal guaranteed loans as sources of financing operations and capital acquisitions, but it is not required to follow Federal procurement laws or regulations.

In a staff study to the House and Senate Appropriations Committees and legislative oversight committees and subcommittees, GAO reported that (1) Amtrak's procurement practices did not adequately assure that fair and reasonable prices would be paid for new locomotives and rail passenger cars and (2) the adequacy of competition was questionable. As a matter of public policy, GAO believes that goods and services financed with appropriated funds should be procured by procedures that assure fair and reasonable prices.

Amtrak officials believed they had obtained such assurance through adequate competition and negotiations. They reported their views to the House Subcommittee on Transportation Appropriations on May 12, 1975. (PSAD staff study, Sept. 26, 1974.)

Appropriation

Department of Transportation, Federal Railroad Administration, Amtrak grants.

Issues for consideration by the
Committees on Appropriations

1. Amtrak should be in a negotiating position equal that of its contractors. This could be better achieved by obtaining cost data when the adequacy of competition is doubtful.
2. Clauses should be inserted into major equipment contracts providing Amtrak and GAO access to contractors' records.

DEPARTMENT OF TRANSPORTATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Amtrak's funding requirement estimates need to be based on more reliable data

Amtrak relies heavily on Federal assistance to finance its operations and capital acquisitions. In its 5-year plan covering 1976-80, Amtrak estimated Federal operating and capital fund requirements at \$3.0 billion, excluding \$2.8 billion for major right-of-way improvement it considered necessary.

GAO reported to the Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce, that Amtrak's projected requirements had been based on unrealistically optimistic projections of ridership, revenue, and costs. GAO estimated Amtrak's 5-year Federal funding requirements, including the right-of-way improvements, at a minimum of \$6.2 billion.

To provide Congress with better estimates of Federal funding requirements, GAO recommended that Amtrak base its future plans on indepth studies of potential riders in areas it serves and plans to serve, and actions necessary to attract potential train riders.

Amtrak generally agreed with GAO's recommendations, but said that it believed its ridership projections were achievable. Amtrak also said that it had taken or planned to take action to increase revenues and control costs, and improve productivity and quality of service. (RED-76-97, Apr. 21, 1976.)

Appropriation

Department of Transportation, Federal Railroad Administration, grants to the National Railroad Passenger Corporation.

Issue for consideration by the Committees on Appropriation

Considering the level of Amtrak's past and future Federal funding requirements, the Committees may wish to ascertain whether the actions taken by Amtrak have been adequate to achieve the objectives of GAO's recommendations.

DEPARTMENT OF TRANSPORTATION

NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK)

Need to improve equipment maintenance
procedures and controls

In 1973 GAO reported that Amtrak's equipment maintenance problems were adversely affecting its on-time performance and quality of rail passenger service. In 1976 GAO reported to the Congress that Amtrak had made some progress since 1973 in overcoming such problems but that maintenance deficiencies continued to hamper Amtrak's passenger service and much improvement was still needed.

GAO recommended that Amtrak:

- Make equipment available for scheduled maintenance and give refurbishment contractors sufficient lead-time notice for equipment overhauls.
- Develop inspection guidelines and inspector staffing criteria to insure that contracted maintenance work is inspected.
- Make periodic evaluations of contractors' performance and take necessary action to insure that maintenance work is performed in compliance with the contract.
- Assign a high priority to completing an automated maintenance control system to prevent various inefficiencies resulting from the existing system.
- Develop work productivity standards to be included in maintenance contracts to enable monitoring of maintenance operating efficiencies.

Amtrak generally agreed with GAO's recommendations and said that it had taken or planned to take action to correct the reported problems. (RED-76-113, June 8, 1976.)

Appropriation

Department of Transportation, National Railroad Passenger Corporation, Federal Railroad Administration.

Issue for consideration by the
Committees on Appropriations

The Committees may wish to ascertain whether Amtrak has taken prompt and adequate actions to improve its maintenance and inspection programs.

DEPARTMENT OF TRANSPORTATION

UNITED STATES COAST GUARD

Increased attention needed to insure that bridges do not create navigation hazards

The Coast Guard is responsible for insuring that bridges across the Nation's waterways do not create safety hazards or unreasonable obstructions to navigation. Weaknesses in the Coast Guard's procedures for administering this responsibility, however, prevent program objectives from being fully and uniformly accomplished. GAO recommended that the Coast Guard:

--Strengthen its bridge inspection procedures and controls by

- (1) eliminating inconsistencies between district and headquarters inspection directives,
- (2) establishing reporting system to insure that inspection requirements are met,
- (3) prescribing a Coast Guard-wide itemized inspection form,
- (4) insuring that persons responsible for bridge inspections have adequate information to do their job, and
- (5) developing procedures to insure that bridge owners are notified of deficiencies and district offices are notified of deficiency corrections.

--Strengthen controls for bridge pier protection systems by

- (1) establishing criteria for requirements and maintenance and design standards for such systems and
- (2) determining the extent of hazardous conditions resulting from previously approved systems or the lack of such systems, and, if found to be a major problem, seeking legislative authority to require bridge owners to take necessary corrective actions.

--Evaluate and issue revised instructions for the process of giving blanket approval for all bridges constructed across certain designated waterways to insure that environmental assessments are made when a bridge may have an environmental effect and that the blanket approval process is being uniformly applied.

The Coast Guard generally agreed with our recommendations and planned to take early corrective action. The Department of Transportation submitted two legislative proposals which it believed would cover inspection and pier protection problems reported by GAO, but GAO found that neither proposal gives the Coast Guard the authority to require bridge owners to construct or alter previously approved pier protection systems when hazardous conditions exist. (CED-76-103, Aug. 25, 1976.)

Appropriation

Department of Transportation, Coast Guard, operating expenses.

Issues for consideration by the Committees on Appropriations

Strengthened procedures and controls for bridge inspections and pier protection systems would provide greater assurance of decreasing waterway safety hazards. Instructions for the application of the blanket approval process should be evaluated and revised to assure uniform application and adequate consideration of environmental effects.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Need to improve effectiveness
of grants to develop and
purchase rail rapid transit cars

The Urban Mass Transportation Administration (UMTA) has provided grants to help purchase about 2,400 new railcars for rapid transit systems in U.S. cities. GAO reported to the Congress that UMTA had approved a \$142 million grant for new cars for New York's rapid transit system without sufficient information on the reliability of the cars and had approved automatic train control equipment not planned for immediate future use. GAO also reported that UMTA's basis for determining problems requiring research and development was inadequate.

GAO recommended that the Secretary of Transportation require the Administrator of UMTA to:

- Require grantees to provide evidence that new equipment will meet reliability requirements before committing Federal funds for such equipment.
- Require potential grantees to justify, on the basis of appropriate UMTA criteria, the need for and use of new technology not to be used in the immediate future.
- Develop an information system to easily identify, classify, and, where appropriate, act upon current problems through appropriate research and development activities.

The Department of Transportation said that (1) UMTA would provide for review and testing of equipment with limited operational experience, (2) UMTA, along with the Department's Transportation Systems Center, would review equipment specifications to insure adequate justification of technological innovations, and (3) an investigation would be made into the potential of implementing a formal information system on operational problems. (RED-76-75, Mar. 10, 1976.)

Appropriation

Department of Transportation, UMTA, urban mass transportation fund.

Issue for consideration by the
Committees on Appropriations

Since UMTA efforts to insure the development and acquisition of reliable rail transit cars are critical to the successful implementation and operations of rail rapid transit systems, the Committees may wish to ascertain whether the promised corrective actions have been effectively implemented.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Need to improve Federal Mass
Transportation grant approval
and administration procedures

The Urban Mass Transportation Administration awarded nearly \$25 million to the Golden Gate Bridge, Highway and Transportation District, to help develop and implement a commuter ferry system for the San Francisco Bay. GAO reported to the Chairman, Subcommittee on Priority and Economy in Government, Joint Economic Committee, that UMTA's grant approval and management procedures were inadequate to assure effective use of Federal funds. GAO recommended that the Secretary of Transportation direct the Administrator of UMTA to:

- Develop criteria to assist UMTA and grantees in evaluating the cost-benefit aspects of various alternatives available within individual projects.
- Require full written justification for all significant UMTA and grantee management decisions concerning a project.
- Require revision of project specifications readvertisement of bids in lieu of contemplated change orders to reduce scope when the low bid for a construction contract exceeds the budget.

The Department of Transportation concurred with GAO's recommendations and said that plans were underway to improve project analysis and documentation. The Department also stated that, although its existing policy provided for re-advertisement of bids where the low bid exceeds the budget, the policy had not been applied in the subject case because implementation of the ferry service would have been delayed, and resulting inflationary cost increases would have offset cost savings from the reduced project scope. (RED-76-40, Nov. 11, 1975.)

Appropriation

Department of Transportation, UMTA, urban mass transportation fund.

Issue for consideration by the
Committees on Appropriations

Improved grant approval and management procedures would assure more effective use of Federal mass transportation grant funds for the development and acquisition of mass transportation facilities.

DEPARTMENT OF TRANSPORTATION

URBAN MASS TRANSPORTATION ADMINISTRATION

Need to strengthen procedures governing third-party procurement contracts under Federal grants

The Urban Mass Transportation Administration granted Connecticut \$49.6 million to help purchase 100 passenger cars from General Electric for \$63.9 million. 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.
3. A sole-source award was made without assurance to UMTA that adequate cost and pricing data had been submitted by the contractor.

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 stated that, although it agreed with certain specifics of the report, it did not believe its contracting procedures needed improvement. (RED-76-15, Sept. 17, 1975.)

Appropriation

Department of Transportation, UMTA, urban mass transportation fund.

Issue for consideration by the Committees on Appropriations

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.

DEPARTMENT OF THE TREASURY

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DEPARTMENT OF THE TREASURY

More action needed to insure that
financial institutions provide
equal employment opportunity

In a report to Senator William Proxmire, GAO reported that Treasury needed to strengthen its administration and enforcement of the contract compliance program for financial institutions, including banks and savings and loan associations. The contract compliance program is intended to insure that contractors and subcontractors provide equal employment opportunity.

GAO recommended that the Secretary of the Treasury should require responsible officials to:

- Insure that financial institutions are reviewed according to Labor's standards and procedures.
- Establish a management information system to accurately identify, at least (1) which institutions have been reviewed and when, (2) which institutions have been notified of compliance or noncompliance with the program's requirements and when, and (3) those institutions whose compliance status has been withheld pending corrective action.
- Emphasize to the field staff the importance of reporting accurate management information in accordance with Labor guidelines so that Treasury can report accurately to Labor.
- Use information available from the Federal Reserve banks and the Social Security Administration to maintain a current listing of financial institutions subject to Executive Order 11246 and coordinate identification efforts with Labor.
- Consult with the Equal Employment Opportunity Commission as required by the memorandum of understanding.
- Enforce the contract compliance program according to Labor guidelines by (1) keeping to time limitations and (2) initiating sanctions when institutions are not complying, rather than relying on moral suasion, technical assistance, and voluntary compliance.

GAO also recommended that the Secretary of the Treasury should direct appropriate officials to take full enforcement measures against financial institutions with long histories of noncompliance with substantive program requirements. Actions should be taken particularly against those which refuse to comply. Those measures should be kept in effect until the institutions implement equal employment opportunity and affirmative action principles and practices.

Treasury said the report generally identified many deficiencies it had previously noted and sought to correct prior to receiving the report. Treasury also said the report does not provide adequate recognition to the significant improvements which have been instituted during the past 18 months. Treasury also cited a number of circumstances which it believes should be considered in assessing its overall performance. Treasury's comments resulted in a number of unresolved issues. GAO has considered these comments but believes that Treasury should act on the recommendations in this report. (MWD-76-95, June 24, 1976.)

Appropriations

Department of the Treasury, Office of the Secretary.

Issue for consideration by the Committees on Appropriations

Treasury should fully implement needed improvements to achieve the most effective use of available resources.

DEPARTMENT OF THE TREASURY

Need for a uniform method for paying interest on Government trust funds

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 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 rates is prescribed by statute for 11 of 17 major trust funds. Interest rates are established administratively for the six remaining major trust funds.

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.

GAO recommended that the Congress consider enacting 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. GAO also recommended that the Congress 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, Jan. 10, 1975.)

Appropriations

Appropriations of various agencies with major trust funds.

Issue for consideration by the Committees on Appropriations

The Committees may wish to consider the need to establish a uniform system to pay interest on borrowings from trust funds.

DEPARTMENT OF THE TREASURY

Opportunities for increasing
computer use by sharing
time with other agencies

GAO recommended to the Secretary of the Treasury several ways for improving the use of an IBM 370/155 computer system owned and operated by the Bureau of the Mint. Treasury concurred with GAO's recommendation that the Mint share its excess computer time with other agencies.

In early 1974, to make use of some of this excess time, the Treasury cancelled a request from the U.S. Customs to acquire an IBM 370/155 for a 2-year interim period and directed Customs to use the Mint's computer. The Treasury expected to save about \$325,000 by this action.

In April 1975, Customs again requested a 370/155 for a 2-year interim period. This time, however, Treasury approved the request on the basis that it could save nearly \$1.4 million. The Customs' computer was installed in August 1975. Treasury has subsequently acknowledged that the Mint computer is still underutilized. (FGMSD-75-19, Mar. 20, 1975.)

Appropriation

Department of the Treasury, Customs Service, salaries and expenses.

Issue for consideration by the
Committees on Appropriations

The Committees may wish to consider Treasury's plans for increasing use of the Mint's computer.

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

Alcoholic beverage occupational taxes collected in fiscal year 1975 amounted to \$21.5 million.

In hearings before House and Senate subcommittees of the respective Committees on Appropriations on the Bureau's fiscal year 1975 budget request, the Director of the Bureau of Alcohol, Tobacco and Firearms cited the Bureau's critical need for additional manpower to collect occupational taxes from alcoholic beverage retail dealers.

In a report to the Joint Committee on Internal Revenue Taxation, GAO stated that taxpayer compliance with the alcohol-related occupational tax has dropped below acceptable levels and enforcement by the Bureau is not adequate. Although additional manpower in this area would undoubtedly increase both revenue and compliance, GAO reported that repeal of the occupational taxes appears preferable to increased enforcement. The lost revenue could be recouped, if desired, by an almost infinitesimal increase in the excise tax on alcohol--which would not only avoid the need for an increase in enforcement costs for occupational taxes but would eliminate such cost altogether.

The Treasury Department is opposed at this time to the repeal of the occupational tax authority. Further, the Department in replying to the Office of Management and Budget on the report, stated that the GAO report raised a broad issue concerning whether the entire practice of regulating retail liquor industry should revert to the Federal Trade Commission or to State authorities. (GGD-75-111, Jan. 16, 1976)

Appropriation

Department of the Treasury, Bureau of Alcohol, Tobacco and Firearms, salaries and expenses.

Issue for consideration by the Committees on Appropriations

Whether additional funds, if requested, to enforce collection of occupational taxes on the alcohol industry is in order.

BOARD FOR INTERNATIONAL BROADCASTING

Need for appropriating funds to cope with foreign exchange rate fluctuations

Radio Liberty and Radio Free Europe, funded by U.S. Government grants from the Board for International Broadcasting, spend about 84 percent of their funds overseas--principally in Spain, Portugal, and West Germany. The Radios have been experiencing problems in maintaining their full level of operations because of wide fluctuations in the foreign exchange rates between the dollar and the West German mark.

In letters sent to the House International Relations Committee and Senate Foreign Relations Committee, GAO suggested certain authorizing language, including the establishment of a \$5 million contingency fund to be used to maintain a level of operations for the Radios consistent with the appropriations provided by the Congress. Subsequently, authorization language was contained in the Foreign Relations Authorization Act, 1977, which amended the Board for International Broadcasting Act of 1973. (B-173239, Mar. 26, 1976.)

In letters to the Chairmen of the House and Senate Appropriations Subcommittee for State, Justice, Commerce, and the Judiciary, GAO also advised of the need for the contingency fund. (B-173239, Apr. 27, 1976.)

Appropriation

Board for International Broadcasting, grants and expenses

Issue for consideration by the Committees on Appropriations

Funds will be required to place the authority for the contingency fund into operation.

CIVIL SERVICE COMMISSION

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CIVIL SERVICE COMMISSION

Need to improve the pay determination process for Federal blue-collar employees

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 administratively fixed and adjusted from time to time, in accordance with local prevailing rates.

GAO reported to the Congress that the legislative pay principle of comparability is not being attained 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 which most private sector employees are paid under single-rate pay schedules, (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 include increasing the survey coverage to make it more representative of local prevailing wages and improving the data collection techniques. To insure 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 the Civil Service Commission should make certain administrative changes in the survey. To improve the data collection process, CSC should establish a permanent body of carefully selected and thoroughly trained full-time collectors which, together with additional quality controls, would minimize the number of errors in the information base.

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

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. (FPCD-75-122, June 3, 1975.)

Appropriation

CSC, Salaries and expenses.

Issues to be considered by the Committees on Appropriations

CSC should make administrative changes in the annual wage survey to achieve a more representative coverage and should improve data collection processes to minimize errors. Additional funds may be needed to establish a permanent body of full-time wage data collectors.

CIVIL SERVICE COMMISSION

Policy of paying cost-of-living allowances to Federal employees in nonforeign areas should be changed

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 low 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, CSC 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 areawide allowance rates to recognize any intra-area cost-of-living differences which may exist.

CSC agreed to consider the recommended administrative changes but declined to take a position on elimination of the allowance until further study could be completed. (FPCD-75-161, Feb. 12, 1976.)

Appropriation

CSC, salaries and expenses.

Issue for consideration by the Committees on Appropriations

CSC should improve its administration of the cost-of-living allowance in nonforeign areas to better achieve the legislative intent of the program.

CONSUMER PRODUCT SAFETY COMMISSION

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Better enforcement of safety require-
ments needed

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CONSUMER PRODUCT SAFETY COMMISSION

Better enforcement of safety requirements needed

The Consumer Product Safety Commission is responsible for protecting consumers against the unreasonable risk of injury from consumer products. It issues safety requirements under the five laws it administers and is responsible for insuring compliance with these requirements.

GAO reported to the Congress that the Commission (1) has not been timely and systematic in insuring compliance with safety requirements and (2) was not promptly taking action against those found violating safety requirements.

The Commission did not know the extent to which its safety requirements were complied with. Inadequate compliance program planning, lack of systematic implementation of compliance actions, and limited program evaluations all contributed to some hazardous products remaining on the market. Also, the Commission experienced delays in preparing and referring criminal cases to the Department of Justice, and has had little success in getting Justice to prosecute cases. The delays and limited success were caused by (1) inadequate procedures for identifying cases suitable for prosecution and (2) insufficient delegation of authority to the staff for determining which cases should be developed and forwarded to the Commissioners recommending referral to Justice and which cases should be closed.

GAO recommended that the Congress amend the Federal Hazardous Substances Act to provide the Commission additional authority to assess civil money penalties for certain violations of safety requirements issued under that law and the Poison Prevention Packaging Act.

GAO also recommended that the Commission:

- Formalize procedures to insure its compliance activity is adequately planned, implemented, and evaluated.
- Specify the criteria the Commissioners use to approve a case for referral to Justice and develop procedures for implementing the criteria.
- Delegate authority to the staff for determining which cases should be developed and submitted to the Commissioners recommending referral to Justice or other action. (HRD-76-148. July 26, 1976.)

Appropriations

Housing and Urban Development, Consumer Product Safety Commission, independent agencies, salaries and wages.

Issue for consideration by the Committees on Appropriations

The Commission should be able to better protect the public from unreasonable risks of injury if GAO's recommendations are implemented.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

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CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Cost, schedule, and performance problems of the Lake Pontchartrain and vicinity, Louisiana Hurricane Protection Project

This project of control structures, concrete floodwalls, and levees being constructed by the Corps of Engineers is intended to protect New Orleans and the surrounding lowlands from flooding by hurricane-induced sea surges and rainfall.

GAO reported that project cost has quadrupled since 1965 primarily because of inflation. Scheduled completion has been delayed 13 years. In addition project objectives may not be attained if key elements are not completed as planned.

GAO review of the Corps scheduling system showed that it was not designed to evaluate the implications on the overall construction schedule of individual construction delays. GAO recommended that the Corps develop a scheduling system that will identify the critical construction features. Its use would aid in completing the project in a timely manner and thereby minimize costs associated with schedule delays. The Corps commented that it would review its present scheduling system for possible improvement.

Copies of this report were furnished to the House and Senate Committees on Government Operations and Appropriations. (PSAD-76-161, Aug. 31, 1976.)

Appropriations

Department of the Army, Corps of Engineers.

Issue for consideration by the Committees on Appropriations

The Corps' development and use of a project scheduling system would aid in completing a project in a timely manner and thereby minimize cost associated with such delays.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Factors to be considered in setting future policy for use of inland waterways

The Federal Government has spent much money to develop and operate the Nation's inland waterways, but has permitted free commercial and recreational use of them. This policy has promoted such growth of the waterway transportation industry that facilities cannot handle traffic and environmentalists are objecting to waterway congestion.

GAO reported to the Congress that, by imposing a nominal waterway user charge, the Government could recover its annual operating costs without significantly diverting commercial traffic from the waterways. Any diversion of traffic, moreover, would probably reduce waterway congestion, lessen environmental disruption, and create potential energy savings and transportation efficiencies. GAO noted that the Secretary of Transportation had recently advocated a system of user charges and that legislation providing for user charges had been recommended.

GAO concluded that, in considering whether to continue to fund inland waterway facilities and impose waterway user charges, the Congress will need to consider the impact on waterways commerce, competing transportation modes, the environment, and energy consumption. (RED-76-35, Nov. 20 1975,)

Appropriation

- Department of Defence (Civil), Corps of Engineers, general expenses.
- Department of Defense (Civil), Corps of Engineers, construction, general.
- Department of Defense (Civil), Corps of Engineers, operation and maintenance, general.

Issues for consideration by the Committees on Appropriations

1. In approving budget requests for waterway construction and operation programs, the Committees may wish to consider the impact such funding will have on economic, environmental, and other factors.
2. If waterway user charges are imposed, Federal operating costs would be reduced or eliminated, although additional general expense funds may be required to administer this activity.

CORPS OF ENGINEERS (CIVIL FUNCTIONS)

Federal efforts to extend winter navigation on the Great Lakes and the St. Lawrence Seaway--Status and problems to be resolved

In 1970 the Congress authorized the Corps of Engineers to demonstrate the feasibility of winter navigation on the Great Lakes-St. Lawrence Seaway system. Commerce on these waterways traditionally was suspended for about 3-1/2 months during the winter because of severe weather.

During the 4 years of the program, winter traffic had been extended in some of the Great Lakes. Much of the traffic, however, was not a direct result of the program.

GAO reported to the Congress that major problems had to be resolved before conclusive judgments could be made on the practicability of a permanently extended navigation system on the Great Lakes and the St. Lawrence Seaway. The major problems are (1) competing use of the waterways during winter by power and navigation interests, (2) lack of a coordinated plan of action with Canada, and (3) potential environmental damage. In addition, the program's preliminary economic analysis did not realistically portray the potential benefits and costs of a permanently extended navigation season program.

GAO recommended that the Secretary of the Army

- direct the Corps to reevaluate its procedures for determining traffic claimed for the demonstration program;
- require the Corps to include information in its funding requests and reports to the Congress on all participating agencies' use of their regular appropriations for the demonstration program;
- direct the Corps to (1) resolve the problem between power and navigation interests, (2) work toward an agreement with Canada, and (3) complete the overall assessment of the expected environmental impacts; and
- require the Corps to resolve questions on the preliminary benefit-cost analysis.

The agencies concerned generally agreed with GAO's conclusions and recommendations and indicated that corrective action would be taken. (RED-76-76, Apr. 20, 1976.)

Appropriations

Department of the Army, Corps of Engineers (civil functions) general investigations.

Issue for consideration by the Committees on Appropriations

Major problems need to be resolved before the practicability of a permanently extended season can be determined.

DISTRICT OF COLUMBIA GOVERNMENT

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DISTRICT OF COLUMBIA GOVERNMENT

ALL DISTRICT AGENCIES

Opportunity to improve resource management by greater use of productivity techniques

GAO reported to the Congress and the Mayor and Council of the District of Columbia on the potential for the District Government to save money by using productivity techniques to manage its resources.

GAO selected the Tax Audit and Liability Division, Department of Finance and Revenue, to demonstrate the feasibility of using productivity techniques because (1) its collection of taxes is critical to the city's obtaining needed revenues and (2) it had input and output data needed for productivity measurement readily available. The techniques showed, among other things, that (1) labor productivity for processing individual tax returns declined 40 percent between 1968 and 1972 and (2) audit effort to process individual tax returns increased between 1970 and 1971, although the best revenue payback was in corporation tax returns.

GAO did not look into the reasons for these productivity changes. Rather, the productivity changes were used to illustrate how productivity techniques can provide data to managers to use in problem identification. When confronted with this data, the manager must question why these changes occurred. When these questions are answered, he must consider what changes, if any, he wants to make to produce the best return for the resources invested.

The techniques demonstrated in the Tax Audit and Liability Division can be used throughout the District of Columbia and other State and local governments in a productivity measurement system.

Since early 1973, the District has been developing a performance monitoring system; thus far, 240 measurements in 16 agencies, including the Department of Finance and Revenue, have been identified as part of the system. An interim reporting system for 14 agencies was instituted on July 1, 1975. Subsequently, January 1, 1976, officially marked the beginning of the performance monitoring system in the District of Columbia. It includes 70 programs with over 450 measures in 13 agencies.

Except in the use of trend analyses, the District's monitoring system and the techniques outlined in the report are similar; i.e., they both include (1) establishing measures to be used, (2) defining productivity, and (3) collecting essential data elements for analyses. GAO recommended that the Mayor require the District Government to incorporate trend analyses into its performance monitoring system. (GGD-75-56, Apr. 16, 1975.)

Appropriations

District of Columbia Government, various District agencies.

Issue for consideration by the Committees on Appropriations

The report provided information on the District's effort and need to develop useful measures to increase productivity. In its August 4, 1972, report, the Joint Economic Committee of the Congress recommended that the District Government be used as a laboratory for developing such measures.

DISTRICT OF COLUMBIA GOVERNMENT

HUMAN RESOURCES

Improper use of grant funds, accounting shortcomings, and staff shortages at Forest Haven

GAO reported to Senator Hubert H. Humphrey, pursuant to his request, on the possible misuse of funds and the effects of staff shortages at Forest Haven, a residential facility for the mentally retarded operated by the District of Columbia.

GAO found that Department of Health, Education, and Welfare grant funds had been improperly used at Forest Haven; numerous short-comings existed in the accounting data for the facility; and staff vacancies and shortages had resulted in excessive overtime costs and were hampering efforts to provide needed services to residents.

In separate correspondence, GAO recommended that HEW examine the possible misuse of its grant funds at Forest Haven and that the District of Columbia study the adequacy of the accounting procedures and controls for the facility and increase its staffing levels.

The District of Columbia reported that it has returned \$67,314 in HEW grant funds that were identified by GAO as having been improperly used. The District Government also reported improvements in its accounting procedures and controls and increased staffing levels at Forest Haven. However, since 1973 the number of authorized positions have decreased. In 1973, 648 were authorized and in 1976, 583 were authorized. Also, the number of employees at Forest Haven have decreased. On June 30, 1973, there were 557 employees on board compared to 543 employees in June 1976. Department of Human Resources officials cited difficulties in filling positions because Forest Haven is under the Federal Competitive Civil Service System. Departmental officials stated in June 1976, there is a need for additional positions at Forest Haven. (B-118638, Apr. 1, 1974.)

Appropriation

District of Columbia Government, Department of Human Resources.

Issue for consideration by
the Committees on Appropriations

The Committees may want to consider the staffing needs for Forest Haven.

DISTRICT OF COLUMBIA GOVERNMENT

HUMAN RESOURCES

Problems associated with the individual agency and program approach for providing health services in outpatient health centers

GAO reported to the Congress that the 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 some areas being able 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.

GAO recommended that the District of Columbia Government prepare a comprehensive action plan for delivering outpatient health services and seek authority from the Federal agencies to carry out the plan effectively.

GAO reported also that 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.

The Mayor of the District of Columbia agreed with GAO's recommendations and stated that his Department of Human Resources would appoint a task force to prepare the recommended action plan.

Such a task force was subsequently established and, in October 1976, it submitted its proposal to a consulting firm, which expects to have a draft of the final plan by February 1977. (B-118638, July 31, 1973.)

Appropriation

District of Columbia Government, general operating expenses, human resources.

Issue for consideration by
the Committees on Appropriations

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 the comprehensive action plan effectively.

DISTRICT OF COLUMBIA GOVERNMENT

PUBLIC SAFETY

Development of staffing plan to determine manpower requirements--D.C. Courts

GAO reported to the Chairman, Subcommittee on the District of Columbia, Senate Committee on Appropriations, that the D.C. courts had not developed standards on the number of staff needed to effectively operate a court system.

In its report on the District Appropriation Bill for 1974, the Senate Committee on Appropriations stated (1) it was not satisfied with the courts' justification for staffing increases and (2) an overall staffing plan should be developed. The Committee stated that future staffing requests should be justified on the basis of a realistic and comprehensive staffing plan.

In its report on the District Appropriations Bill for 1975, the Committee stated that the courts' staffing requirements have been based on workload estimates that have proved to be higher than workload experienced. Therefore, it requested a review of the courts' workload and staffing requirements. (B-175428, May 10, 1973.)

Appropriation

District of Columbia, general operating expenses, public safety.

Issue for consideration by the Committees on Appropriations

Significant savings in court operating costs would result from developing a reasonable and comprehensive plan for determining staff requirements.

DISTRICT OF COLUMBIA GOVERNMENT

PUBLIC SAFETY

Manpower utilization changes in the Police Department should increase effectiveness and result in cost savings

GAO reported to the Mayor of the District of Columbia that (1) significant disparities existed between workloads and officer assignments by time of day and day of week which, if reduced, should increase the Department's effectiveness in preventing crime and responding promptly when crimes are committed and (2) savings in annual salary costs of about \$400,000 could be realized by converting 427 administrative support and clerical positions filled by officers to civilian positions.

GAO recommended that the Mayor:

- Provide direction and assistance, as necessary, to develop a workload-officer assignment reporting system and insure that the Patrol Division's officer assignments are revised to correspond as closely as practicable with workloads.
- Request congressional authorization for civilians to replace, where economically desirable and technically feasible, police officers in administrative support, clerical, and technical positions through reduction in police positions (such actions should not lessen effectiveness because the number of officers on the streets would not be reduced); and provide the City Council and the Congress with justification for any determination that police officers be retained in administrative support, technical, and clerical positions.

The Department generally agreed with GAO's findings. However, the Mayor has not responded formally to GAO on the recommendations.

The District requested and received authorization in connection with the approval of its fiscal year 1975 budget to convert 100 police officer positions to civilian positions. It attributed annual salary savings of \$100,000 to the conversion and stated that more positions had been identified for conversion but it would make the conversions in stages. The District did not request any police officer positions be converted to civilian positions in its fiscal years 1976 and 1977 budgets. (B-118638, Dec. 21, 1973.)

Appropriation

District of Columbia, general operating expenses, public safety.

Issues for consideration by the Committees on Appropriations

1. The Department would be more effective if it planned its deployment of police officers to more closely correspond to periods when crimes are likely to be committed.
2. Additional savings can be realized through conversion of police positions to civilian positions.

DISTRICT OF COLUMBIA GOVERNMENT

PUBLIC SCHOOLS

Accumulating and relating costs of education to student achievement could help school management determine if it is getting the most benefit for each dollar spent

GAO reported to the Board of Education of the District of Columbia that 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.

GAO recommended that the Board of Education develop and formally prescribe (1) guidelines for improving the accuracy and reliability of the present management systems and (2) criteria for a resource management system. GAO also recommended that the board develop and formally adopt an overall plan and timetable for designing, installing, and operating a comprehensive resource management system that will provide for accumulating and reporting cost data and information on education.

The Superintendent of Schools agreed with GAO's recommendations. The Board of Education stated that better management of the school system, which includes developing data for effective use of school resources, has a high priority, but that it has been delayed, largely because of inadequate appropriations. (GGD-75-35, June 16, 1976.)

Appropriation

District of Columbia Government, general operating expenses, education.

Issues for consideration by the Committees on Appropriations

To effectively carry out the recommendations, the District of Columbia Public Schools must (1) determine 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) prescribe and develop criteria for a comprehensive resource management

system that sets forth the schools' educational objectives, delineates organization and staff responsibilities, and describes the existing systems and processes.

DISTRICT OF COLUMBIA GOVERNMENT

TAX ADMINISTRATION

How the District of Columbia might better manage its tax compliance program

GAO reported that the District could do more to encourage voluntary compliance with tax laws by an active program of taxpayer assistance and enforcement: identification of and followup on nonfilers, audit of tax returns, and collection of delinquent taxes. Systematic analysis and evaluation of the program should help the District to achieve greater voluntary taxpayer compliance and to receive revenue that otherwise would require enforcement effort.

The District must find out why people (1) need help with their tax returns, (2) do not file returns or pay their taxes, and (3) make mistakes in preparing their returns. With such information, the District should know more precisely when it needs to (1) better inform the public and (2) improve assessment and enforcement procedures. The District needs to establish a system for analyzing the voluntary taxpayer-compliance program and provide for obtaining the information for such analysis.

The District's Department of Finance and Revenue agreed that more emphasis on program analysis and evaluation was needed. As a result, internal evaluation of department programs was transferred to the Office of the Director of Finance and Revenue and the information and resource requirements for analyzing and evaluating voluntary taxpayer compliance are being studied. Mayor Washington said that he will support the Department's efforts in this area.

GAO pointed out that administration of the District's self-assessed taxes might be improved by:

- Establishing computerized master (historical) tax files.
- Improving coordination of compliance activities for the personal property tax and other business taxes.
- Closer monitoring of tax exemptions.

The Mayor indicated that the District will consider the improvements needed in these areas. (GGD-76-46, Mar. 12, 1976.)

Appropriation

District of Columbia Government, operating expenses
(finance and revenue).

Issue for consideration by the
Committees on Appropriations

The District should encourage voluntary taxpayer compliance with tax laws in order to receive revenue that otherwise would require enforcement effort.

DISTRICT OF COLUMBIA GOVERNMENT

TAX ADMINISTRATION

Improvements needed in discovering and following up on individuals failing to file income tax returns

GAO reported to the Congress that 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.

The District agreed with GAO's recommendations to expand the program for discovering and following up on potential nonfilers and indicated that any additional resources deemed necessary to implement them would be included in the fiscal year 1976 budget. Also, the District said that an evaluation of the potential for reallocating existing resources to the program would be made. No request for additional resources for the program was included in the fiscal year 1976 budget. The District indicated that it plans to make a more thorough followup of potential nonfilers for 1 year before it begins followup on another year. Such a procedure could improve voluntary compliance, which was the objective of our recommendations.

In fiscal year 1976, the District computerized many procedures to increase the effectiveness of its followup efforts. However, its fiscal year 1977 budget request for added staff was deleted by the City Council. (GGD-75-8, Mar. 20, 1975.)

Appropriation

District of Columbia Government, operating expenses (finance and revenue).

Issues for consideration by the Committees on Appropriations

1. The District must vigorously enforce its income tax laws to (a) obtain all tax revenues to which it is entitled and (b) insure equitable distribution of the tax burden among its residents.
2. Policy guidance is needed to avoid the possibly adverse effects on District revenues of District

Government austerity measures (such as hiring freezes) being applied to areas of tax administration.

DISTRICT OF COLUMBIA GOVERNMENT

TAX ADMINISTRATION

Providing tax withholding for military personnel

GAO reported to the Congress that 35 States and the District of Columbia tax the pay of military personnel but are prohibited by title 5, U.S.C. sections 5516, 5517, and 5520 of subchapter II from withholding such taxes. About 45 percent of District and Maryland military personnel checked had not filed State tax returns, and tests indicated other States had a similar problem. The District and these States are losing significant amounts of revenues because, among other things, military personnel are not afforded the opportunity of having such taxes withheld from their pay-checks.

GAO recommended that the Congress enact legislation which allows agreements between the Secretary of the Treasury and applicable taxing authorities to include the pay of military personnel. Although legislation has not been enacted, the proposed Tax Reform Act of 1976 does include a provision which would allow the Secretary of the Treasury to withhold State and District income taxes from military personnel. (GGD 75-103, Nov. 19, 1975.)

Appropriation

District of Columbia Government, expected revenues (finance and revenue).

Issue for consideration by the Committees on Appropriations

Revenues should increase if the withholding of State and local income taxes for military personnel is authorized.

ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

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ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

Certain actions that can be taken to help improve this Nation's uranium picture

As the primary fuel for nuclear reactors, uranium will become an increasingly important energy source. Because of a possible uranium shortage, we reviewed certain actions that can be taken to help improve the Nation's uranium picture. This report discusses

- uranium supply and demand estimates,
- domestic uranium exported or controlled by foreign interests,
- the possibility of recovering lower quality ore deposits, and
- research in and development of improved uranium mining and milling techniques. (EMD-76-1, July 2, 1976.)

Appropriation

Energy Research and Development Administration (ERDA), operating expenses, nuclear materials program.

Issue for consideration by the Committees on Appropriations

The Administrator of ERDA should develop a plan for increased uranium mining and milling research and development.

ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

Comments on ERDA's proposed synthetic fuels commercialization program

Proposals providing for Federal assistance to aid industry in constructing and operating a limited number of synthetic fuel commercial demonstration facilities have been or are being considered by the Congress.

Before legislation is enacted authorizing a synthetic fuels commercial demonstration program, the scope and magnitude of Federal assistance needed to carry out such a program should be more clearly delineated and justified. (RED-76-82, Mar. 19, 1976.)

Appropriation

ERDA, general and special funds, operating expenses, fossil energy development program.

Issue for consideration by the Committees on Appropriations

The Congress should await the completion of studies being conducted by the Office of Commercialization that would better assist the Congress in determining whether and to what extent Federal assistance should be provided for the commercialization of synthetic fuels.

ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

Comments on selected aspects of ERDA's proposal for Government assistance to private uranium enrichment groups

ERDA on February 23, 1976, agreed to certain revisions to the proposed act which we believe will give the Joint Committee on Atomic Energy a degree of oversight over the initiation of a cooperative agreement or any major changes to that agreement (RED-76-111, May 10, 1976.)

Appropriation

ERDA, operating expenses, plant and capital equipment, nuclear materials program.

Issue for consideration by the Committees on Appropriations

In view of the potential liability being assumed by ERDA, we believe that it would be desirable for the Joint Committee to review the status of each contract approved under the proposed Nuclear Fuel Assurance Act during its annual authorization hearings.

ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

Evaluation of ERDA's proposal for Government assistance to private uranium enrichment groups

On June 26, 1975, the President proposed to the Congress legislation to allow ERDA to assist private firms to build, own, and operate commercial uranium enrichment facilities. A private group made a proposal for Government assistance to help build such an enrichment plant.

GAO recognizes Government assistance may be justified to help industry build commercial enrichment plants. However, GAO believes the private group's proposal should be rejected. Instead, GAO believes the Government should add on to one of its existing plants to provide the needed capacity. (RED-76-36, Oct. 31, 1975.)

Appropriation

ERDA, operating expenses, plant and capital equipment, nuclear materials program.

Issue for consideration by the Joint Committee on Atomic Energy

The Joint Committee on Atomic Energy revised ERDA's proposed Nuclear Fuel Assurance Act to require Joint Committee on Atomic Energy approval of all cooperative agreements for private enrichment plants and reported the modified bill out of committee on May 11, 1976.

No action was taken on the bill before the 94th Congress adjourned. Additional enrichment capacity is needed, however, if the nuclear industry is to grow as planned. Thus, legislative action will be needed to provide for that capacity in the next session. GAO believes that (1) the next increment should be provided with an add-on to existing Government plants and that these existing plants be operated as a Government corporation and (2) legislation providing some Government assurances may be needed to commercialize advanced enrichment technologies.

ENVIRONMENTAL PROTECTION AGENCY

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ENVIRONMENTAL PROTECTION AGENCY

Federal programs for research on the effects of air pollutants

At the request of the Chairman, Subcommittee on the Environment, Senate Committee on Commerce, GAO reviewed the Environmental Protection Agency's (EPA's) research activities relating to the effects of air pollutants on health and the environment.

GAO reported that EPA did not have enough manpower, funds, or facilities to do the research needed to develop a sound information base for air quality standards established to protect public health and the environment. In fiscal year 1974, EPA obligated \$25 million for research on the effects of air pollutants. However, preliminary estimates for an adequate research program ranged from \$45 million to \$70 million a year.

In addition, there were numerous administrative problems in EPA's research program. EPA's research planning was highly complex, overly structured, and generated a great deal of dissatisfaction among EPA officials. EPA also needed an air pollution control strategy and better financial information to adequately plan its research activities.

- As a result of these problems, GAO recommended that EPA
- establish criteria or guidance for setting research priorities;
 - develop an air pollution control strategy which would facilitate better research planning;
 - prepare periodic financial reports for use by research managers who plan research and allocate resources, showing the funds allocated, obligated, and expended for research tasks; and
 - periodically prepare estimates of the resources needed for an adequate air pollution effects research program, even though all its needs may not be ultimately funded.

GAO also recommended that EPA develop written policies and regulations to fulfill its responsibility for coordinating research under the Clean Air Act.

EPA generally agreed with GAO's conclusions and recommendations. However, EPA's action on establishing criteria or guidance for setting research priorities was, in GAO's opinion, unsatisfactory. EPA's guidance for developing research goals has not been formalized and made part of its operating documents. (RED-76-46, Dec. 11, 1975.)

Appropriation

EPA, research and development.

Issues for consideration by the Committees on Appropriations

1. More research is needed on the health and ecological effects of air pollutants to adequately support and/or modify present national ambient air quality standards and motor vehicle emission standards and to identify and set standards for other pollutants.
2. EPA's lack of formalized criteria or guidance for establishing research priorities can result in the inefficient use of existing resources.

ENVIRONMENTAL PROTECTION AGENCY

Need for better management and control over scientific equipment

GAO reported to the Congress that the Environmental Protection Agency had not insured the most effective use of its scientific equipment. As of June 30, 1975, EPA had over 49,000 items of equipment inventory at its more than 60 laboratories. The acquisition cost of these items was about \$74 million, including \$41 million of scientific laboratory equipment. Scientific equipment valued at \$7.2 million was infrequently or never used and unnecessary equipment purchases were being made. In addition, equipment pooling and sharing procedures to maximize equipment use were not practiced.

GAO recommended that EPA reemphasize to its property management personnel the need to comply with Federal Property Management Regulations. Specifically, GAO recommended that EPA

- establish and maintain complete and uniform property records,
- screen new equipment purchases against existing equipment, and
- promote equipment pools and sharing of equipment.

EPA concurred with GAO's conclusions and recommendations and initiated major corrective action. (RED-76-100, May 3, 1976.)

Appropriation

EPA, research and development.

Issues for Consideration by the Committees on Appropriations

1. Equipment pools and formal sharing procedures help reduce unnecessary equipment purchases by maximizing the use of existing equipment.
2. Because equipment purchases are not separately identified in the budget, congressional review is needed to assure that purchases are justified and that Federal Property Management Regulations are being followed.

ENVIRONMENTAL PROTECTION AGENCY

Research and demonstration programs to achieve water quality goals: What the Federal Government needs to do

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

In 1974, GAO reported to the Congress on research and development (R&D) programs relating to prevention and control of water pollution. In this report, GAO concluded that Federal R&D programs had contributed to improving the quality of some of our waterways, but that:

- Much more remained to be done to achieve national water quality goals established by the act.
- At current funding levels it was doubtful that the 1985 national goal of eliminating the discharge of pollutants into navigable waters would be met. GAO pointed out that in fiscal year 1973, only \$9.5 million of \$34.5 million requested by Environmental Protection Agency program directors for municipal pollution control technology development was funded. For fiscal years 1974 and 1975, \$10.8 million and \$9.9 million were requested and \$7.8 million and \$10.2 million, respectively, were funded.

GAO also concluded that EPA should prepare an R&D strategy to carry out its R&D requirements under the 1972 amendments, estimate the amount of money needed to meet these requirements, and present this information to the Congress.

EPA generally agreed with GAO's conclusions and recommendations and in February 1976 published a 5-year outlook for research and development which included a strategy for water quality programs. However, funding levels for R&D have not improved. In fiscal year 1976 EPA requested \$20.2 million for R&D in the municipal sector but only \$11.8 million was funded. GAO doubts that EPA's R&D program will provide the information needed to achieve the 1985 national goals for water quality if current R&D funding levels for water quality programs--about \$40 million annually--continue.

The National Commission on Water Quality in its March 18, 1976, report to the Congress also recommended that adequate funding be provided to accelerate research and development programs to improve water quality. They also recommended that leadership for water quality R&D be vested in EPA, while encouraging such research at other levels of government and in the private sector. (RED-74-184, Jan. 16, 1974.)

Appropriation

EPA, research and development.

Issue for consideration by the Committees on Appropriations

EPA may need funds above the current level of \$40-50 million to meet the 1985 national goal of eliminating the discharge of pollutants to navigable waters.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

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The Equal Employment Opportunity Commission
has made limited progress in eliminating
employment discrimination

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EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

The Equal Employment Opportunity Commission has made limited progress in eliminating employment discrimination

GAO reported to the Congress that the Equal Employment Opportunity Commission (EEOC) had made limited progress in eliminating employment discrimination. The report stated that a number of interrelated factors contributed to EEOC's limited effectiveness. Many of these factors were management problems which EEOC could address while others, such as the frequent turnover in top management positions, were outside EEOC's control.

GAO stated that EEOC could do much toward achieving its full potential as a viable force in eliminating employment discrimination through improved management controls over its administrative and program operations. GAO recommended that the Chairman take action to:

- Improve EEOC's administrative controls over its individual charge-processing activities.
- Maximize the use of approved State and local fair employment practices agencies in resolving individual charges.
- Evaluate the expedited charge-processing strategy to determine whether its benefits compensate for questionable overall quality of the settlements being reached and the increased costs of coordinators and special recordkeeping procedures required to monitor this program.
- Strengthen the relationship between EEOC's individual charge compliance and litigation activities.
- Improve EEOC's quality control reviews of district office charge resolutions.
- reevaluate EEOC's resource allocations to its field activities.
- Separate EEOC's individual charge resolution activities from its systematic discrimination activities, except when the benefits of a combined approach would clearly outweigh the negative effects.

- Improve EEOC's collection of employment statistics for use in its own compliance, litigative, and systematic activities and in other Federal and State agencies' equal employment opportunity enforcement activities.
- Improve the monitoring of employer compliance with conciliation agreements and consent decrees.
- Establish effective procedures for handling the relatively new and unique issues and situations being encountered in EEOC's systematic discrimination cases against State and local governments, governmental agencies, and political subdivisions, including special coordination procedures with the Department of Justice, which must handle the litigation of such cases.
- Increase litigation support of EEOC's systematic discrimination activities.
- Improve EEOC's coordination with the Department of Labor's Office of Federal Contract Compliance Programs by requiring effective implementation of the 1974 memorandum of understanding. (HRD-76-147, Sept. 28, 1976.)

Appropriation

EEOC.

Issue for consideration by the Committees on Appropriations

Implementation of some of the above recommendations may require increased funding for these activities, particularly GAO's recommendation that EEOC improve the collection and use of employment statistics.

EXPORT-IMPORT BANK OF THE UNITED STATES

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EXPORT-IMPORT BANK OF THE UNITED STATES

Weakened financial condition requires improved financing practices and continued monitoring of future activities

In a report to the Congress, GAO highlighted a problem of continuing deterioration in the Bank's financial condition resulting from the expansion of its export financing activities beginning in fiscal year 1970 and recommended that specified steps be taken to stop the deterioration as soon as possible. The Bank has recognized the seriousness of the situation, has taken action to improve its income, and has agreed to keep the Congress informed on future developments. (ID-76-17, Oct. 17, 1975.)

Appropriation

Foreign assistance and related programs.

Issues for consideration by the Committees on Appropriations

1. For all U.S. exports having little or no foreign competition but still requiring federal financing, the Bank could improve its position by charging market rates of interest on loans.
2. The income needed to insure self-sustaining operations could be better determined if the Bank correlated its borrowing and lending repayment periods, thereby reducing the uncertainty that now exists over future borrowing interest costs.

FEDERAL DEPOSIT INSURANCE CORPORATION

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Audit of Federal Deposit Insurance Corporation
limited by agency restrictions on access to
bank examination records

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FEDERAL DEPOSIT INSURANCE CORPORATION

Audit of Federal Deposit Insurance Corporation limited by agency restrictions on access to bank examination records

GAO was unable to make a complete annual audit because the Federal Deposit Insurance Corporation (FDIC) would not permit unrestricted access to examination reports, files, and other records relative to the banks it insures. Without such access, GAO was unable to express an overall opinion on FDIC's financial statements.

In April 1976, GAO was granted access to examination reports and related documents for purposes of responding to a Congressional request for a study of the effectiveness of Federal bank supervision. This study is separate from GAO's review of the financial statements of the Corporation.

GAO believes that access to these records is essential because they contain facts, opinions, and recommendations of vital importance to the conduct of FDIC's affairs. FDIC believes that the basic concept of confidentiality, regarding open bank data, is essential to the proper supervision of banks and to the functioning of deposit insurance.

Both FDIC and GAO believe that the law supports their respective positions on the access-to-records problem. The Chairman of the Board of Directors of FDIC advised GAO that legislative clarification eventually might be required if the problem were to be resolved; however, FDIC continues to restrict GAO's access to its records.

For GAO to more effectively carry out its responsibility, it recommended in its fiscal years 1971-74 FDIC reports that the Congress enact legislation which would clarify the authority for access for purpose of audit to all books, documents, files, and other records of FDIC, including bank examination reports and related records of FDIC, the Federal Reserve banks, and the Comptroller of the Currency.

No congressional action has been taken to clarify GAO's authority for access to the desired records. (FOD-75-9, June 11, 1975.)

Appropriation

FDIC does not receive an appropriation; however, the committees can consider this issue when reviewing FDIC's budget proposals.

Issue for consideration by
the Committees on Appropriations

GAO cannot make a complete audit of FDIC unless the Congress enacts legislation clarifying GAO's access to records.

FEDERAL POWER COMMISSION

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FEDERAL POWER COMMISSION

Need for the Federal Power Commission to evaluate the effectiveness of the natural gas curtailment policy

At the request of Congressman Pierre S. du Pont, GAO reviewed the Federal Power Commission's (FPC's) efforts to implement its natural gas curtailment policy.

FPC lacks authority to obtain the necessary information to evaluate the effectiveness of its natural gas curtailment policy. Without reliable information on how natural gas is being used and on the economic impact that gas shortages are having on areas of the Nation, FPC is not in a position to determine if interstate pipeline companies are effectively carrying out approved curtailment plans or to make decisions about future use of natural gas. FPC, with the Federal Energy Administration, is attempting to obtain the needed information.

GAO recommended that the Chairman, FPC, report to the Congress on the results of the FPC-Federal Energy Administration coordinated effort to obtain the natural gas curtailment data needed to evaluate the effectiveness of FPC's curtailment policy. GAO recommended also that, if the desired results are not obtained or if FPC finds the effort too impractical, the Chairman, FPC, seek legislative revisions to the Natural Gas Act to expand FPC's authority to obtain information on (1) natural gas sales by intrastate pipeline and distributing companies and (2) the end use of the gas by consumers who purchase it from interstate and intrastate pipeline and distributing companies.

FPC advised GAO of recent actions it had taken to increase the amount and reliability of the data it depended upon in formulating curtailment policies. FPC believed, however, that expansion of its authority to obtain natural gas data would facilitate the discharge of its statutory responsibilities. Copies of the report were furnished to the House and Senate Committees on Government Operations and Appropriations. (RED-76-18, Sept. 19, 1975.)

Appropriation

FPC, natural gas pipeline regulation.

Issues for consideration by the
Committees on Appropriations

FPC may need additional funding if the Natural Gas Act is revised to expand its authority to obtain needed end-use and economic impact information.

GENERAL SERVICES ADMINISTRATION

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GENERAL SERVICES ADMINISTRATION

Federal assistance for Presidential transitions: Recommendation for changes in legislation

In its report on the 1975 Supplemental Appropriations Bill--which included funds to provide allowances and services to former President Richard M. Nixon--the Senate Appropriations Committee suggested that GAO update its 1970 report on Presidential transitions.

The Committee report stated that new legislation should be developed that merges the transition activities of a former President with the benefits of the Former Presidents Act.

GAO recommended that the Congress consider (1) amending the Presidential Transition Act so that it applied only to the incoming Administration and (2) changing the amount authorized to be appropriated to carry out the Presidential Transition Act of 1963. GAO also recommended that the Congress amend the Former Presidents Act to include in one act the authorization for all allowances, services, etc., to be provided a former President from the time he leaves office.

The General Services Administration agreed with most of GAO's proposed changes in legislation. (GGD-76-29, Dec. 24, 1975.)

On September 1, 1976, the House of Representatives passed H.R. 14886 which (1) increased the amount authorized to be appropriated for future Presidential transitions and (2) deleted the provision in the Transition Act which permits the detailing of Government employees to the incoming and outgoing President and Vice President on a nonreimbursable basis.

Appropriations

Assistance to former Presidents is authorized by several acts, as follows:

Pension:

Former Presidents Act of 1958.

Staff, office facilities, and services:

Presidential Transition Act of 1963--for the first 6 months.

Former Presidents Act of 1958--after the first 6 months.

Operation of Presidential libraries:
Presidential Libraries Act of 1955.

Issue for consideration by
the Committees on Appropriations

The recommendations to the Congress are for changes in authorizing legislation which require consideration by the legislative committees. Some of the changes suggested, however, would affect the amounts authorized for appropriation which would be of interest to the appropriations committees.

GENERAL SERVICES ADMINISTRATION

FEDERAL SUPPLY SERVICE

Operations of General Services Administration's General Supply Fund

In 1975 the General Services Administration (GSA) asked the Congress for an appropriation of additional capital for its General Supply Fund. GSA told the Congress that in the 8 years since the supply fund's last appropriation, inflation had eroded its buying power and created a serious cash shortage.

GAO reviewed the operations of the supply fund at the request of the Chairmen of the House and Senate Appropriations Committees and reported that the fund's cash shortage was caused not only by inflation but also by

- the transfer of about \$79 million from supply operations to purchase vehicles for GSA's motor pool,
- investment in inventory stocks that exceeded requirements by about 50 percent, and
- acceleration of deliveries to GSA in late 1974 by Federal Supply Service suppliers.

To obtain cash, GSA was forced to take emergency steps, and by June 1975 the supply fund's cash problems were largely overcome. GAO reported, however, that two actions taken by GSA to obtain cash were not in accordance with authorizing legislation or congressional intent. These actions were

- the transfer of \$156 million to the supply fund from other GSA revolving funds without legal authority and
- the use of advances from customers as permanent additions to the supply fund's capital although the Congress had intended that customer advances be restricted to advances for specific purchases.

Finally, GAO reported that GSA did not adequately consider alternatives to increase the supply fund's capital. Among the alternatives were

- greater use of direct deliveries from contractors and
- changes in the supply fund's pricing procedures.

GAO recommended that the Administrator of GSA:

- Take steps to prevent future unauthorized fund transfers.
- Direct repayment of advances received from supply operations customers and the establishment of controls to assure that only authorized advances are obtained.
- Require the establishment of a cash forecast procedure.
- Explore various alternatives concerning depot stockage of items which could reduce the amount of additional funding required.

The Administrator of General Services agreed with GAO's recommendations and said that GSA would implement corrective action and be in a position to make appropriate proposals in GSA's fiscal year 1978 legislative and budget requests. (LCD-76-421, Mar. 19, 1976.)

Appropriation

GSA-General Supply Fund (Treasury, Postal Service, and general government appropriation).

Issue for consideration by the Committees on Appropriations

In connection with future appropriation requests, the Committees may wish to review the actions taken by GSA to minimize the need for additional supply fund capital.

GENERAL SERVICES ADMINISTRATION

PUBLIC BUILDINGS SERVICES

Greater emphasis on competition is needed in selecting architects and engineers for Federal projects

Although the General Services Administration and the Department of Defense have generally complied with the requirements of Public Law 92-582, passed in 1972, GAO found a need for improvement and reported to the Congress that the law has been ineffective in strengthening competition in the awards of design contracts to architect-engineer firms for Federal projects. In addition the law has brought about little change in the percentage of new firms receiving contracts.

GAO reported that the Federal Government should (1) select architects and engineers and award contracts on the basis of the best value in terms of design performance and life-cycle cost and (2) use competitive negotiation techniques in these selections and awards. Public Law 92-582 does not provide for competitive negotiation.

GAO recommended to GSA and DOD that they (1) revise, as necessary, certain practices and procedures relating to public announcements and discussions and (2) direct the cooperation and coordination of efforts to refine life-cycle cost analyses and its application to preaward evaluation to facilitate its use in Federal construction projects. GAO also recommended that the Director, Office of Management and Budget, require the Administrator, Office of Federal Procurement Policy, to direct the revision of procurement regulations to require agencies to consider the firm's ability to produce valid life-cycle cost estimates and analyses when evaluating firms for a specific project and the data, when available and warranted, be considered at the preliminary design stage in making the final architect-engineer selection.

The Office of Federal Procurement Policy has proposed legislation which embodies modifications that GAO believes are needed in contracting for architect-engineering services and their proposed target date of July 1, 1977, seems realistic. In the event that this specific legislation is not passed by the Congress, GAO recommended that any other legislation considered in its place, such as S.3005 (94th Congress), be revised, so as to specifically repeal Public Law 92-582 or provide for its amendment along

the lines of the alternative procedures contained in GAO's report. (LCD-76-313, July 21, 1976.)

Appropriations

Treasury, Postal Service, and general government.

Issues for consideration by the Committees on Appropriations

After life-cycle costing application criteria have been adequately developed, the Congress may wish to require agencies to include life-cycle cost estimates in their design or construction proposals and related appropriation requests. This would seemingly insure that the most economical approach was considered in the expenditure of public funds for construction.

The Congress may also wish to consider provisions for reimbursing the losing final architect-engineer competitors for costs incurred preparing their technical proposals and related life-cycle cost estimates where the nature of the project under competition has unusual requirements or characteristics that warrant this action.

GOVERNMENT PRINTING OFFICE

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CENTRAL OFFICE PRINTING PROCUREMENT DIVISION
Procurement of commercial printing

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GOVERNMENT PRINTING OFFICE

CENTRAL OFFICE PRINTING PROCUREMENT DIVISION

Procurement of commercial printing

In fiscal year 1975 the Government Printing Office (GPO) spent about \$266 million to procure printing from commercial sources. GPO uses simplified procurement procedures if the estimated size of an individual order is less than \$2,500.

GAO reported to the Congress that Federal Procurement Regulations permit simplified procurement procedures for contracts under \$10,000. GAO also reported that the use of such procedures saved 15 days processing time and recommended that GPO increase its dollar ceiling on the use of such procedures.

The Deputy Public Printer said an increase in the dollar ceiling was being considered. (LCD-75-437 Dec. 29, 1975.)

Appropriations

GPO revolving fund.

Issue for consideration by the Committees on Appropriations

A reduction in the time required to contract for commercial printing will increase GPO's responsiveness to the agencies and departments.

HOUSE OF REPRESENTATIVES

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HOUSE OF REPRESENTATIVES

Suggestion for management improvement in the legislative branch

GAO reported to the Chairman, Committee on Rules, that eliminating the practice of introducing identical House bills could save money.

Prior to 1967 members of the House did not jointly sponsor bills. House Resolution 42, passed on April 25, 1967, changed this practice but limited the number of joint sponsors to 25. Identical bills are used apparently to add names to a list of sponsors and become necessary when the number of sponsors exceeds 25.

The practice of introducing identical bills is expensive. GAO estimated that printing and administrative costs associated with this practice may exceed \$678,000 annually.

GAO concluded that House Resolution 42 had reduced the number of identical bills introduced and had saved thousands of dollars. The House could realize considerable additional savings, however, if it adopted the Senate practice of permitting the full membership to jointly sponsor bills.

As of September 13, 1976, 10 House resolutions had been introduced to increase the number of members who may jointly sponsor a bill to the full House membership. (RED-76-104, May 12, 1976.)

Appropriations

House of Representatives, general and special funds.
Government Printing Office, general and special,
printing and binding.

Issue for consideration by the Committee on Appropriations

House operating costs would be reduced if the House of Representatives adopted a resolution to permit the full membership to jointly sponsor bills.

NATIONAL AERONAUTICS AND
SPACE ADMINISTRATION

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NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Need for improved reporting and cost estimating on major unmanned satellite projects

Realistic cost and schedule estimates are indispensable to both the Congress and the National Aeronautics and Space Administration (NASA) management throughout the entire project planning, approval, and development process because they provide a basis for deciding which projects are to be initiated, continued, modified, or terminated. GAO found that NASA's estimates have frequently been optimistic, particularly early planning estimates. GAO reported to the Congress that, on certain major unmanned satellite projects, costs increased 89 percent over planning and 13 percent over development estimates. There are several areas where NASA could improve its reporting of cost and schedule information to the Congress and its cost estimating practices. GAO recommended that the Administrator of NASA provide for

- summarizing and reporting to the Congress, as a single estimate, the project cost and all additional costs directly identifiable with the project to show the total economic impact each project will have on the overall NASA budget;
- maintaining stable cost and schedule baselines to permit the identification and tracking of actual project changes and the measurement of cost and schedule status when compared to current estimates; and
- maintaining adequate documentation to support estimates so that accurate revisions can be made when new estimates are necessary.

NASA did not concur with all of GAO's recommendations for corrective action and stated that

- development estimates, in lieu of planning or other preliminary estimates, should be used as the baseline for measuring cost growth and actual performance;
- its identification of costs is based on its appropriation structure and budget presentations to the Congress; and

--baselines should be changed, with proper approval,
when programs are changed.

(PSAD-75-90, July 25, 1975.)

Appropriations

NASA, research and development, construction of facilities, research and program management.

Issues for consideration by the Committees on Appropriations

The Chairman of the HUD-Independent Agencies Subcommittee of the Senate Appropriations Committee requested that GAO work with NASA and the Subcommittee staff to develop a project reporting system that will serve the needs of the Congress. GAO's evaluation of NASA's pilot Project Status Reports disclosed that NASA still has not adopted its recommendations for improving the reporting of cost, schedule, and performance information. The Appropriations Committees may wish to discuss with NASA the need for implementing the GAO recommendations since the reports taking into consideration such recommendations should provide a better basis for the Congress to decide which projects are to be initiated, continued, or terminated.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Status and issues relating to the Space Transportation System

The primary objective of the Space Transportation System is to provide a new space transportation capability that will substantially reduce the cost of space operations and support a wide range of scientific, defense, and commercial uses.

The National Aeronautics and Space Administration and the Department of Defense plan to request funds from the Congress for fiscal year 1978 to begin the production phase of the system. Costs for refurbishment of two development orbiters, acquisition of three production orbiters, Defense facilities at the western test range, the interim upper stage, and the space tug could eventually amount to about \$4.8 billion (real year dollars). Several billion dollars more will be needed for actual operation of the space transportation system during the 1980s. The program has been under development since 1971, and through fiscal year 1976, about \$3.1 billion has been authorized and appropriated to NASA and \$64 million to Defense. Total acquisition costs of the System are estimated by NASA to exceed \$12 billion. Operating costs through 1990 are estimated in excess of \$18 billion.

GAO recommended that the Administrator of NASA estimate and total all cost including those funded from budgets other than its research and development budget. This would result in more complete and realistic estimates of the cost to develop the Space Transportation System.

NASA, in not concurring with GAO's recommendation, stated that it presents project funding estimates to the Congress consistent with the budget structure in which its funding requests are reviewed, authorized, and appropriated. (PSAD-76-73, Apr. 21, 1976.)

Appropriations

NASA, research and development, construction of facilities, research and program management.

Issues for consideration by the
Committees on Appropriations

Improved reporting of cost and schedule information by NASA is needed throughout the entire project planning, approval, and development process because it provides to the Congress a basis for deciding which projects are to be initiated, continued, modified, or terminated. (This issue is covered in more detail in the preceding item.)

NATIONAL CENTER FOR PRODUCTIVITY
AND QUALITY OF WORKING LIFE

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NATIONAL CENTER FOR PRODUCTIVITY

AND QUALITY OF WORKING LIFE

A national policy and mechanism is needed for actively encouraging industrial productivity growth

Products made in small batches represent over 35 percent of the output of manufacturing industries in the United States. However, rapidly developing technology, which can increase the productivity of small batch manufacturers, has not been diffusing to them as effectively as it has to manufacturers in many competing foreign industrial nations.

In a report to the Congress, GAO recommended that the National Center for Productivity and Quality of Working Life and the Department of Commerce exercise leadership in developing national policy and an appropriate means for achieving balanced productivity growth in the industrial/manufacturing base. In doing this, they should strengthen their own efforts to support, develop, and disseminate productivity enhancing technology related to manufacturing, and to encourage others in both the public and private sectors to actively support these objectives.

GAO's preliminary report was reviewed by a panel of experts on various aspects of manufacturing from Government, industry, labor, and academia. While many individual viewpoints were expressed, on balance the panel supported the need for national policy and action in this area. (LCD-75-436, June 3, 1976.)

Appropriation

National Center for Productivity and Quality of Working Life, General and Special Funds.

Issue for consideration by the Committees on Appropriations

Although short-term initiatives can be undertaken under existing programs of both agencies, the long-range solutions necessary to prevent an international imbalance in industrial technology will require additional funding for existing and expanded programs.

NUCLEAR REGULATORY COMMISSION

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NUCLEAR REGULATORY COMMISSION

Development of interagency relationships in the regulation of nuclear materials and facilities

GAO was asked to review the development of interagency agreements between the Nuclear Regulatory Commission (NRC) and Energy Research and Development Administration (ERDA) to implement NRC's programs for regulatory and reactor safety research, and for international and domestic safeguards for nuclear materials.

There is an interagency memorandum addressing NRC research projects to be conducted at ERDA research facilities. GAO found, however, that the agencies have not developed detailed operating procedures for managing research projects, nor have they developed procedures for resolving interagency disagreements regarding those projects. GAO also found that under existing agreements with executive branch agencies, NRC has limited authority to regulate the export of nuclear materials, facilities, and equipment.

In a report to the Senate Government Operations Committee, GAO recommended that NRC and ERDA

- agree on detailed procedures for managing NRC research projects and for promptly resolving interagency disagreements on those projects and
- develop an interagency agreement under which NRC can regularly participate in inspections of physical security measures to be applied to U.S.-supplied nuclear materials, equipment, and facilities in importing countries.

NRC and ERDA agreed with GAO's first recommendation, and NRC agreed to study the need for an interagency agreement on the second recommendation. ERDA stated that it believes the two agencies already have an acceptable working relationship for inspecting physical security systems in importing countries. (RED-76-72, Mar. 10, 1976.)

Appropriations

NRC, Safeguards, Nuclear Materials Safety and Safeguards Program, Reactor Safety Research Program. ERDA, Reactor Safety Facilities Program, Nuclear Materials Safety and Safeguards.

Issues for consideration by
the Appropriations Committees

The absence of definitive working agreements between NRC and ERDA can adversely impact on NRC research projects at ERDA research facilities, leading to cost and schedule overruns.

NUCLEAR REGULATORY COMMISSION

Improvements needed in the land disposal of radioactive wastes--a problem of centuries

Large volumes of radioactive wastes (other than high-level wastes), including some that are long-lived and highly toxic, are disposed of at six licensed commercial burial sites and five principal Federal facilities in the United States.

Some of these sites have been operated for over 30 years; however, GAO found that (1) site selection criteria have never been developed, (2) important earth science characteristics are not well defined, and (3) some disposal sites are releasing radioactivity to the environment.

In a report to the Congress, GAO recommended that the Nuclear Regulatory Commission and Energy Research and Development Administration jointly

- see that comprehensive studies are made at existing disposal sites to evaluate their ability to retain radioactive wastes and

- use the results of those studies to develop site selection criteria for determining the long-term suitability of existing sites and for selecting future sites.

GAO also made recommendations aimed at improving the regulation and management of commercial sites and insuring there will be adequate funding to cover the long-term care requirements for those commercial sites.

NRC and ERDA agreed with GAO's conclusions and recommendations except for the joint sponsorship of a study of both Federal and commercial waste burial sites. Both agencies felt this would be inappropriate because of the separate missions of the Federal and commercial facilities. NRC recommended an alternative whereby a panel of experts would advise and guide a joint NRC/State study of commercial burial sites and ERDA would provide for a separate study of Federal waste disposal facilities.

GAO believes this is an acceptable approach, providing that it meets the objectives of the original recommendation. (RED-76-54, Jan. 12, 1976.)

Appropriations

NRC, Environmental and Fuel Cycle, Nuclear Regulatory Research Program. ERDA, Waste Management--Interim and Long-term, Weapons Materials Production Program, national security.

Issues for consideration by the Committees on Appropriations

1. Conducting the GAO-recommended studies of existing waste burial sites and developing site selection criteria may well require that NRC and ERDA conduct additional research and development related to certain earth science characteristics.
2. NRC funding of any needed corrective actions at certain commercial waste burial sites may require additional statutory authority, because, in NRC's opinion, its authority to provide such funding under the Atomic Energy Act is unclear.

OFFICE OF MANAGEMENT AND BUDGET

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OFFICE OF MANAGEMENT AND BUDGET

Case study of Department of Labor
and Office of Management and Budget
activities under the Federal Reports
Act

GAO reported to the Chairman, Senate Committee on Government Operations, that weaknesses and problems existed in the Office of Management and Budget's procedures for forms clearance and in its enforcement of the provisions of the Federal Reports Act. Problems also existed in the requirements of that Office's Circular A-40 and in its instructions for completing requests for forms clearance. There also were certain weaknesses and problems in the Department of Labor's clearance procedures.

GAO recommended, among other things, that the Director, OMB,

- assume a more active role in Federal Reports Act enforcement by insuring that respondents are notified of act violations and by establishing a small investigative group to assist in enforcement;
- require agencies of the executive branch to appropriately identify for respondents those forms which are not subject to the clearance requirements of the act;
- require the expiration date to be printed on all OMB-approved forms;
- revise the wording of the requirement for preparing cost estimates to eliminate the differences between Standard Form 83A and OMB Circular A-40;
- specify in Circular A-40 the requirements for agencies in terms of the management structure and types of reviews expected to be performed during forms clearance;
- review and approve the agencies' structure and procedures for forms management and periodically evaluate them to insure they are adequate;
- establish quantity and timing guidelines for printing public-use forms;

--revise the treatment of forms used in Federal-State cooperative programs, such as the Employment Security Program, to require the forms to be submitted in accordance with the Federal Report Act; and

--survey the agencies to identify public-use forms which have been granted indefinite approvals and have been waived from the clearance requirements and require the periodic resubmission of those forms for clearance.

(GGD-75-85, July 24, 1975.)

Appropriation

Office of the President, OMB-salaries and expenses.

Issue to be considered by the Committees on Appropriations

A strengthened system for review and clearance of forms would help in reducing the reporting burden on the public and the business community.

RENEGOTIATION BOARD

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RENEGOTIATION BOARD

Operations and activities of the Renegotiation Board

GAO reviewed the operations and activities of the Renegotiation Board because of the continued congressional interest to eliminate excessive profits on national defense-related sales. The Board, an independent agency, was created under the Renegotiation Act of 1951 to eliminate contractors' excessive profits on defense and space contracts and related subcontracts.

GAO found that

- contractors which fail to submit filings, submit inadequate filings, or submit them late are not penalized under the act;
- the rationale for the new, durable, productive equipment exemption may not be valid; and
- the minimum amounts of excessive profits below which the Board makes no collections may not be appropriate.

GAO recommended that the Congress

- amend the act to hold contractors responsible for furnishing all data required by the Board and have them show reasonable cause why they did not furnish the data;
- provide penalties for failure to file on time;
- determine whether the new, durable, productive equipment exemption is valid;
- require the Board to obtain and analyze profit and cost data on standard commercial articles and services exempt from the act to determine whether significant amounts of excessive profits are escaping renegotiation; and
- consider whether it is appropriate to have a minimum, below which excess profits are not recovered.

GAO also believes the act should be extended for more than 2-year periods and that all Government agency contracts should be subject to the act. (B-163520, May 9, 1973.)

Appropriations

Renegotiation Board, salaries and expenses.

Issues for consideration by the Committees on Appropriations

Although none of GAO's recommendations have thus far been enacted, legislative responsibility for the Renegotiation Act was transferred from the House Ways and Means Committee to the House Committee on Banking, Currency, and Housing, Subcommittee on General Oversight and Renegotiation. This Subcommittee has proposed legislation that would significantly alter the Renegotiation Act and cover the bulk of the recommendations included in the GAO report on this subject. Should the legislation be enacted as currently proposed, a considerably larger appropriation for this agency may be needed in the future.

SMALL BUSINESS ADMINISTRATION

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SMALL BUSINESS ADMINISTRATION

Improvement needed in the 7(a) Loan Program

Under section 7(a) of the Small Business Act, the Small Business Administration (SBA) guarantees and makes direct loans to small businesses. The 7(a) program is the agency's basic and largest loan program. GAO reviewed the program at 24 of SBA's district offices, randomly selecting and examining 980 loans.

Although SBA had aided, counseled, and assisted many small businesses throughout the Nation, there were problems that required management attention. GAO reported that:

- Loan proceeds had been approved for questionable purposes; e.g., numerous loans were approved which merely transferred the risk of loan payment from banks and other creditors to the agency itself.
- In some cases, SBA had not adequately analyzed the prospective borrowers' financial condition or verified the adequacy of collateral pledged. As a result, loans were approved when it was questionable whether they were of such sound value or so secured as to reasonably assure repayment.
- SBA had not acted effectively after loans were made to increase the chances of borrower success and loan repayment. For example, (1) borrowers used loan proceeds for unauthorized purposes which went undetected, (2) procedures were not adequate for detecting delinquent loans and the reasons for the delinquency, therefore, borrowers in need of help were not known, and (3) borrowers were not routinely visited to check their progress.
- SBA's management assistance program was not helping businesses overcome their problems.

Another problem, which permeated the entire loan process, was a shortage or improper alignment of personnel at the district office level.

GAO recommended that the Administrator of SBA

- insure clarification of and compliance with established operating procedures and

--determine the proper staffing levels to effectively analyze and service the loans approved and either realign current personnel or request additional staff from the Congress. If these approaches fail, the only option would be to limit the number of loans approved.

SBA generally agreed with GAO's recommendation and acknowledged the managerial short-falls uncovered. It said that remedial measures were either underway or planned but that these must be accomplished within budgetary constraints. (GGD-76-24, Feb. 23, 1976.)

Appropriation

SBA, salaries and expenses.

Issue for consideration by the Committees on Appropriations

The Committees may wish to assess the adequacy of SBA's management, administration, and fulfillment of its legislative mandate to aid, counsel, and assist small businesses.

SMALL BUSINESS ADMINISTRATION

Local development company loans making capital available but other aims often subverted

The Small Business Administration makes capital available through loans to local development companies for constructing, expanding, or converting plants for use by small businesses. From the program's inception in fiscal year 1959 to June 30, 1974, SBA approved 5,271 loans valued at over \$1 billion. SBA's philosophy is that, through the local development company, the program attracts local financial and moral support because the resulting business improves the local economy through increased jobs, taxes, and indirect stimulation of other businesses.

GAO reported that the local development companies often had been facades, allowing small businesses to obtain the benefits of the longer term, lower interest-rate loans available under this program. Also, SBA had overstated the accomplishments of the program because it did not have a system to measure the economic benefits, and it had not established loan approval criteria which related dollars invested to jobs created. In addition, SBA had approved loans without adequate assurance that the financial assistance applied for was not otherwise available on reasonable terms.

GAO recommended that the Administrator of SBA

- establish a system to monitor local development companies' entry into the program and their financial contributions to the projects,
- improve the accuracy of reporting program accomplishments,
- establish criteria for loan approval which relates dollars invested to jobs created, and
- strengthen the agency's controls for assuring that loans are made only to small businesses whose financial condition warrants assistance.

SBA agreed to act on GAO's recommendations by (1) re-studying membership eligibility and developing requirements to insure community participation, (2) retraining personnel who package and process local development company loans, (3) considering the activation of a system to obtain meaningful historical and current financial and employment data

from loan recipients, and (4) studying the advisability of establishing job cost-benefit guidelines. (GGD-76-7, Mar. 31, 1976.)

Appropriation

SBA, business loan and investment fund.

Issue for consideration by the Committees on Appropriations

Although SBA's local development company loan program had made capital available to many small businesses, other objectives of the authorizing legislation often had been subverted. The Committees may wish to ascertain whether SBA has made adequate improvements in its management of the program.

SMALL BUSINESS ADMINISTRATION

Management control functions of the Small Business Administration-- Improvements are needed

There has been congressional concern over the management of activities and programs by field offices of the Small Business Administration. GAO sought to evaluate certain "management tools" or management control functions SBA used to control its operations. These tools included (1) a standards-of-conduct system requiring employees in key positions to file statements of outside employment and financial interest, (2) audit, investigative, and review groups which assessed SBA activities and programs at field offices and the central office, and (3) a management information system which periodically provided reports to management.

GAO reported that:

- Many employees making or influencing decisions on assistance had not filed statements of employment and financial interest because regulations emphasized an employee's grade level rather than his duties; employee financial statements which were filed were not adequately reviewed by SBA.
- Despite SBA's significant participation with banks, the regulations did not provide a specific policy on bank stock ownership.
- Improvements were needed to provide the standards-of-conduct counselors with definitive guidelines for reviewing financial statements.
- The office of portfolio review's primary purpose--making quality appraisals of loan portfolios--was not being achieved because of its policies and procedures, its appraisal practices, and the fact that actions were not taken on its findings. GAO had reservations as to the qualifications of the examiners assigned to this office.
- Although other groups responsible for auditing, investigating, or evaluating SBA's internal or external program activities generally had performed adequately, each group had experienced problems, thereby reducing its effectiveness as a "management tool." Generally, the weaknesses noted in the internal and external audit functions resulted from understaffing.

--From a questionnaire sent to 540 key officials, GAO determined that improvements were needed in the SBA's management reports.

GAO recommended that the Administrator of SBA:

--Revise the rules and regulations on standard-of-conduct by developing criteria to determine which employees have responsibilities warranting the filing of financial disclosure statement.

--Issue specific guidelines clearly defining the duties and responsibilities of the standard-of-conduct counselors and the ad hoc committee.

--Improve the audit, examination, investigation, and review functions for SBA program activities through organizational and procedural changes.

GAO also suggested that the Administrator have the steering committee study the management reporting system and that the reports management division and the systems division expand their attempts to include report users in decisions affecting the reporting system, paying particular attention to the needs of regional and district officials.

SBA agreed with GAO's recommendations concerning the need for more stringent rules and regulations on standards-of-conduct and for an improved report management information system and either took or initiated corrective actions.

SBA also agreed with GAO's recommendations to improve the audit, investigation, and review functions. It recognized that there was a need to pursue efforts to obtain more staff for the internal and external audit division. (GGD-76-74, Aug. 23, 1976.)

Appropriation

SBA, salaries and expenses.

Issue for consideration by the Committees on Appropriations

The Committees may wish to assess the agency's management, administration, and fulfillment of its legislative mandate to aid counsel, and assist small businesses.

SMALL BUSINESS ADMINISTRATION

Need for improvement in Small Business Administration's financial management

GAO reported to the Congress that although the Small Business Administration's accounting system generally is operating satisfactorily, it needs to provide more complete, accurate, and timely information useful to management. SBA guarantees up to 90 percent of the loan balance--plus interest from the date of last payment--for loans made by financial institutions to small businesses under agreement with SBA.

GAO suggested that the agency show a liability in future financial statements for the estimated loss on guaranteed loans expected to default which the agency will be required to purchase. Future appropriations will be needed to fund most of these purchases.

GAO also recommended that certain SBA financial management policies, procedures, and practices be strengthened to promote greater efficiency and economy in operations.

Copies of the report were furnished to the House and Senate Committees on Government Operations and Appropriations. (FOD-76-7, Apr. 16, 1976.)

Appropriation

SBA.

Issue for consideration by the Committee on Appropriations

The cost of loans purchased by SBA will have to be covered by future appropriations.

SMALL BUSINESS ADMINISTRATION

Questionable effectiveness of the 8(a) procurement program

GAO reported to the Congress that the Small Business Administration 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 had successfully completed the program. A major reason for this lack of success was SBA's inability to control the supply of contracts from the Federal agencies.

SBA encourages nondisadvantaged businesses (sponsors) to provide management services, training, and capital to 8(a) firms. However, the sponsors often had maintained control of the 8(a) firms, which appeared to be inconsistent with developing their self-sufficiency.

While SBA emphasizes that the performance of 8(a) firms must be closely monitored and that management systems are important tools, SBA had not regularly monitored the performance of the firms nor had it provided management assistance to the firms. In line with GAO's recommendation, SBA subsequently revised its standard operating procedures to provide for more closely monitoring the performance of 8(a) firms.

GAO recommended that the Administrator of SBA (1) reconsider SBA's position of maintaining 1,500 active firms in its program and periodically adjust the number of firms on the basis of the level of contracts that can be made available and (2) establish internal controls to insure that 8(a) firms are provided adequate management assistance. (GGD-75-57, Apr. 16, 1975.)

Appropriation

SBA, salaries and expenses.

Issue for consideration by the Committees on Appropriations

The adverse effects of SEA's inability to control the supply of contracts could be mitigated if the number of active firms in the program were reduced and periodically adjusted according to the level of contracts available.

SMALL BUSINESS ADMINISTRATION

Substantial losses projected for SBA's lease guarantee program

Under its lease guarantee program, the Small Business Administration helps small businesses obtain leases of commercial and industrial space which, because of insufficient credit standing, they would otherwise not be able to obtain at reasonable terms. As of June 30, 1974, the agency's contingent liability was about \$337 million. The program is required to be self-sustaining. Administrative expenses and payments to landlords must be covered by premiums charged the small business or the landlord.

We reported that (1) the program had not been self-sustaining for policies issued through fiscal year 1974--projected net losses may be about \$17 million by fiscal year 1987, (2) additional appropriations may be needed to cover projected losses on lease guarantees already issued, (3) new actuarial studies will likely show that the 2.5 percent legal limitation on loss premiums will have to be increased if the program is to be self-sustaining, (4) SBA had used poor judgement in approving guarantees for businesses which could not reasonably be expected to succeed, and (5) SBA did not have an adequate system for screening high-risk applicants with major deficiencies and had guaranteed rents on specialized properties which were difficult to re-rent when defaults occur.

GAO recommended that the Administrator of SBA

- give the Congress estimates of total losses on policies issued to date;
- have new actuarial studies made to determine the self-sustaining rates and if, as expected, the portion of the premium necessary to cover default payment must exceed the 2.5-percent legal limitation, ask the Congress to consider amending the enabling legislation;
- monitor the program's financial condition systematically and continuously;
- establish a system to evaluate underwriter performance according to the quality of lease guarantees issued, in order to indicate the quality of the underwriter's judgment;
- establish minimum standards for key risk characteristics which must be met for a lease guarantee to be issued; and

--include a property's re-rentability as a separate, important factor in the risk-analysis system.

SBA revised its procedures to limit lease guarantees to the amount properties would bring if re-rented after defaults occurred. The agency further limited lease guarantees to existing facilities and required that all lease guarantees be issued by Sept. 30, 1976. (GGD-75-101, Oct. 9, 1975.)

Appropriation

SBA, lease guarantees revolving fund.

Issue for consideration by the Committees on Appropriations

Additional appropriations may be needed to cover projected losses on lease guarantees already issued.

UNITED STATES RAILWAY ASSOCIATION

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UNITED STATES RAILWAY ASSOCIATION

Improvements needed in procurement
and financial disclosure activities
of the Association

GAO's review of various United States Railway Association (USRA) activities, made at the request of the Chairman, Subcommittee on Oversight and Investigations, House Committee on Interstate and Foreign Commerce, disclosed weaknesses in contracting practices and in protecting against employee conflicts of interest.

To correct deficiencies in contracting practices, GAO recommended that USRA take necessary action to insure that:

- Future contracts, to the extent possible, are awarded on a competitive basis, and are classified as competitive only where competitive elements are present.
- Justifications for sole-source contracts are more specific regarding the contractors' special qualifications.
- Criteria are developed to determine contracts requiring board of directors approval.

Although GAO found no employee conflicts of interest, GAO recommended that USRA strengthen its administrative controls over employees' financial disclosure by:

- Developing guidelines for reviewing employee financial interests.
- Insuring compliance with USRA's regulations providing for (1) publication in the Federal Register of positions requiring financial disclosure statements and those positions specifically not exempt from financial statement requirements and (2) submission of financial disclosure statements within 30 days after employment.

GAO also recommended that USRA require officials reviewing employees' financial statements to sign and date such statements, and to periodically report review results to USRA's president.

USRA agreed to adopt the recommendation on competitive and sole-source contracting, but said it did not consider it necessary to formalize criteria for determining contracts

requiring board approval. USRA also agreed to carry out all of the financial disclosure recommendations, except the development of guidelines for reviewing employee financial interests. (RED-76-41, Nov. 5, 1975.)

Appropriation

USRA, administrative expenses.

Issues for consideration by The Committees on Appropriations

Policy guidance by the Committees may be needed to insure action by USRA to strengthen contracting and financial disclosure procedures by establishing criteria to determine contracts requiring board of director's approval, and developing guidelines for reviewing employee financial interest.

VETERANS ADMINISTRATION

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VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Administration of the Denver Veterans Administration Hospital

GAO reported to Senator Floyd Haskell that ambulatory care has greatly increased at the Denver, Colorado, Veterans Administration (VA) hospital due to legislation increasing substantially the number of veterans eligible for such care. Because of the increased workload, the hospital ambulatory care service has had problems of insufficient space and staff and inadequate operating procedures to handle the workload. The increased ambulatory workload has also affected other hospital services, such as nursing and diagnostic support. GAO also observed problems in the hospital's medical records system.

GAO recommended that the Administrator:

- Instruct the Denver hospital director to analyze ambulatory care operating procedures to identify ways of reducing the high incidence of "no-shows" for appointments and "drop-ins" for treatment.
- Reassess staffing requirements at the Denver hospital to determine the staffing necessary to deliver an adequate level of patient care. If additional staff resources cannot be provided, the operating bed capacity of the hospital should be reduced.
- Instruct the Denver hospital director to monitor the implementation of procedures, consistent with VA standards, for preparing and controlling medical records. (MWD-76-104, Mar. 4, 1976.)

VA advised GAO that actions are being taken to implement the recommendations.

Appropriation

VA, medical care.

Issue for consideration by the Committees on Appropriations

Budget requests for operating funds to deliver an adequate level of care should be considered in light of the need for (1) improved ambulatory care operating procedures, (2)

a reassessment of the hospitals' staffing requirements and operating bed capacity, and (3) improved procedures for preparing and controlling patient medical records.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Error in calculation of community
nursing home rates

In a report to the Administrator of Veterans Affairs, GAO reported that in fiscal year 1976 the Veterans Administration may make payments to certain community nursing homes totaling more than \$90,000 above that allowed by law. The potential overpayments came about because VA made an error when the maximum rates were calculated.

After bringing this to VA's attention, the rate was changed to conform to the law. However, contracts with 13 nursing homes had already been negotiated at the excessive rate when the error was discovered. Payments to these homes will total about \$90,000 above that allowed by law.

GAO recommended that the Administrator determine whether it would be in the best interest of the Government to either (1) exercise the termination provision of the contracts and renegotiate new contracts or (2) amend the present contracts. (MWD-76-50, Oct. 24, 1975.)

Appropriation

VA, medical care.

Issue for consideration by
the Committee on Appropriations

Since community nursing home payments may exceed the limit established by law, the matter of accuracy in determining rates should be examined when budget requests for funds are considered.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Non-service-connected veterans staying in community nursing homes longer than law allows

In a report to the Administrator of Veterans Affairs, GAO said that many veterans with non-service-connected disabilities remain in community nursing homes longer than the maximum allowed by law--6 months. The Veterans Administration grants extensions for these veterans to remain in these homes in a manner than circumvents the intent of the law and VA's own regulations for implementing the law.

GAO concluded that the provision of the law limiting these veterans to a 6-month stay in a community nursing home was unrealistic. GAO believes that the law needs to be revised to consider the long-term care needs of such veterans who "have no place to go" after they have received maximum hospital benefits and have spent 6 months in a community nursing home.

GAO recommended that VA seek a change in the provision of the law that limits the stay of veterans with non-service-connected disabilities in community nursing homes to 6 months. GAO further recommended that the 6-month limitation be eliminated for veterans who cannot be placed in the community after that length of time. (MWD-76-97, Mar. 3, 1976)

Appropriation

VA, medical care.

Issue for consideration by the Committees on Appropriations

Budget requests for funds for veterans in community nursing homes should not be based around a 6-month limit for non-service-connected veterans and on unlimited time-frame for service-connected veterans.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Recruiting and retaining Federal physicians and dentists: Problems, progress, and actions needed for the future

In a report to the Congress, GAO reported that the Veterans Administration, Department of Defense, and the Public Health Service (PHS) are each experiencing some problems in the recruitment of physicians. Except for an undocumented need for certain specialties, GAO found no significant dentist recruitment or retention problems.

It is difficult to identify and assess retention problems since, in most cases, agencies have not established retention goals against which success or failure can be measured. Also, most of the programs established to help alleviate recruitment and retention problems have not been in operation long enough to effectively measure their long-range impact.

Each of the agencies use a number of programs and practices to recruit and retain physicians, including special pay, programs to finance a medical education in return for future service and programs which appeal to one's interest.

Two of the special pay programs used by DOD and PHS-- continuation pay and variable incentive pay (VIP)--are not being administered in accordance with the law and legislative intent. Pay under these programs is offered to virtually all who are eligible, but this pay was intended only for those physicians and dentists in critical shortage categories.

The scholarship programs in DOD and PHS may result in a surplus of physicians. By 1990, DOD may have a surplus of 3,000 and by 1980 PHS may begin to start having a surplus.

GAO reported that Federal physicians and dentists are employed under a number of different pay systems, most of which were not designed for the unique characteristics of these occupations. GAO stated that a uniform compensation plan should be developed for all Federal physicians and dentists and recommended that the Congress:

- Direct the Director of the Office of Management and Budget to develop a uniform compensation plan for all Federal physicians and dentists. If there are compelling reasons for separate systems GAO recommend that a unified plan be developed and provisions made for interrelating the systems.

--Require that within 1 year, or earlier, after the direction from the Congress, the Director submit to the Congress a report of OMB's activities together with recommendations, including proposed legislation and cost estimates.

GAO further recommended that:

- The Secretaries of Defense and Health, Education, and Welfare make an indepth study to identify, with adequate documentation, the critical specialties and to modify the continuation and VIP programs so that they are administered in accordance with the law.
- The Secretaries of Defense and HEW develop long-range plan on how physicians entering through the scholarship and university programs are to be utilized.
- The Administrator of Veterans Affairs and the Secretaries of Defense and HEW each develop programs to identify their respective physician and dentist needs. (MWD-76-162, Aug. 30, 1976.)

Appropriation

VA, medical care.

Issue for consideration by the Committees on Appropriations

Budget requests for funds to provide special pay for physicians and dentists should be considered in light of the need for establishment of a uniform compensation system for all Federal physicians and dentists.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Review of laboratory services

In a report to the Administrator of Veterans Affairs, GAO reported on a followup study of Veterans Administration laboratory operations to determine if GAO's 1973 report recommendations had been effectively implemented. GAO believes the problems reported previously still exist and VA action on its recommendations is still needed.

GAO recommended that the Administrator:

- Initiate a systemwide study to determine the extent and effectiveness of VA laboratory service regionalization activities.
- Develop a specific action plan, with specific target dates, to regionalize district laboratory services to the maximum extent possible.
- Direct the medical districts to consider contractual or sharing arrangements with other Government laboratories before sending tests to commercial laboratories.
- Direct that cost data for reported fee-basis tests be added to VA's current reporting system so that VA officials can monitor the extent of fee-basis testing systemwide.

VA stated it would issue guidelines to include management and controls by each medical district and would regionalize laboratory services to the maximum extent feasible. (MWD-76-130, May 20, 1976.)

Appropriation

VA, medical care.

Issue for consideration by the Committees on Appropriations

Budget requests should reflect VA's establishment of a systemwide laboratory regionalization study, consideration of sharing arrangements with other Government agencies, and the addition to VA's reporting system of cost data for fee-basis tests.

VETERANS ADMINISTRATION

DEPARTMENT OF MEDICINE AND SURGERY

Review of VA Supply Service

In a report to the Administrator of Veterans Affairs on the procurement and supply activities of the Veterans Administration, GAO reported that VA can realize supply economies through a variety of actions. VA needs to gather and analyze data on supply actions taken independently by hospital supply divisions throughout the Nation to identify likely items for central management. Such analysis would subject a broader range of items to central supply determinations and better enable the Government to take advantage of its purchasing power. Along with greater information regarding hospital procurements, VA's Marketing Center at Hines, Illinois, needs to revalidate the supply levels carried in the VA depots. VA also needs to do more to monitor procurement actions at the hospital level to insure that supply-source deviations are justified.

GAO recommended that the Administrator:

- develop a system to identify likely items for central management,
- revalidate the levels of inventory needed to support VA users, and
- assign responsibility for monitoring hospitals' use of mandatory sources of supply. (MWD-76-133, June 3, 1976.)

Appropriation

VA, medical care.

Issue for consideration by the Committees on Appropriations

Budget requests for funds should reflect VA's development of a system to identify supply items for central management, reevaluation of depot inventory levels, and improved monitoring of hospitals' use of mandatory sources of supply.

VETERANS ADMINISTRATION

DEPARTMENT OF VETERANS AFFAIRS

Implementation of certain provisions of Public Law 93-508

In a report to Senator Vance Hartke, Chairman, Committee on Veterans Affairs, GAO concluded that the VA had not properly implemented certain provisions of the Vietnam Era Veterans' Readjustment Assistance Act of 1974--specifically the 50-percent employment rule, the 85-percent enrollment rule, and the course character and advertising provisions.

GAO recommended that VA:

- Emphasize the need for VA regional offices and State approving agencies to perform their assigned functions in processing school employment surveys under the 50-percent employment rule including processing the survey forms in a timely manner, and reviewing the forms to detect errors and omissions in the surveys.
- Clearly define (1) a VA subsidized student for purposes of calculating the ratio of veterans to non-veterans under the 85-percent enrollment rule and (2) the schools' responsibilities for calculating the ratio and documenting their compliance with the rule.
- Determine whether a course is avocational or recreational under the course character provision on the basis of the number of questionnaire respondents who stated the course is avocational or recreational rather than on the number of persons surveyed.
- Monitor school advertising more closely by establishing procedures to systematically collect, review, and analyze advertising material. (HRD-76-171, Sept. 17, 1976.)

Appropriation

VA, readjustment benefits.

Issues for consideration by the Committees on Appropriations

In analyzing budget requests for readjustment benefits, the Committees should consider whether VA plans to take actions to improve the quality of vocational training provided VA subsidized students.

VETERANS ADMINISTRATION

DEPARTMENT OF VETERANS BENEFITS

Review of need for interim computer

In a report to the Congressmen John E. Moss and Charles Rose, GAO concluded that VA's decision to consider only a sole-brand and model computer was reasonable but did not adequately justify the acquisition of a specific computer. VA intends to lease the computer for 36 months at a cost of about \$3.8 million. VA plans to use the computer to assist in processing veterans' compensation, pension and education claims until the proposed TARGET system--and advanced communications based system currently being developed--has been fully implemented.

GAO recommended that VA initiate a study to determine the specific computer performance characteristics required at the processing center and relate these characteristics to the capabilities of other computer models. GAO also recommended that, if the study indicates a more cost-effective configuration is warranted, the present computer be replaced with the configuration indicated. (MWD-76-132, June 1, 1976.)

Appropriations

VA, compensation and pension.

Issues for consideration by the Committees on Appropriation

Evaluation of budget requests for funds should consider VA's decision whether to study specific computer processing requirements and the promptness with which such a study is initiated and accomplished.

Potential savings which could be realized by installing a more cost-effective computer system decrease significantly as time passes.

VETERANS ADMINISTRATION

DEPARTMENT OF VETERANS BENEFITS

Review of VA justification for establishing four regional computer centers for its proposed Target System

GAO reported to the House Subcommittee on Housing and Urban Development-Independent Agencies on the Veterans Administration's justification for establishing four regional computer centers for its planned Target System--a communications-based system which would modernize VA's benefit claims processing.

In January 1976 a request for proposals was issued to prospective vendors for automatic data processing systems for Target System computer centers, including four regional centers. VA did not have sufficient basis for concluding that four regional computer centers was the most cost effective configuration. Based in part on GAO's review, the request for proposals was amended in June 1976 to prescribe three regional computer centers. However, VA overstated its workload estimate for the Target System regional centers in that it was much greater than VA's long-range budget forecast of workload for the programs the system will support. The overstated workload also included a backup processing requirement which VA did not support.

GAO recommended to the Administrator of Veterans Affairs that VA reappraise its workload and backup requirements to assure that equipment procured for the system will be consistent with VA's projected requirements. In August 1976, VA reduced the workload requirement for the Target System. (HRD-76-145, July 13, 1976.)

Appropriation

VA, general operating expenses.

Issue for consideration by the Committee on Appropriations

Should VA in the future, request funds for augmenting the Target System, the Committee should examine the VA's assessment of backup processing requirements for the system.

WASHINGTON METROPOLITAN AREA
TRANSIT AUTHORITY

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WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

METRO SUBWAY SYSTEM

Review of Metro rail reported cost, funding, schedule and performance data as of December 31, 1975

In a report to Congressman Thomas M. Rees, GAO indentified an additional \$237.7 million in cost increases that should have been included in the Authority's status report as of December 31, 1975, and \$441.1 million for contingencies which should have been included in the capital cost estimate schedule. The report also identifies significant cost and schedule changes since December 31, 1975, and funding uncertainties. GAO recommended that information on the performance of all equipment that might significantly affect present or future passenger or employee safety, or might significantly impair economical, efficient operations, be included in the status report. The Authority agreed to include the recommended performance information (PSAD-76-165, August 27, 1976.)

Appropriation

Washington Metropolitan Area Transit Authority, procurement.

Issue for consideration by the Committees on Appropriations

The agency can upgrade its periodic status report by including information on the performance of equipment that might significantly affect safety or impair economical and efficient operations.

VARIOUS DEPARTMENTS AND AGENCIES

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VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION AND OFFICE OF MANAGEMENT AND BUDGET

Federal white-collar pay systems need fundamental changes

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 1.5 million white-collar employees with a payroll cost of \$20 billion.

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.

In order to develop the necessary legislative changes, GAO recommended that the Director, Office of Management and Budget, and the Chairman, Civil Service Commission (CSC):

- 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. (FPCD-76-9, Oct. 30, 1975.)

Appropriations

CSC, salaries and expenses. OMB, salaries and expenses.

Issues for consideration by the
Committees on Appropriations

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 AND OFFICE OF MANAGEMENT AND BUDGET

Managements' arrangement of working hours for Federal employees

GAO surveyed managements' treatment of working hours and lunch periods for Federal civilian employees. GAO found that although Federal employees generally are permitted only 30 minutes for lunch, they were taking 45 to 60 minutes. Hence, employees may not be working the 40-hour workweek required by statute, thus resulting in a loss of productive worktime. GAO therefore recommended that the Civil Service Commission and the Office of Management and Budget jointly consider this matter to insure that lunch period arrangements in Federal agencies comply with statutory requirements for a 40-hour week.

By mutual agreement between CSC and OMB, CSC will take the lead and OMB will participate in conducting the study. CSC will select a group of personnel directors drawn from the Interagency Advisory Group who will determine the extent of the problem and possible study approach. After the task force reports its findings, OMB and CSC will determine actions necessary to resolve the issue. (FPCD-75-147, Apr. 9, 1976.)

Appropriations

CSC, salaries and expenses. OMB, salaries and expenses.

Issue for consideration by the Committees on Appropriations

In light of the increased interest in productivity exhibited by both the Congress and the President, there is a need to insure that Federal employees' work schedules allow the full 40-hour workweek.

VARIOUS DEPARTMENTS AND AGENCIES

CIVIL SERVICE COMMISSION AND OFFICE OF MANAGEMENT AND BUDGET

Need for a comparability policy for both pay and benefits of Federal civilian employees

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 established 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 the Civil Service Commission, in coordination with the Office of Management and Budget (1) develop a policy of total compensation comparability for determining 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 has made significant progress in developing a benefit analysis procedure for use in the Federal sector and has developed and, to a limited extent, field tested a total compensation comparability method. CSC plans to fully test and refine the total compensation comparability system over the next 2 years.

The President's Panel on Federal Compensation, in a December 1975 report, endorsed the principle of total compensation comparability and agreed that development and

testing should take place over a 2-year period to determine the best approach to implementation. (FPCD-75-62, July 1, 1975.)

Appropriations

CSC, salaries and expenses. OMB, salaries and expenses.

Issue for consideration by the Committees on Appropriations

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

CORPS OF ENGINEERS (CIVIL FUNCTIONS), DEPARTMENT OF AGRICULTURE, DEPARTMENT OF COMMERCE, DEPARTMENT OF THE INTERIOR, AND FEDERAL POWER COMMISSION

Improved Federal efforts needed to consider wildlife conservation on an equal basis with other features of water resources developments

GAO reported to the Chairman, Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries, on how the Corps of Engineers (Civil Functions), Department of Agriculture, Department of Commerce, Department of the Interior, and Federal Power Commission were implementing sections 2 and 3 of the Fish and Wildlife Coordination Act. These sections of the act provide for wildlife conservation to be coordinated with other features of federally funded or licensed water resources development and to receive equal consideration.

GAO concluded from a review of some projects that (1) in general, wildlife conservation had not been given equal consideration with other features of water resources developments, (2) significant and numerous breakdowns had occurred in the coordination process between wildlife and development agencies, (3) the roles and responsibilities of the wildlife agencies needed to be clarified, and (4) criteria needed to be established for determining the nature and extent of wildlife mitigation or enhancement measures as well as their justification.

GAO recommended that (1) the wildlife and development agencies, with the aid of the Office of Management and Budget, establish procedures to insure adequate coordination in carrying out the requirements of the act and establish criteria to determine mitigation and enhancement measures and (2) wildlife agencies reach agreement on their respective roles and responsibilities and obtain needed funds and personnel.

The Federal agencies involved generally agreed with the recommendations. On June 26, 1974, the Subcommittee held hearings on the report and on various proposed amendments to the act. (RED-74-206, Mar. 8, 1974.)

Appropriations

Department of the Army, Corps of Engineers, (Civil Functions): General investigations, General construction (Corps' funds are transferred to the Department of the Interior, U.S. Fish and Wildlife Service).

Department of the Interior, U.S. Fish and Wildlife Service: Resource management.

Department of Commerce, National Oceanic and Atmospheric Administration: National Marine Fisheries Service, operations, research, and facilities.

Issues for consideration by the Committees on Appropriations

Wildlife agencies will need funds and personnel above their current levels to effectively implement the act's requirements. The development and wildlife agencies should consult each other early in the planning stage of a water resources development proposal. Also, the wildlife agencies should make the necessary wildlife studies so that a detailed wildlife report is available before a proposed development is authorized by the Congress or approved by others who approve water resource projects.

VARIOUS DEPARTMENTS AND AGENCIES

CORPS OF ENGINEERS (CIVIL FUNCTIONS), DEPARTMENT OF AGRICULTURE, DEPARTMENT OF THE INTERIOR, AND TENNESSEE VALLEY AUTHORITY

Improvements needed in making benefit-cost analyses for Federal water resources projects

Federal water resources projects are seldom authorized unless their estimated benefits exceed their estimated costs. GAO reviewed methods and procedures used by the Bureau of Reclamation, Department of the Interior; the Corps of Engineers (Civil Functions); the Soil Conservation Service, Department of Agriculture; and the Tennessee Valley Authority for making benefit-cost analyses for water resources development projects for such purposes as flood control, irrigation, power, recreation, fish and wildlife enhancement, and municipal and industrial water supply.

Because of the importance of the benefit-cost analysis to decisionmaking, benefits and costs should be determined by using uniform methods and procedures and considering all pertinent beneficial and adverse effects.

Executive branch policies, standards, and procedures for formulation, evaluation, and review of individual project plans for developing water resources were issued in May 1962 and printed as Senate Document 97.

GAO reported that:

1. Benefits had not been computed in a consistent manner.
2. Benefits had not been based on analyses of conditions with and without the project.
3. Benefit computations had not been adequately supported.
4. Project costs and induced costs (uncompensated adverse effects caused by construction and operation of a project) had not been fully considered in the benefit-cost determinations.

Causes of the problems in the benefit-cost determinations included:

1. Generalized and incomplete agency guidance and instructions.
2. Varying interpretations and inconsistent applications of Senate Document 97 criteria and agency implementing procedures.
3. Incomplete, or no, studies and analyses by the agencies of data for making determinations and computations.

The Water Resources Council developed "Principles and Standards for Planning Water and Related Land Resources," which became effective on October 25, 1973, superseding Senate Document 97. These principles were intended to provide the broad policy for planning activities, and the standards were intended to provide uniformity and consistency in comparing, measuring, and judging beneficial and adverse effects of alternative plans.

GAO made the following recommendations to the Secretary of the Army, for the Corps of Engineers; to the Secretaries of Agriculture and the Interior; and to the Chairman of the Board, Tennessee Valley Authority:

1. Revise or develop, as necessary, detailed procedures for making benefit-cost determinations and submit them to the Water Resources Council.
2. Periodically evaluate detailed procedures to recognize changed objectives, needs, and conditions and improved methods and procedures.
3. Strengthen internal management procedures for assessing (a) Benefit-cost determinations for conformance to the governing principles and standards, (b) implementing detailed procedures, and (c) the completeness and adequacy of supporting documentation.

GAO also recommended that the Chairman, Water Resources Council, have the Council:

1. Review the agencies' detailed procedures for uniformity and consistency with the principles and standards.
2. Periodically review the principles and standards to recognize changed objectives, needs, and conditions and improved methods and procedures.

The Council and the agencies generally agreed with the

conclusions and recommendations. The Council told GAO in September 1975 that the involved Federal agencies were taking action to implement the recommendations. (RED-75-254, Sept. 20, 1974.)

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. Tennessee Valley Authority, payment to Tennessee Valley Authority fund.

Issue for consideration by the Committees on Appropriations

The adequacy of the corrective actions to be taken by the Council and the agencies should be considered when reviewing appropriation requests for Federal water resources projects.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE,
DEPARTMENT OF COMMERCE,
DEPARTMENT OF STATE, AND OTHERS

The Government's role in East-West trade--problems and issues

GAO assessed the effectiveness of the U.S. response to the issues involved in East-West trade and found that the U.S. Government needs to establish rules and procedures which both protect and promote U.S. interests. The U.S. response has been complicated by difficulties in four major areas: policy formation, promotion and financing programs, export controls and technology exchanges, and capacity to achieve a balance of diplomatic and commercial benefits.

GAO made a series of recommendations for these major areas to the executive branch agencies and policy councils concerned with East-West trade.

A single, coordinated executive branch response to our report was received from agencies of the East-West Foreign Trade Board. Part of this response indicated the Board's concurrence with some recommendations, but they were not identified and the response offered no indication of any implementing actions.

Individual agency responses to our recommendations were received as required by Section 236 of the Legislative Reorganization Act of 1970. These responses indicated concurrence with some recommendations and stated the implementing actions taken. However, the responses generally took issue with our recommendations and explained the agency viewpoint. (ID-76-13a, Feb. 4, 1976.)

Appropriations

Various civil agencies policy formation, promotion and financing programs, export controls and technology exchanges, and capacity to achieve a balance of diplomatic and commercial benefits.

Issue for consideration by the Committees on Appropriations

The Committees should consider GAO's recommendations for improving executive branch agencies' capabilities for dealing with East-West trade issue.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF AGRICULTURE; DEPARTMENT
OF HEALTH, EDUCATION, AND WELFARE;
DEPARTMENT OF JUSTICE; AND DEPARTMENT
OF THE TREASURY

Premium pay for Federal inspectors at U.S. ports-of-entry

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.

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 a 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.

GAO recommended that the Congress enact one premium pay law to apply to the four agencies' inspection services at ports-of-entry. GAO also recommended that the Congress 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.

The Secretaries of the Treasury; Agriculture; and Health, Education, and Welfare; and the Attorney General, with the assistance of the Civil Service Commission and the Office of Management and Budget, agreed to develop uniform regulations, to the extent permitted under current laws, on premium pay and on the reimbursability of the costs of inspections at ports-of-entry. (GGD-74-91, Feb. 14, 1975.)

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.

Issues for consideration by the Committees on Appropriations

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, ENVIRONMENTAL PROTECTION AGENCY, AND ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION

Opportunities for more effective use of animal manure

In 1971, about 39 percent of the total solid waste generated in the United States was produced by livestock, half of which was generated in feedlots or other confinement operations. Most of these wastes were disposed of as cropland fertilizer.

GAO reported to Congress that

- manure use as fertilizer had been ineffective due to excessive amounts of manure applied or the excessive amount of commercial fertilizer used in combination with manure;
- soil testing, necessary for proper application rates of manure as fertilizer, had been unreliable;
- the Environmental Protection Agency, the Department of Agriculture, and the Energy Research and Development Administration had not made a concerted effort to conduct necessary manure use research.

GAO recommended that the Department of Agriculture require its Extension Service to increase its efforts to inform the agricultural community of the benefits of effectively using animal manure and the proper methods of doing so.

The Department of Agriculture responded that, although it could never hope to reach 100 percent of the farming community, it will continue to emphasize its soil fertility and manure use education programs through the Extension Service.

To increase the reliability of soil testing results GAO recommended that the Department of Agriculture explore alternatives for standardizing laboratory soil and manure testing, including the feasibility of a laboratory certification system. The Department commented, however, that it had no specific legal authority to certify soil testing laboratories or to establish standards for testing and that a program for certifying and monitoring testing laboratories was a logical State responsibility. GAO believes that the Department needs to study the matter further because of the interstate nature

of soil sample testing and because of farmers' reluctance to have their soils tested.

GAO recommended that EPA promote interagency agreements towards bringing animal manure use technology to a commercially viable level.

EPA, the Department of Agriculture, and ERDA agreed with GAO's recommendation and said they were working toward establishing interagency agreements. EPA also was planning to establish a committee of representatives from the three agencies to review and coordinate activities in the animal manure area. (RED-76-101, June 14, 1976.)

Appropriations

EPA, research and development. Department of Agriculture, science and education programs, environmental programs. ERDA, general science and basic research.

Issues for consideration by the Committees on Appropriations

1. Expanded manure-use research by EPA, Department of Agriculture, or ERDA either separately or under an interagency agreement, will require additional funds.
2. Additional funds may be required if the Department of Agriculture determines that it should increase its efforts to inform the agricultural community of the benefits and methods of using animal manure, explore alternatives for standardizing testing procedures, and initiate a soil laboratory certification system.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF DEFENSE AND NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Need to control Federal warning system proliferation

GAO's report to the Congress discussed interagency efforts to coordinate development and operation of Federal warning dissemination systems which alert the public of natural disasters and enemy attacks. However, much remains to be done to prevent proliferation and achieve an integrated national program.

Five Federal warning systems are being developed, expanded or operated. Three of these systems--a satellite warning system, a high-speed nuclear attack radio warning system, and a teletype system--do not appear to be operationally or economically justified. If unchecked, \$140 million may be spent by 1980 to develop and operate these three systems.

A linkup of the Defense Department's National Warning System with the Weather Radio Warning System--already selected as the Federal home warning system--appears adequate. Several Federal agencies will need to define and consolidate all national warning requirements and determine which of several alternative systems should be deployed to meet the requirements in the most operationally useful and cost-effective manner. (LCD-76-105, Apr. 9, 1976.)

Appropriations

This activity involves various appropriation categories of the Department of Defense, Defense Civil Preparedness Agency, and Department of the Army and the National Oceanic and Atmospheric Administration, including research and development, procurement, construction, operations, and personnel.

Issue for consideration by the Committees on Appropriations

The Committees may want to consider funding constraints on certain natural disaster and attack warning systems, pending definition of the recommended integrated national program.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE AND DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Federal fire safety requirements do not insure life safety in nursing home fires

As a result of two nursing facility fires that killed 31 people during early 1976, the Chairman, Subcommittee on Health and Long Term Care, House Select Committee on Aging, asked GAO to investigate reasons for the severity of the fires and to suggest possible actions to avoid similar situations.

According to reports of investigations, multiple deaths occurred in these and several fires in prior years even though the buildings were of fire-resistive construction and were in substantial compliance with the Federal fire safety requirements. Experts said automatic sprinklers would have prevented the deaths in these homes.

With the installation of a sprinkler system, savings on nursing facility fire insurance premiums are possible on both the building and its contents. Through reimbursement for depreciation and interest, Medicare and Medicaid will pay for part of the cost of sprinkler system installation.

The program which authorized the Department of Housing and Urban Development to provide Federal loan insurance for the installation of fire safety equipment has not been used. GAO believes that excessive processing time by the Department of Health, Education and Welfare along with Department of Housing and Urban Development procedures which prohibit loan insurance after work has begun, contribute to the problems facing nursing facilities applying for loan insurance.

Recommendations to HEW included making better use of existing survey and certification documents to speed processing time.

Recommendations to HUD included establishment of regulations to permit fire safety equipment loan insurance after work has begun and publicizing the availability of the fire safety equipment loan insurance program by revising the brochure dealing with nursing home mortgage insurance.

Recommendations to the Congress included enactment of legislation which will require that all nursing facilities be fully protected with an automatic sprinkler system. The

Congress should require HEW to establish rigid standards which must be met by nursing facilities requesting waiver from the automatic sprinkler equipment. (MWD-76-136, June 3, 1976.)

Appropriations

HEW:

Assistant Secretary for Health, salaries and expenses.
Social and Rehabilitation Service, public assistance
and salaries and expenses.
Social Security Administration, Federal Hospital
Insurance Fund (Medicare) and salaries and expenses.

HUD

Housing and Urban Development, Loan Insurance Program
and salaries and expenses.

Issues for consideration by the Committees on Appropriations

In approving budget requests for Medicare, Medicaid, and related administrative expenses, the Committees might wish to assure that progress is being made in improving the safety of nursing home residents. Increased State, HUD, Social Security Administration, and Social and Rehabilitation Service efforts toward solutions may result in increased administrative expenses and budget requests or reallocation of budget priorities. Installation of sprinkler systems by the nursing homes will also result in increased program costs.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF HEALTH, EDUCATION,
AND WELFARE; DEPARTMENT OF LABOR;
ENVIRONMENTAL PROTECTION AGENCY; AND
CONSUMER PRODUCT SAFETY COMMISSION

Federal efforts to protect the
public from cancer-causing
chemicals are not very effective

Although Federal agencies generally have enough authority to regulate cancer-causing chemicals, they have encountered scientific problems in relating the results of animal safety tests to humans. The Director of the National Cancer Institute (NCI) is responsible for the overall direction of Federal efforts against cancer. GAO recommends that he establish a Federal policy on carcinogens with the cooperation, advice, and support of the other Federal agencies. The policy should at least cover

- the information needed to regulate carcinogens,
- what chemicals should be tested in animals,
- how tests should be conducted,
- how results should be evaluated,
- how human risk can be assessed from animal studies, and
- what factors other than public health agencies should consider.

GAO also recommended that the Food and Drug Administration have all approved and proposed food additives tested for their cancer-causing potential because it had not been requiring data from such tests when the additives were unintentionally added to the food in amounts less than 1 or 2 parts per million.

HEW agreed with the need for a Federal policy on carcinogens but did not agree that the NCI Director should set it. HEW also disagreed with the recommendation on food additive testing, saying the risk of cancer in such instances is remote and the costs for testing would be substantial. (MWD-76-59, June 16, 1976.)

Appropriations

HEW, National Institutes of Health, biomedical research.
HEW, Food and Drug Administration, salaries and expenses.

Issues for consideration by the Committees on Appropriations

1. Funds spent on carcinogenesis testing will not be effective unless regulatory agencies accept and use the results to control human exposure to carcinogenic chemicals.
2. The Food and Drug Administration should review the 10,000 approved indirect food additives to determine how many have not received carcinogenicity testing and then require such test data from manufacturers.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR, DEPARTMENT OF AGRICULTURE, AND ENVIRONMENTAL PROTECTION AGENCY

Better Federal coordination needed to promote more efficient farm irrigation

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 agricultural 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.

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 affects 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.

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
- identify what the Federal role should be in alleviating the problems and the agencies best structured to administer the programs.

The major Federal effort to encourage more efficient irrigation practices on Federal projects has been through the

the Bureau of Reclamation program--Irrigation Management Services. This is a computerized irrigation scheduling service to help farmers determine when and in what amounts to irrigate their croplands. Although first demonstrated in 1969, the program had not been widely accepted because the Bureau had not been successful in demonstrating the program's benefits to the farmers.

GAO recommended that, to accelerate voluntary implementation of the Irrigation Management Services program, the Departments of Agriculture and the Interior jointly develop Federal objectives, policy recommendations, and action plans to educate and assist farmers that wish to improve their irrigation efficiency. GAO also recommended that the Secretary of the Interior direct the Bureau of Reclamation to:

- Review Irrigation Management Services to develop a more flexible, comprehensive program.
- Direct greater attention to setting objectives and benchmarks and increasing field visits in demonstration projects so the benefits can be clearly measured and shown to farmers.
- Require the use of more carefully tailored approaches to demonstrating the program, including the identification of regional and national benefits.

Interior, Agriculture, and the Environmental Protection Agency generally agreed with GAO's conclusions and recommendations. Interior and Agriculture agreed that a better coordinated effort was needed. Both departments pointed out, however, that personnel and funding limitations had hampered a more intensified program. (RED-76-116, June 22, 1976.)

Appropriations

Department of the Interior--Bureau of Reclamation, general investigations and construction and rehabilitation.
Department of Agriculture--Soil Conservation Service, and the extension service.

Issue for consideration by the Committees on Appropriations

In connection with future appropriation requests, the Committees may wish to review the steps being taken to determine the extent and causes of overirrigating and the role the Federal

Government should play in solving the related problems. Based on this information, the Congress will be in a better position to determine the level at which Federal programs should be funded to effectively impact on the problems of overirrigation and achieve the stated goal of water resources conservation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF THE INTERIOR AND OFFICE OF MANAGEMENT AND BUDGET

Better overall planning needed to improve the standard of living of White Mountain Apaches of Arizona

GAO reviewed the variety of federally funded programs administered through various Federal, State, and local agencies in terms of whether the programs were meeting aspirations of the White Mountain Apaches of Arizona. The review was designed to examine, on a single Indian reservation, how the different Federal programs affect the standard of living of these people. GAO found that the Federal programs generally operated independently of each other, creating a major obstacle to accomplishing program goals. GAO recommended that the Department of the Interior take the lead in formulating and implementing a development plan including all government programs on the reservation. GAO also recommended that the Department of Interior work with other Federal agencies and with the tribal council to improve the economic self-sufficiency of the reservation so that increases in Apache income are less dependent upon increased Federal expenditures.

In addition, GAO recommended that the Office of Management and Budget see that an approach is developed which will coordinate Federal efforts at the reservation level, that continuous evaluations are made of the effects of Federal programs on the standard of living at Indian reservations, and that annual reports are submitted to the Congress on progress made in improving the standards of living of reservation Indians, and on any needed changes in legislation to improve the effectiveness of Federal Programs.

The Department of the Interior concurred generally with the report but stressed that the Bureau of Indian Affairs' role in reservation planning was limited to providing assistance to the extent needed or desired by the tribal council. OMB indicated that reservation-level evaluations are the responsibility of each tribe, and that program-level evaluations are the responsibility of each Federal agency. OMB rejected GAO's recommendation of an annual report to Congress on the basis that considerable information is already submitted to Congress with the budget. (FGMSD-75-47, Aug. 12, 1975.)

Appropriations

Department of the Interior, Bureau of Indian Affairs,
OMB.

Issues for consideration by the Committees on Appropriations

1. Better planning and coordination of Federal programs to tribes could result in more effective expenditures to Indian reservations and could eliminate duplication of programs.
2. Improved evaluation and reporting to the Congress by OMB and the agencies could insure that the Congress is objectively informed of the accomplishments of Federal programs for tribes.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF LABOR AND DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

More assurances needed that colleges and universities with Government contracts provide equal employment opportunity

GAO reported to Congressman Ronald V. Dellums on the Department of Health, Education, and Welfare's administration of the contract compliance program at colleges and universities. This program is intended to insure that Government contractors provide equal employment opportunity. The Department of Labor issues program guidelines and supervises the program. Eleven compliance agencies--including HEW--are responsible for administering the program in accordance with Labor guidelines.

GAO's review disclosed several problems in the administration and enforcement of the program. GAO recommended that the Secretary of HEW:

- Require the Office of Civil Rights to expedite the development of compliance standards for colleges and universities and the training of compliance staff.
- Require the Office of Civil Rights to enforce the contract compliance program by issuing show-cause notices and initiating enforcement actions against colleges and universities not in compliance with Labor's guidelines.
- Emphasize to all HEW contracting officers the importance of obtaining required clearance before awarding contracts.
- Require the Office of Civil Rights to perform preaward reviews in accordance with Labor guidelines.

GAO also recommended that the Secretary of Labor require the Office of Federal Contract Compliance Programs to:

- Evaluate HEW's contention that Labor's procedural guidelines are impractical for colleges and universities and, if appropriate, modify the guidelines as they apply to those institutions.

--Evaluate Labor's program guidelines and clarify those sections found to be contradictory or inconsistent.

HEW said it generally agreed with GAO's findings and recommendations. Labor said it had initiated action to implement the recommendations. (MWD-75-72, Aug. 25, 1975.)

Appropriations

Department of Labor, Employment Standards Administration.
Health, Education and Welfare, Office for Civil Rights,
department management.

Issue for consideration by the Committees on Appropriations

Labor and HEW should improve the administration and enforcement of the program to make more effective use of available resources.

VARIOUS DEPARTMENT AND AGENCIES

DEPARTMENT OF LABOR AND OTHER AGENCIES

The Federal equal employment program for northeast Oklahoma construction projects is weak

GAO reported to Congressman James R. Jones on the administration by the Department of Labor and other agencies of the equal employment program for northeast Oklahoma construction projects.

GAO's review showed that there were several problems in administering the program in northeast Oklahoma. GAO recommended that the Secretary of Labor require the Office of Federal Contract Compliance Programs to:

- Expand the scope of its audits of the Tulsa plan and the highway plan to determine whether the plans are achieving their objectives.
- Consider eliminating the requirement that participating contractors submit monthly reports to the compliance agencies if Labor assumes compliance responsibility for these contractors.
- Insure that compliance agencies (1) comply with Labor guidelines and criteria for contractor reporting requirements, (2) include required bid conditions in contracts, and (3) make compliance reviews.
- Insure that compliance agencies take appropriate enforcement actions when contractors and subcontractors are found not in compliance.

The Department of Labor said it had initiated corrective actions in line with GAO's recommendations. (MWD-76-86, May 26, 1976.)

Appropriations

Department of Labor, Employment Standards Administration.
Other agencies, various agency appropriations.

Issue for consideration by the
Committee on Appropriations

Labor should fully implement needed improvements to insure that the Government's equal employment program in northeast Oklahoma makes maximum use of available resources.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF STATE, DEPARTMENT OF AGRICULTURE, AND AGENCY FOR INTERNATIONAL DEVELOPMENT

Helping the needy through U.S. economic assistance programs

GAO examined the U.S. economic assistance programs in Chile, Korea, India, and the Philippines to evaluate their impact on the needy.

Although the Agency for International Development has refocused its programs to reach poor people more directly than in the past, it has not developed an adequate profile of this target group in given countries. Therefore, it is very difficult to establish clearly the extent to which this much desired objective is being accomplished. The need for more definitive benchmarks is especially appropriate in the case of Chile since very few of its people are part of the worldwide poor.

The Public Law 480 title II food donation program reaches large numbers of poor people but the effect of the title I concessional sales program is not so evident. Since the program operates through commercial channels within recipient countries, it only allows for indirect help to the poor at best. The sales do generate host country funds for economic development, but this is difficult to monitor and evaluate. (ID-76-53, Apr. 22, 1976.)

Appropriation

Department of State, AID, foreign-assistance and related programs.

Issues for consideration by the Committees on Appropriations

1. The Congress may wish to have AID better identify the most needy groups within the recipient countries and how the assistance programs are designed to assist their people.
2. The cognizant U.S. agencies in recipient countries would need to be better informed as to the use of P.L. 480 title I concessional sales proceeds if they are to evaluate the degree to which the needy are assisted by this means.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF STATE AND DEPARTMENT OF DEFENSE

Evacuation and temporary care afforded Indochinese refugees--Operation New Life

During an 8-month period ending in December 1975, over 140,000 Indochinese refugees were evacuated from South Vietnam, temporarily cared for at reception centers in the Western Pacific and United States, and finally resettled in the United States and other countries. An Interagency Task Force was formed to coordinate all refugee activities. This program was funded by a special congressional appropriation to the Department of State and AID funds transferred by Presidential determination.

GAO reported that although the refugee program was generally successful, some problems did occur. Specifically, problems relating to overall coordination, absence of adequate review of reimbursement claims, and weak control over supplies and equipment were prevalent.

The Departments of State and Defense concurred with GAO's recommendations; however, corrective action has not been completed. (ID-76-63, June 1, 1976.)

Appropriation

Department of State accompanying appropriation to the Indochina Migration and Refugee Assistance Act of 1975.

Issues for consideration by the Committees on Appropriations

1. The Departments of State and Defense should completely review the validity, propriety, and correctness of claims for cost reimbursements from the special refugee funds.
2. The Departments of State and Defense should ensure that all remaining supply and equipment items after the temporary refugee camps closed are disposed of in a manner which allows the Federal Government to effectively use such supply and equipment items.

3. The Navy contends that the \$6.6 million it charged for the fuel costs of Pacific Fleet vessels was proper. However, GAO does not believe the information furnished to it fully supports this contention. Moreover, GAO feels that the \$6.6 million was paid from refugee funds to cover fuel costs that normally would have been paid from the Navy's annual appropriation.

VARIOUS DEPARTMENTS AND AGENCIES

DEPARTMENT OF STATE, DEPARTMENT OF THE INTERIOR, DEPARTMENT OF THE TREASURY, OVERSEAS PRIVATE INVESTMENT CORPORATION, EXPORT-IMPORT BANK OF THE UNITED STATES, AND GENERAL SERVICES ADMINISTRATION

U.S. dependence on imports of five critical minerals: implications and policy alternatives

In analyzing the issues surrounding U.S. dependence on foreign suppliers for five major non-fuel minerals, GAO recommended that:

- Government support for ongoing pilot projects for domestic resource development be contingent upon Government access to private industry cost data in order to justify large-scale project expansion.
- The Congress explore with the Overseas Private Investment Corporation the role the Corporation could play in the supply of minerals to the U.S.

The Department of Interior disagreed with GAO's recommendation on access to industry cost data believing that such a requirement would be a deterrent to the initial stages of cooperative research with industry. GAO's recommendation was based on analysis of Government/industry efforts to economically mine non-bauxite domestic resources to produce aluminum, and GAO believes that improved information on industry costs is needed to effectively evaluate the practicality of continued Government support for such domestic projects. Department of Interior funding was approximately \$1.2 million in fiscal year 1975 and budget requests for fiscal years 1976 and 1977 were expected to total \$22 million.

The Overseas Private Investment Corporation agreed that it could assume a more dynamic role in promoting mineral diversification should the Congress so desire. (ID-75-82, Jan. 29, 1976.)

Appropriations

Department of the Interior, Bureau of Mines, Metallurgy Research.

Overseas Private Investment Corporation, Foreign Assistance.

Issues for Consideration by
the Committees on Appropriations

1. U.S. Government financial assistance for joint Government/industry pilot projects for domestic resource development should be contingent on access to industry data sufficient to determine the actual competitiveness of domestic mineral sources with foreign sources.
2. Consideration should be given to amending the Foreign Assistance Act of 1961, as amended (22 U.S. C. 2191), allowing the Overseas Private Investment Corporation flexibility in financing mineral surveys, insuring projects less than 50 percent U.S.-owned, and insuring many projects in other than less-developed countries.

VARIOUS DEPARTMENTS AND AGENCIES

ENERGY RESEARCH AND DEVELOPMENT
ADMINISTRATION AND
NUCLEAR REGULATORY COMMISSION

NRC should postpone all decisions on a new safety project until a conceptual design study is finished and a management agreement is reached with ERDA

The estimated costs of a Nuclear Regulatory Commission nuclear test facility called the Plenum Fill Experiment (PFE) grew from \$1.8 million in 1972 to \$36 million as of April 1976. In addition, NRC, after spending \$7 million, determined that the designed facility did not meet its desired test requirements and canceled the project on July 1, 1976. GAO found that the project failure was due primarily to the lack of

- defined requirements by NRC,
- management controls by NRC and the Energy Research and Development Administration, and
- interagency agreements between NRC and ERDA which led to confusion on management responsibilities.

GAO also found that the project grew substantially without the knowledge of Congress because it was funded with operating appropriations rather than construction appropriations. NRC now proposes to start a similar research project but is repeating some of the same mistakes which were made on the canceled project.

GAO recommended that

- NRC postpone all decisions on a new project until a conceptual design study is finished and until a management agreement is reached with ERDA and
- NRC and ERDA minimize the use of operating appropriations for construction activities and report to Congress those instances where construction projects over \$1 million are funded with operating appropriations.

GAO also recommended that the Joint Committee on Atomic Energy require NRC and ERDA to follow these recommendations

before authorizing any more funds for a similar research project.

NRC and ERDA did not agree with GAO's recommendations. NRC did not believe that it was making the same management mistakes as were made on the canceled PFE project and ERDA thought sufficient controls already existed for the use of operating appropriations on construction projects. Both agencies felt progress was being made on interagency management agreements for safety research projects. (EMD-76-4, Aug. 25, 1976.)

Appropriations

NRC, Reactor Safety Research Program, Reactor Safety Facilities Program, Environmental Research and Safety.

Issues for consideration by the Appropriations Committee

On major light water reactor safety projects, NRC and ERDA have not demonstrated the ability to establish reasonably firm performance or design requirements or to reach mutually acceptable agreements for the joint management of light water reactor safety test facilities.

VARIOUS DEPARTMENTS AND AGENCIES

ENVIRONMENTAL PROTECTION AGENCY AND
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Federal pesticide registration program: Is it protecting the public and the environment adequately from pesticide hazards?

GAO reported to Congress that the American consumer had not been adequately protected from the potential hazards of pesticide use because of insufficient efforts to implement provisions of Federal laws. Authority for regulating pesticides is contained in the Federal Insecticide, Fungicide, and Rodenticide Act, as amended, and the Federal Food, Drug, and Cosmetic Act, as amended. Under these acts, the Environmental Protection Agency (1) registers pesticides which meet its standards for safety, efficacy, and labeling and (2) sets tolerances for the amount of pesticides which may remain in food or feed. Amendments to the first act also required EPA to reregister all existing pesticides. Under the second act, the Food and Drug Administration of the Department of Health, Education, and Welfare samples food and feed in interstate commerce and can remove from commerce those which contain pesticide residues exceeding established tolerances.

To improve EPA's implementation of the acts, GAO recommended, among other things, that EPA:

- Identify previously registered pesticides for which required safety, environmental, and efficacy studies were not available; notify the pesticide registrants of the need to submit the studies as part of reregistration; and cancel the registration of those pesticides which still lack studies after the expiration of a reasonable time for submission.
- Correct pesticide labeling deficiencies and establish procedures to insure that pesticides are adequately labeled.
- Establish requirements to periodically review pesticides to tolerances and insure that total human exposure to pesticide residue in food does not exceed the acceptable daily intake.

- Cancel the registration of pesticides used on food crops for which tolerances have not been approved.
- Reimplement the 5-year registration renewal program to insure that pesticides are periodically reviewed for compliance with labeling and data requirements.
- Determine and inform the Congress of resources (funds, personnel, facilities, equipment, and time) needed to effectively administer pesticide programs.

GAO recommended that HEW (1) expand its surveillance program so that over a period of years all pesticides with tolerances are tested in the surveillance program and (2) coordinate with EPA on all future samplings of pesticide residues in food.

EPA generally agreed with GAO's findings and said that many of the problems would be corrected by its new registration regulations and by changes it would make in existing programs as a result of GAO's recommendations. EPA said, however, that it would not require the full range of data to support reregistration because of limited staff and time. HEW said it would coordinate future pesticide monitoring activities with EPA but did not agree with GAO's recommendation to periodically test for all pesticide residues in food. (RED-76-42, Dec. 4, 1975.)

Appropriations

EPA, abatement and control.

FDA, Department of Agriculture, and related agencies, environmental and consumer protection.

Issues for consideration by the Committees on Appropriations

1. EPA needs congressional guidance or review concerning:
 - The adequacy of EPA's funds, personnel, facilities, equipment and time to administer pesticide programs (including reregistration of all pesticides) efficiently and effectively.
 - The reasonableness of EPA's decision not to require, as a basis for pesticide reregistration, safety testing data on (a) the synergism of chemicals included in pesticide formulations and (b) mutagenicity.

--The status of EPA's plans to implement a program to periodically review approved pesticide tolerances.

2. Pesticide residues in food and feed in interstate commerce may exceed established tolerances because HEW's pesticide residue surveillance program does not assure that all pesticides with tolerances are tested over a period of years.

VARIOUS DEPARTMENTS AND AGENCIES

GENERAL SERVICES ADMINISTRATION;
DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT; AND
DEPARTMENT OF HEALTH, EDUCATION, AND
WELFARE

Further action needed to make
all buildings accessible to
the physically handicapped

The Architectural Barriers Act of 1968 was enacted to insure that federally financed public buildings are designed and constructed to be accessible to the physically handicapped. GAO reported to the Congress on the need for certain legislative and administrative actions if the act's purpose is to be fulfilled.

Although more than 30 Federal agencies have construction and leasing authority and authority to fund construction through grants and loans, only four agencies--General Services Administration and Departments of Housing and Urban Development; Health, Education, and Welfare; and Defense--were given responsibilities under the act.

GAO recommended that the Congress amend existing legislation to:

- Impose a clear statutory mandate that Federal agencies named in the Architectural Barriers Act insure that public buildings are made accessible to the physically handicapped.
- Include within the act all Government-leased buildings and facilities intended for public use or in which the physically handicapped might be employed as well as privately owned buildings leased to the Government for public housing.
- Require that agencies named in the act establish a system of continuing surveys and investigations to insure compliance with prescribed standards.
- Remove the present exemption of the U.S. Postal Service from coverage under the act.

GAO's report also recommended further action by the Administrator, GSA; the Secretary, HUD; the Secretary of

Defense; and the Secretary, HEW, to correct shortcomings disclosed by the review.

Several bills have been introduced in the Congress to amend title 39, United States Code, to provide that buildings constructed for use by the U.S. Postal Service shall be designed and constructed to be accessible to the physically handicapped. Legislation, as suggested by GAO's report, has also been introduced to amend the Architectural Barriers Act. These bills were referred to the appropriate subcommittees but, as of June 30, 1976, no action had been taken.

Agencies included in the review generally agreed with GAO's recommendations and have taken action to improve the conditions described in the report. (FPCD-75-166, July 15, 1975.)

Appropriations

GSA, Federal Buildings Fund.

HEW, Health Services Administration, National Institutes of Health, Office of Education, Social and Rehabilitation Service.

HUD, Housing Production and Mortgage Credit.

Issues for consideration by the Committees on Appropriations

If accessibility features are incorporated in the design phase of new construction, the costs of providing such features are negligible or may even result in cost savings. However, additional funds may be necessary for alterations to existing buildings to eliminate the architectural barriers for the physically handicapped.

VARIOUS DEPARTMENTS AND AGENCIES

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION AND DEPARTMENT OF DEFENSE

The United States should recover full costs of reimbursable satellite launches

GAO's report to the Congress discussed the policies and practices of the Department of Defense and the National Aeronautics and Space Administration which failed to identify and seek recovery of the full costs of reimbursable satellite launches. Since that time, NASA has developed tentative policy statements regarding reimbursement of NASA's costs for launches involving the recoverable space shuttle, to begin in fiscal year 1980. The policy statements reiterate its apparent reluctance to seek full cost recovery, as observed by GAO on earlier reimbursable launches of communications satellites, because of foreign policy considerations and to attract customers for the recoverable shuttle. DOD has made no statements regarding its plans for recovery of costs incurred for such launches. (LCD-74-107, May 6, 1975.)

Appropriations

This function involves most Air Force and NASA appropriations categories, including research and development, construction, maintenance, operation, and personnel.

Issues for consideration by the Committees on Appropriations

1. Recovery of the full costs of reimbursable launches could reduce appropriations.
2. Requiring the agencies to fully disclose and justify discounts given to foreign entities and commercial corporations could result in fewer and smaller discounts.

VARIOUS DEPARTMENTS AND AGENCIES

NATIONAL COMMISSION ON SUPPLIES AND SHORTAGES AND SMITHSONIAN SCIENCE INFORMATION EXCHANGE

Federal materials research and development: Modernizing institutions and management

In a December 1975 report to the Congress, GAO concluded that an evaluation of the effectiveness of Federal materials research and development required clear national materials policy goals and adequate data on the extent and current status of such activities, but found neither exists.

Currently, there is no system for assigning priorities to actions toward achieving national materials goals. There is no established institutional capability to assess alternatives and tradeoff considerations between potential actions. Despite changed and fluctuating circumstances and increased need for continuing policy guidance, no appropriate institution has yet been devised. All that exists is an interagency Committee on Materials, made up of assistant secretaries, lacking staff and authority to adjudicate differences between agencies and program options.

Proper management of the R&D component of a national materials program is dependent upon a data-information system which facilitates the assessment of activities from various perspectives such as product category, sponsoring or performing organization, and phase of the materials cycle. Collection of data over the last 15 years has been sporadic, incomplete, and insufficient for policymaking purposes.

GAO made three recommendations aimed at modernizing the materials policy formulation process and the management of Federal materials R&D activity.

First, the Congress should consider establishing an institution on a continuing basis. In view of the fact that the National Commission on Supplies and Shortages was created to address issues on materials policy, GAO further recommended that the Commission assign a high priority to flushing out the details of the proposed institution and providing its input to the Congress.

Second, a comprehensive unclassified information system for materials R&D should be established, building upon

information available in the Smithsonian Science Information Exchange. The National Commission on Supplies and Shortages should work with the Executive Office of the President to obtain mandatory Federal agency participation in the system.

Third, the Science Information Exchange should include in its information system data pertaining to materials R&D outside the Federal Government.

The National Commission on Supplies and Shortages has undertaken the task of formulating recommendations on establishment of the proposed institution and is expected to submit these to the Congress in January, 1977. The Smithsonian Science Information Exchange is currently attempting to implement GAO's recommendations but is unable to do so without cooperation from the other institutions involved; this is anticipated to be forthcoming in the near future. (OSP-76-9, Dec. 2, 1975.)

Appropriation

Smithsonian Science Information Exchange, operating expenses.

Issue for consideration by the Committees on Appropriations

Funding levels for the Science Information Exchange should permit its discharge of recommended responsibilities.