



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

112730

PROCUREMENT AND SYSTEMS
ACQUISITION DIVISION

JULY 7, 1980

B-197274



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The Honorable Howard H. Baker, Jr.
United States Senate

Dear Senator Baker:

Subject: [Yearend Spending by Federal Agencies]
(PSAD-80-60)

This is in reference to your May 22, 1980, letter to the Comptroller General, which enclosed a copy of correspondence from Messrs. Tom Stuart and G. E. Maynard, Jr., regarding a newspaper article on "spending sprees" by several Government agencies and departments. At the request of Congressman Herbert E. Harris II, chairman, Subcommittee on Human Resources, House Committee on Post Office and Civil Service, we are reviewing this subject at four of the agencies mentioned in the article.

The data presented in the article is factual. There are many reasons for these unbalanced expenditures. Not all of the yearend surge in expenditures is avoidable or wasteful. Some yearend obligations are illusions and do not represent the actual expenditure of funds. Certain agencies appear to have prerecorded future obligations to (1) prevent funds from lapsing, (2) give the appearance of greater achievement than has actually transpired, or (3) recognize potential liabilities that are at best speculative.

A certain amount of wasteful yearend spending occurs when an agency finds itself near the close of the fiscal year with substantial amounts of unobligated funds. Waste occurs through the funding of low-priority projects, stimulating demand for unplanned "nice to have" products or services and shortcutting the procurement process. Other mechanisms used to dispose of excess funds are prematurely funding existing contracts beyond current period needs and awarding Small Business Act section 8(a) contracts months before a subcontractor, who will actually provide the supply or service, has been selected.

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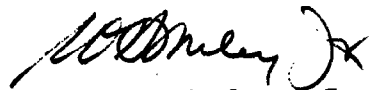
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We believe a significant amount of yearend contracts and grants is awarded for the purpose intended, but the timing suggests poor planning. In this connection, several agencies have stated that the appropriation and apportionment process absorbs several of the early months of the fiscal year causing a bunching up of procurement at the end of the year. We do not believe this is a valid argument, since most agencies can (1) reasonably estimate appropriations that will be made available to them and (2) proceed with many of the preliminary tasks before beginning the fiscal year connected with high-priority projects.

We understand that there are many legislative proposals to place limits on the percentage of total expenditures during the last several months of the fiscal year. While such measures will not necessarily prevent wasteful expenditures, they will stimulate better planning and contribute to more prudent contract and grant activity.

We expect to issue our final report to Congressman Harris during July 1980, and we will provide you with a copy when it is released for public distribution.

Sincerely yours,



W. H. Sheley, Jr.
Acting Director