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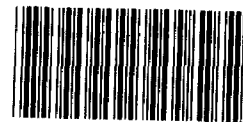
UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548

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STATEMENT OF  
CHARLES A. BOWSER  
COMPTROLLER GENERAL  
BEFORE THE  
COMMITTEE ON GOVERNMENTAL AFFAIRS  
UNITED STATES SENATE  
ON  
MANAGEMENT IMPROVEMENT IN THE FEDERAL GOVERNMENT



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Mr. Chairman and Committee Members, I am pleased to appear today to discuss the major management issues facing our government. Progress has been made, but the management structure and systems supporting our leaders are still far from what they need to be. Yet, these systems are at the heart of our government's ability to provide efficient and quality public services: with them, we process tax returns, distribute social security checks, track weapons system costs, collect debts owed the government, and perform other essential tasks.

The 11 management bills pending before this Committee attest to the growing number of petitions for improvement. Each has some merit, but several also raise certain concerns. Our detailed comments on each bill are attached to this statement. My remarks this morning will focus on certain bills and the most pressing management issues that warrant congressional attention.

As we consider the state of federal management, it is important to recognize efforts underway to achieve improvements. The Administration has moved to institute more systematic practices in areas such as cash and credit management, and established the President's Councils on Management Improvement, and Integrity and Efficiency to help foster improvements. Our recent management reviews at the Departments of Labor and Justice and at the Defense Logistics Agency provide evidence of improvement efforts within individual departments.

And the Congress has made important contributions through such legislation as the /Federal Managers' Financial Integrity Act /and /the Prompt Payment and Debt Collection Acts. /

Today, however, our nation faces many trying and critical challenges. Mounting deficits pose severe threats to our long term economic well being and threaten to undermine our ability to meet the needs of our citizens. If our unprecedented deficit situation is to be confronted successfully, the President and the Congress must agree on a disciplined program to reduce spending, increase taxes, or both.

It is equally imperative that we achieve more efficient and effective government operations. The need for strong leadership and improved management systems has never been greater. We must make a concerted and sustained effort to improve government management if we are to ensure quality service to the public.

I believe that improvement in three management areas in particular would greatly help agency managers and the Congress in addressing the difficult decisions which lie ahead.

#### URGENT NEED FOR FINANCIAL MANAGEMENT REFORM

The foremost area is the urgent need for comprehensive reform of the federal government's financial management systems. The government's antiquated processes often do not provide the timely and reliable program and financial information needed by policymakers and managers.

Improved systems will not make difficult budget and program management decisions easy, but they will ensure that policymakers have adequate information to understand the issues they face, the choices available, and the consequences of those choices for the American people.

Some state and local governments, faced with major fiscal problems, have already undertaken comprehensive reform of their financial management systems. Indeed, today many states have more modern systems than the federal government. In contrast, the federal approach to financial management has not fundamentally changed since World War II, despite the major opportunities for improvements offered by advances in computer and telecommunication technology.

Our work over the years, as well as the agencies' own Financial Integrity Act reports, reveals an extensive list of serious, often long-standing, problems with federal financial management systems. At the end of 1984, federal agencies reported that over half of the government's 427 accounting systems were either not in conformance, or not known to be in conformance, with appropriate accounting principles and standards.

These inadequacies are not problems of accounting theory. They directly affect the government's ability to operate efficiently and effectively.

For example:

--The Veterans Administration cannot determine the cost effectiveness of its hospitals because its accounting system cannot accurately identify the costs of treating a patient in a VA hospital.

--DOD's reports to the Congress on the status of major weapon systems (the Selected Acquisition Reports) have not provided reliable estimates of cost, schedule, and technical performance. They do not present, or readily permit analyses of, actual costs or cost estimate trends.

--The Department of Education's attempts to collect billions of dollars in delinquent debts have been hampered by an accounting system that contains inaccurate information.

Much can be done to provide policymakers and managers with a better basis for making difficult resource allocations and other managerial decisions. We outlined a blueprint for overcoming the government's financial management problems in our 1985 report, Managing the Cost of Government. It emphasizes the need to

--strengthen accounting, auditing, and reporting,

--improve planning and programming,

--streamline the budget process, and

--systematically measure performance.

I hope that this hearing will lay the groundwork for a series of discussions moving the Congress, the executive branch, and others toward consensus on the basic approach needed to build a sound financial management structure.

Attention must now be focused on ensuring correction of the problems. Many areas will take time to improve, but vigilance in strengthening controls and continued congressional oversight should pay lasting dividends. Another opportunity to improve controls is offered by S.2005, which would strengthen audit units in smaller agencies through amendments to the Inspector General Act.

#### MAKING PRODUCTIVITY IMPROVEMENT A REALITY

Let me now turn to a third area--productivity--that represents a largely untapped potential. We advocate more systematic productivity management as a way of maintaining quality public service while saving costs. For example, in one Social Security region, some offices process nearly twice the claims per person as others. Raising the below average offices to the regional average could achieve a 4-percent productivity improvement, or the equivalent of \$6.5 million.

The key elements for productivity improvement include sustaining top management interest, fostering employee participation, measuring progress against goals, and holding managers accountable for improvements. The potential gains could be substantial. In a 1983 report we estimated that a 5-percent increase in federal productivity could save as much as \$4.5 billion.

The President's program contains a number of the key elements for successful productivity improvement. Passage of Senate Joint Resolution 190 would also signal congressional support for improving productivity. We endorse its approval.

Significant challenges, however, lie ahead if the current effort is to be successful. First, productivity improvement has to become an integral part of the management environment. Second, productivity measures of white collar activities have to be better developed. Third, management systems need to be able to provide the cost data needed to evaluate performance.

#### SUSTAINING ATTENTION TO MANAGEMENT IMPROVEMENT

History tells us that implementing management initiatives effectively has often proved elusive. Sustained attention is needed from OMB and the line agencies.

One bill before this Committee holds promise for establishing a process to help sustain executive branch commitment and for providing a forum for congressional oversight. This bill, S.2004, would require the President to submit an annual management report with the budget. Such a report was required by the Deficit Reduction Act on a one-time basis for fiscal year 1986, and the Administration has chosen to follow the practice again this year.

S.2004 would ensure that this practice continues by providing a statutory base, which has been helpful in sustaining past management improvement efforts. Moreover, it would ensure that future administrations account for their progress in key areas, such as financial management and human resource development. The management report could also foster a dialogue with the Congress on what issues are most important and help develop consensus on what needs to be done.

While we support the concept of a comprehensive report, it should be viewed as only one step in strengthening federal management. Improvements hinge largely on the substance of the agenda pursued, and on actions taken, by individual agencies. While governmentwide initiatives can provide an important impetus, individual agencies are the primary agents of change for improving management and delivering services more efficiently.

In closing, I would like to echo the words of President Truman's Advisory Committee on Management that there is "...no single, sure-fire, and practicable panacea to guarantee the improvement of management in the Federal Government." Management initiatives are not always topical, and improvements often do not come easy. If we are to achieve lasting progress we must begin by rebuilding our financial management structure, renewing our commitment to strengthening controls, and systematically ferreting out opportunities for greater efficiencies.

In today's deficit environment, we cannot afford the cost of inaction. The serious threat to our nation's viability dictates that we sustain an unwaivering quest to make our government more efficient, more responsive, and managed in a manner that the American people deserve.

This concludes my remarks, and I would be happy to answer any questions.



This attachment provides GAO's views on several legislative proposals to improve management in the federal government. These proposals include reporting on planned federal field office closures, improving productivity, renewing the President's reorganization authority, requiring an annual management report, strengthening the audit and investigation functions in certain agencies, improving the government's acquisition process, providing for the electronic funds transfer of federal salaries, and reducing various reporting and regulatory requirements.

THE FIELD OFFICE CLOSING JUSTIFICATION ACT (H.R. 2401)

The Field Office Closing Justification Act, H.R. 2401, would require federal agencies to advise the Congress of any reorganization plans affecting field office personnel. This bill, which excludes Department of Defense facilities (which are already subject to separate reporting requirements), requires a written report describing such factors as the reasons for the proposed reorganization, its effect on the field office's employees and functions, the economic effect on the community, and the costs and benefits anticipated from the reorganization. The report would be required 120 days before the effective date of such proposed action.

This bill, which was approved by the House of Representatives, is intended to address the problems expressed by

congressional offices, federal employees, and citizens in obtaining specific information on agencies' plans to close and consolidate field offices, such as the recent proposal to close many Social Security offices across the country.

The House discussion indicates that sufficient justification and notification on reorganizations are not currently available to the Congress. We understand congressional concerns and concur that such closures and consolidations should be cost-effective and adequately justified. We do believe, however, that a balance needs to be achieved between congressional needs for information and the burden placed on affected agencies to prepare the required reports. Also, legislation in this area should not unduly inhibit the management discretion of the agencies.

Before enacting new legislation of this sort, we suggest the Congress first consider whether its needs could be served by modifying the normal budget and oversight process, rather than by establishing a separate reporting requirement.

For example, OMB could be required to report in its annual budget documents the specific field office closings and anticipated reorganizations being considered. This could be followed by oversight hearings in the spring of each year on particular agency actions to assure the Congress that the closings or reorganizations are cost-effective and do not

degrade service to the public. We are currently monitoring how this process has worked with the planned closures of Social Security offices and believe it has merit.

If the Congress deems legislation necessary in this area, certain actions could be taken to reduce the administrative burden. Presently, the bill requires the reporting of planned changes that would cause the removal, reduction in grade or pay level, involuntary reassignment, or furlough of just one employee. Perhaps some of the potential administrative burden of H.R. 2401 could be alleviated if the reporting requirements were limited to reorganizations of a certain magnitude. Existing laws, for example, require reports to the Congress by the Department of Defense on the proposed closure or realignment of military installations and by the Veterans Administration on the proposed reorganization of its facilities. These laws exclude some field office reorganizations from the reporting requirements, however, because of the relatively small number or percentage of employees affected. In this regard, we also suggest that the committee clarify whether the bill is intended to replace or supplement the existing Veterans Administration reporting requirement and such others that may exist.

We have one other suggestion on this bill. The bill requires reports whenever certain personnel actions are taken "incident to" reorganizations of field offices. Differences of opinion may exist concerning whether a particular personnel

action is "incident to" a reorganization. To avoid disputes, we suggest the bill be amended to require reports when planned field office reorganization decisions will result in fewer employees or a lower overall grade level at any field office. This change would be consistent with the purpose of the House sponsors of the bill, which is to require notification to Congress before making significant changes in field office structure that will adversely affect federal employees. Attachment II contains suggested legislative language.

SENATE JOINT RESOLUTION 190

Senate Joint Resolution 190 would

- establish increased federal productivity as a national goal,
- encourage presidential recommendations for productivity improvement, and
- require an annual report to the Congress on management actions to improve productivity.

This bill emphasizes the Administration's efforts to systematically manage productivity improvement--an area which has usually been accorded a low status. More importantly, it signals congressional intent to foster federal productivity improvement and provides a statutory base for long-term efforts to improve productivity.

Since the late 1970s, we have been advocating more systematic management of productivity. Our support is based on

the belief that productivity is vitally important and on our observations of missed opportunities for cost savings. For example, we estimated in 1983<sup>1</sup> that, with a 5-percent increase in federal productivity, as much as \$4.5 billion could be saved annually. Further, we have reported on missed opportunities for productivity gains ranging from 5 to 25 percent in various agencies' activities, such as processing of claims and payments.

In our 1983 report we concluded that opportunities were missed because productivity improvement efforts were fragmented, lacked consistent leadership, and were ad hoc efforts, rather than part of ongoing management processes. For example, of 13 assistant secretaries for management and administration or their designees we talked with, none felt that productivity improvement was an integral part of their management systems. In short, the departments had not institutionalized productivity management and given it a priority as a way to reduce operating costs and improve services.

A well-managed approach can uncover many more opportunities for improvements. A 1983 Kearny Management Consultants study projected that private sector companies with productivity programs earned about 30 percent more in sales than companies without such programs.

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<sup>1</sup>Increased Use of Productivity Management Can Help Control Government Costs (GAO/AFMD-84-11, Nov. 10, 1983, p.10).

We believe the Administration's proposals are a step in the right direction. The elements of productivity management that are being proposed as part of its governmentwide program largely parallel elements suggested in our 1983 report. These include (1) establishing plans and goals for improving efficiency, timeliness, and quality of services; (2) holding managers accountable for these improvements; (3) supporting such efforts at the top levels and providing a focal point for fostering performance improvement; and (4) establishing measurement systems that permit monitoring of performance changes and appraising managerial success in making improvements.

To institutionalize productivity management, considerable attention must be paid to the fact that long-term improvements are made through involving all the people of the organization. We note that the President is asking each agency to involve and reward employees and minimize any negative impact created by productivity initiatives.

Long-term productivity improvement requires more than a program: it requires management commitment and accountability. To this end, a joint resolution would send a clear message to all federal managers that

--productivity management is the expected way of doing business,

--federal managers should be held accountable for the productive use of resources, and

--the administration's program should receive a high priority.

We endorse passage of this resolution. We are concerned, however, that it not lead to a short-lived program, or a perfunctory reporting requirement, nor be viewed simply as a means of cutting the budget. Productivity is much more than that. Productivity improvement means providing more and better service for every dollar spent. While a congressional resolution is a beginning, it should be recognized that productivity gains will only come through concerted efforts by executive agencies and reinforcement by the Administration. Accordingly, we plan to monitor agencies' activities under this program and to report on their progress as a contribution to this Committee's continuing oversight of productivity improvement efforts.

EXTENSION OF THE PRESIDENT'S REORGANIZATION AUTHORITY

You have also requested our comments on draft legislation to extend the President's authority to submit reorganization plans to the Congress for approval (S.1657).

Important procedural changes were made in the latest provision for reorganization authority, which was enacted on November 8, 1984 (P.L. 98-614). In place of the long-standing legislative veto provision, which allowed reorganization plans to go into effect without congressional action, the 1984 authority required a joint resolution of approval, signed by the President, for a plan to go into effect.

The 1984 authority also required the President to provide a detailed description of the implementation plans for each reorganization. We have regarded this provision as fully responsive to our earlier recommendation before this Committee and the House Committee on Government Operations in 1981 and 1983, on the need for careful implementation planning to mitigate substantial agency start-up problems.

The present bill extends through December 31, 1988, the procedures enacted in 1984. We recommend its enactment.

GOVERNMENT MANAGEMENT REPORT ACT OF 1986

The Government Management Report Act of 1986 (S.2004) would require the President to submit to the Congress an annual report on the management of the executive branch. It is to include the President's policies and objectives for improving government management and a statement of management issues in areas such as productivity, human resources management, financial and information resource management, program delivery, and procurement. The report also is to describe ongoing and planned management improvement initiatives and proposals for legislative action.

We support the concept of a report that would comprehensively address the government's management improvement agenda. This was one option for strengthening the framework for management improvement that we presented after analyzing governmentwide efforts to improve executive management in the



1970s.<sup>2</sup> Such a report could foster a dialogue with the Congress on what issues are most important and help promote a consensus on what needs to be done. This is especially important because management reforms are more likely to succeed if they have a consensus and a legislative basis.

Reporting and congressional oversight on the progress made toward various improvement goals can spur Administration attention to careful planning and implementation, something we found to be a problem in the past. A regular report can also help sustain attention on addressing complex management issues. This is particularly important because commitments to reform have waxed and waned over the years.

A governmentwide management report offers a useful forum for discussion, but it should be viewed as only one step toward improving federal management. Whether improvements are made hinges on the substance of the agenda pursued and on what actions are taken by individual agencies. While governmentwide initiatives can provide an important impetus, individual agencies are the primary agents of change. They bear principal responsibility for better management of federal resources and more efficient provision of public services. In this regard,

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<sup>2</sup>Selected Government-Wide Management Improvement Efforts--1970 to 1980 (GAO/GGD-83-69).

our current strategy in conducting management reviews is to focus on identifying areas for improvement in individual agencies.

To the extent that Congress finds it useful to have all management initiative information consolidated in one report, it should clarify how the report will relate to other reporting requirements. For example, clarification is needed on how the annual productivity reporting requirement in Senate Joint Resolution 190 would relate to the management report's requirement for listing governmentwide management issues involving productivity. Also, the Paperwork Reduction Act and federal procurement legislation require annual reports on information resource and procurement management issues--both also topics of the proposed management report. The Congress may want to establish that the comprehensive management report would satisfy the other existing reporting requirements. This would reduce the burden imposed on executive agencies and eliminate any duplicative reporting.

#### INSPECTOR GENERAL ACT AMENDMENTS OF 1986

The "Inspector General Act Amendments of 1986" (S.2005) would extend statutory IG protections and requirements to audit units in certain entities that are not currently subject to the Inspector General Act of 1978, as amended. This bill would

--require that only a single internal audit unit exist in these federal agencies,

- insulate the audit unit from program operating responsibilities,
- mandate the audit unit head to report to the federal entity head or the officer next in rank,
- require a report to both Houses of Congress stating the reasons for the removal or involuntary transfer of the audit head, and
- empower audit unit heads with the same authorities and responsibilities as the existing statutory IGs.

We support passage of this bill. It would significantly improve the effectiveness of audit and investigation activities in smaller entities not now subject to the statutory IG requirements. These entities, such as the Securities and Exchange Commission and the Farm Credit Administration, are collectively responsible for spending billions of federal dollars and carrying out extremely important regulatory and other activities.

Additionally, the bill, if enacted, would help correct problems we have found, particularly the poor coordination among, and the potential lack of independence of, audit and investigative functions. In 1984 we reported that some agencies without statutory Inspectors General were not complying with GAO auditing standards and with OMB Circulars A-73 and A-50, which address audits of federal operations and programs and audit followup. For example, some agencies required the audit unit to

report to an official other than the agency head or his/her deputy, which creates a potential lack of independence. Moreover, while 21 of the agencies with audit units had more than one audit or investigative unit, only 4 of these agencies had procedures for coordinating audit work within their agencies.

We are, however, concerned about a provision in the bill that would change the semi-annual reporting requirements in the 1978 Inspector General Act. This proposal deletes the requirement that IGs report each significant recommendation described in previous semi-annual reports on which corrective action has not been completed and instead requires the IGs to report only such recommendations that have not been resolved. Generally, the executive branch defines resolution as that point at which agreement is reached as to what specific action will be taken in response to an audit recommendation. This definition falls short of GAO's internal control standards, which stipulate that audit resolution is not complete until the identified deficiencies have been corrected. Consequently, to encourage prompt and responsive actions to address audit findings and recommendations, we believe that the IGs' reports should include the status of both the agreement process and the status of the action taken to correct significant deficiencies on which agreement has been reached.

CONTRACT DISPUTES ACT AMENDMENTS OF 1986

This bill (S.2006) makes certain amendments to the Contract Disputes Act of 1978 (CDA) which are designed to eliminate needless litigation and expedite the contract disputes process. Among other things, the bill would

- require that claims under the CDA be submitted to the contracting office (CO) within 18 months (Section 2);<sup>3</sup>
- reduce the time in which a contractor may appeal a CO decision to the courts (from 12 months to 90 days) to the same period in which the contractor may appeal to a Board of Contract Appeals (Section 3);
- enhance the government's authority to compel contractors to pay or perform within 90 days after an adverse CO decision, unless the contractor appeals (Section 4); and
- exempt debts arising under the CDA from collection by administrative offset under the Debt Collection Act of 1982 (P.L. 97-365) (Section 5).

We support the basic purposes of Sections 2, 3 and 4 of the bill. While we have a number of technical suggestions to help clarify the bill, which we will provide separately to the Committee, we offer several substantive comments. Section 4(a) of the bill requires payment or performance by the contractor

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<sup>3</sup>We have previously suggested that Congress should consider setting such a time limitation. See Assessment of Admiral Rickover's Recommendations to Improve Defense Procurement (GAO/PLRD-83-37, Jan. 27, 1983).

within 90 days after the CO's decision, unless the contractor commences an appeal. We are concerned that the language in section 4(a) might encourage frivolous or dilatory appeals in order to postpone the contractor's obligation to pay or perform promptly after the CO's decision in a contract dispute. We informally consulted with Justice Department staff who agreed with our analysis. We have therefore attached a proposed revision to section 4(a) to reduce this possibility and help accomplish the objectives of this legislation. (See attachment III.)

We also think that the provisions of section 5 of this bill are unnecessary. We understand that section 5 is intended to prevent contractors from pursuing duplicative hearings--under both the CDA and the Debt Collection Act of 1982--before a claim may be collected by administrative offset. The Federal Claims Collections Standards (FCCS) are joint GAO/Justice regulations which implement the Debt Collection Act and govern the collection of debts owed the United States. These regulations state that agencies are not required to give debtors additional hearings under the Debt Collection Act if the debtor has already received a hearing on the debt pursuant to another statute, including, for example, the CDA. Therefore, the hearing requirements of the Debt Collection Act are satisfied by compliance with the hearing procedures specified in the CDA, and the amendments prepared in section 5 are not necessary.

However, to eliminate the possibility for misunderstanding, we recommend that the bill or its history refer to the FCCS regulations to clarify the relationship of the CDA and the Debt Collection Act.

PROCUREMENT TEST ACT OF 1986

This bill (S.2007) would amend the Office of Federal Procurement Policy Act to provide authority to the Director, OMB to test innovative procurement methods and procedures without requiring separate congressional action. It would allow OMB to conduct tests after notifying the Congress, without regard to existing statutory restrictions. Current Office of Federal Procurement Policy (OFPP) testing authority, provided in the Office of Federal Procurement Policy Act Amendments of 1983 (P.L. 98-191 Section 15), requires congressional action to waive statutes before OMB can conduct some tests of innovative procurement actions.

We support the concept of testing innovative procurement methods and procedures, but note that little experience has been gained under the existing testing authority. The first proposal under the existing authority--a test of simplified small purchase procedures--was submitted to the Congress in December 1985, and is awaiting action. Given this limited experience, we have no basis for concluding that the existing legislation needs to be amended at this time.

SIMPLIFIED COMPETITIVE ACQUISITION TECHNIQUE ACT OF 1986

This bill (S.2008) proposes a new contracting method called the Simplified Competitive Acquisition Technique, or SCAT. SCAT is intended to shorten the time frame required to purchase goods and services that cost between \$25,000 and \$5 million from 260 days to 85 days.

We agree that shortening the procurement process would be desirable. However, we have major reservations with certain provisions of this bill and do not support passage in its current form.

First, the bill would effectively eliminate the "stay" provisions recently established by the Competition in Contracting Act of 1984 (31 U.S.C.A. section 3552 (c) and (d)). These provisions require contracting agencies generally to stay the award of a contract or suspend the performance of an awarded contract if a bid protest is filed within 10 days of the award, until GAO issues a decision. The stay provision would not apply to protests filed with the contracting agency under section 5 of the bill. Thus, a protester would lose the benefit of the stay unless it could file a subsequent protest with GAO, either before award is made or within 10 days of contract award.

Second, SCAT would provide for (1) a 5-day interval between publication of a notice in the Commerce Business Daily of an intent to procure and issuance of a solicitation, and (2) a 15-day interval between solicitation issuance and the deadline for



submission of proposals. Currently, agencies are required to allow 15 and 30 days, respectively. The current time frames are intended to widen competition by permitting more potential contractors to be aware of and have time to compete for federal contracts and subcontracts. The bill's provisions for shorter intervals would conflict with this congressional intent.

Third, SCAT would completely exclude the use of pre-award audit to verify that contractors' proposals are current, complete, and accurate. We are concerned that if the possibility of pre-award audit is eliminated, it could result in contractors inflating proposed prices. We are not recommending that all SCAT contracts be subjected to pre-award audit but rather that the complete absence of the threat of audit could have a harmful effect on price.

#### THE ELECTRONIC FUNDS TRANSFER FEDERAL SALARY ACT

The Electronic Funds Transfer Federal Salary Act (S.2009) authorizes the Secretary of the Treasury to require that wages and salaries of federal employees be paid by electronic funds transfer, or any other method that the Secretary determines to be appropriate. The legislation also allows individuals, to whom a payment other than wages and salary is to be made, to request payment by any method authorized by the Secretary in accordance with the bill. Finally, all current federal employees whose annual rate of basic pay is less than \$20,000 may, upon request, be exempted from the bill.

We support the cost-effective use of electronic funds transfer because it has the potential to increase controls over government payments while reducing costs. In addition, we would support efforts to expand the scope of this bill. For example, we believe the bill should be expanded to allow the Secretary of the Treasury to require, whenever appropriate, that all federal payments, rather than just payroll payments, be paid through electronic funds transfer.

PAPERWORK AND REGULATORY SIMPLIFICATION ACT OF 1986

The Paperwork and Regulatory Simplification Act of 1986 (S.2010) contains provisions that would reduce a wide variety of generally discrete reporting requirements and/or regulations. Thus, rather than attempt to address the bill in its entirety, we will comment on a section-by-section basis in those areas where we have views. The following provides our comments on seven subsections of S.2010. We suggest issues the Congress may want to consider on three of these subsections, and we support one subsection. We are not in favor of three subsections.

Department of Energy (Section 103)

Section 103(d)

Section 103(d) would eliminate a requirement to collect detailed information on cost of service provided by electric utilities to various consuming classes.

We support Section 103(d). The provision is consistent with the findings of our 1981 report on the Public Utility

Regulatory Policies Act of 1978.<sup>4</sup> We reported that cost-of-service data requirements are burdensome and costly to the reporting utilities. We also found that state regulatory commissions and interveners in utility rate cases, who were anticipated to be the primary beneficiaries of the data, believe the information is of little use.

Department of Health and Human Services (Section 104)

Section 104(f)

Section 104(f) would repeal a requirement that certain health and medical schools, programs, and training centers which receive federal funds report annually certain demographic information on health professions to the Department of Health and Human Services.

We have not conducted audit work which addresses directly the collection of demographic data from health and medical education facilities. However, we note that Section 104(f) would not eliminate the existing requirement for the Secretary of Health and Human Services to establish a uniform health profession reporting system and provide reports to the Congress. Therefore, since Section 104(f) would eliminate one of the Department of Health and Human Services' data sources, we suggest that the Committee inquire about the alternative sources that the Secretary plans to utilize to report on the demographic status of the health professions.

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<sup>4</sup>Burdensome and Unnecessary Reporting Requirements of the Public Utility Regulatory Policies Act Need to be Changed (EMD-81-105, Sep. 14, 1981).

Section 104(h)

Section 104(h) would replace the current requirement that the states conduct annual independent audits of Preventive Health and Health Services Block Grant funds with a requirement for an audit not less than once every 2 years.

We do not support the provision as currently written because it is inconsistent with the Single Audit Act of 1984 (P.L. 98-502) which, except in certain specific cases, requires annual audits. The Single Audit Act is intended to promote a more uniform federal approach to grant auditing and thereby simplify the audit process. We therefore recommend that section 104(h) be altered to require audits in compliance with the Single Audit Act of 1984.

Section 104(i) and (j)

Subsections (i) and (j) of Section 104 would eliminate the requirement for the Secretary of Health and Human Services to determine the form and content of annual reports that the states must prepare as part of the Preventive Health and Health Services Block Grant and the Alcohol, Drug Abuse, and Mental Health Service Block Grant Programs.

We reported in 1985<sup>5</sup> that, even with its current authority, the Department of Health and Human Services has not moved to collect uniform national data on these programs.

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<sup>5</sup>State Rather Than Federal Policies Provided the Framework for Managing Block Grants, (GAO/HRD-85-36, March 15, 1985).

Uniform national data is important in order to develop a national assessment of program results and thereby enable the Congress to better assess the extent to which these block grants are meeting the needs of those served. As a result of its concerns in this area, the Congress strengthened national reporting requirements for both the Preventive Health and Health Services Block Grant and the Alcohol, Drug Abuse, and Mental Health Service Block Grant Programs, by requiring the Secretary, in consultation with appropriate national organizations, to develop model criteria and forms for national data collection. We therefore are not in favor of subsections (i) and (j) of Section 104 because they would decrease the availability of uniform national data in these block grant programs.

Section 104(u)

Section 104(u) would amend the Social Services Block Grant Program to include the alleviation of poverty as a goal of the program.

We do not have a position on this section but note that it must be considered in conjunction with a policy decision regarding the Community Services Block Grant (CSBG). The Administration has proposed to allow states to provide federal Social Services Block Grant Program funds to community action agencies currently funded under CSBG. In addition, in the fiscal year 1987 budget, as in the previous three Presidents' budgets, the Administration targets CSBG for termination. However, Congress has thus far refused to discontinue the

program. If the Congress deems the proposed termination to be appropriate, Section 104(u) could help ease the transition.

Section 104(v)

Section 104(v) amends the Social Services Block Grant Program to permit Indian tribes to consolidate non-health block grants of the Department of Health and Human Services. This provision would grant authority similar to that which is currently available to U.S. Insular Areas under Title V of Public Law 95-134.

Our work on grants to U.S. Insular Areas points to a number of concerns that need to be resolved concerning Section 104(v). For example, our 1981 report<sup>6</sup> on consolidating grants in Insular Areas reported that there was a need to clarify which programs were subject to consolidation, which program rules and regulations should be retained or modified for consolidated grants, and the degree of discretion permitted to the Insular Areas to transfer funds among consolidated programs.

We therefore suggest that the Committee clarify the following in Section 104(v):

- Would Indian tribes have authority to consolidate block grant funds awarded directly from the Department of Health and Human Services with block grant funds passed through the state under the Social Services Block Grant?
- If so, problems could arise due to separate state

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<sup>6</sup>Limited Progress Made in Consolidating Grants to Insular Areas (GGD-81-61, July 10, 1981).

PROPOSED SUBSTITUTE LANGUAGE FOR  
LINES 9- 17, PAGE 3 OF H.R. 2401  
AS INTRODUCED IN THE SENATE ON JULY 9, 1985

"(b) This section applies with respect to any removal, reduction in grade (or pay level), involuntary reassignment, or furlough of any employee assigned to a field office of an agency if

"(1) a decision has been made--

"(A) to change the types or the number of functions to be performed by such field office, or the manner in which such functions are to be performed; or

"(B) to terminate the performance of any function, in whole or in part, by such field office, and

"(2) after the decision has been carried out, either

"(A) the number of employees assigned to the office will be less than the number assigned immediately before; or

"(B) the average grade level of employees assigned to the office will be lower than the average immediately before.

PROPOSED SUBSTITUTE LANGUAGE FOR  
SECTION 4(a), PAGE 2 OF S.2006  
AS INTRODUCED IN THE SENATE ON JANUARY 22, 1986

"Notwithstanding the pendency of the contractor's request for relief, claim, appeal, or other action arising under or relating to the contract, within 30 days after receiving a copy of a contracting officer's decision (issued under section 6(a)), the contractor shall comply with any requirements imposed by that decision to pay any amounts found owed, or to proceed diligently with performance of the contract, unless the contracting officer finds, in the exercise of reasonable discretion, that the contractor's compliance with that requirement should be suspended in the best interests of the United States."



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