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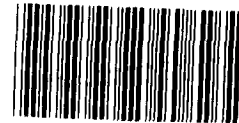
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Comptroller General

OF THE UNITED STATES

Spending Patterns Of The Departments And Agencies Of The Federal Government

This report analyzes gross obligations incurred during fiscal years 1977, 1978, and the first half of 1979. A disproportionate amount of obligations occurred in the last quarter of the fiscal year and in the last month of that quarter. While this indicates that yearend surges in Government spending occur, these data should be used only as a preliminary guide for future questions.



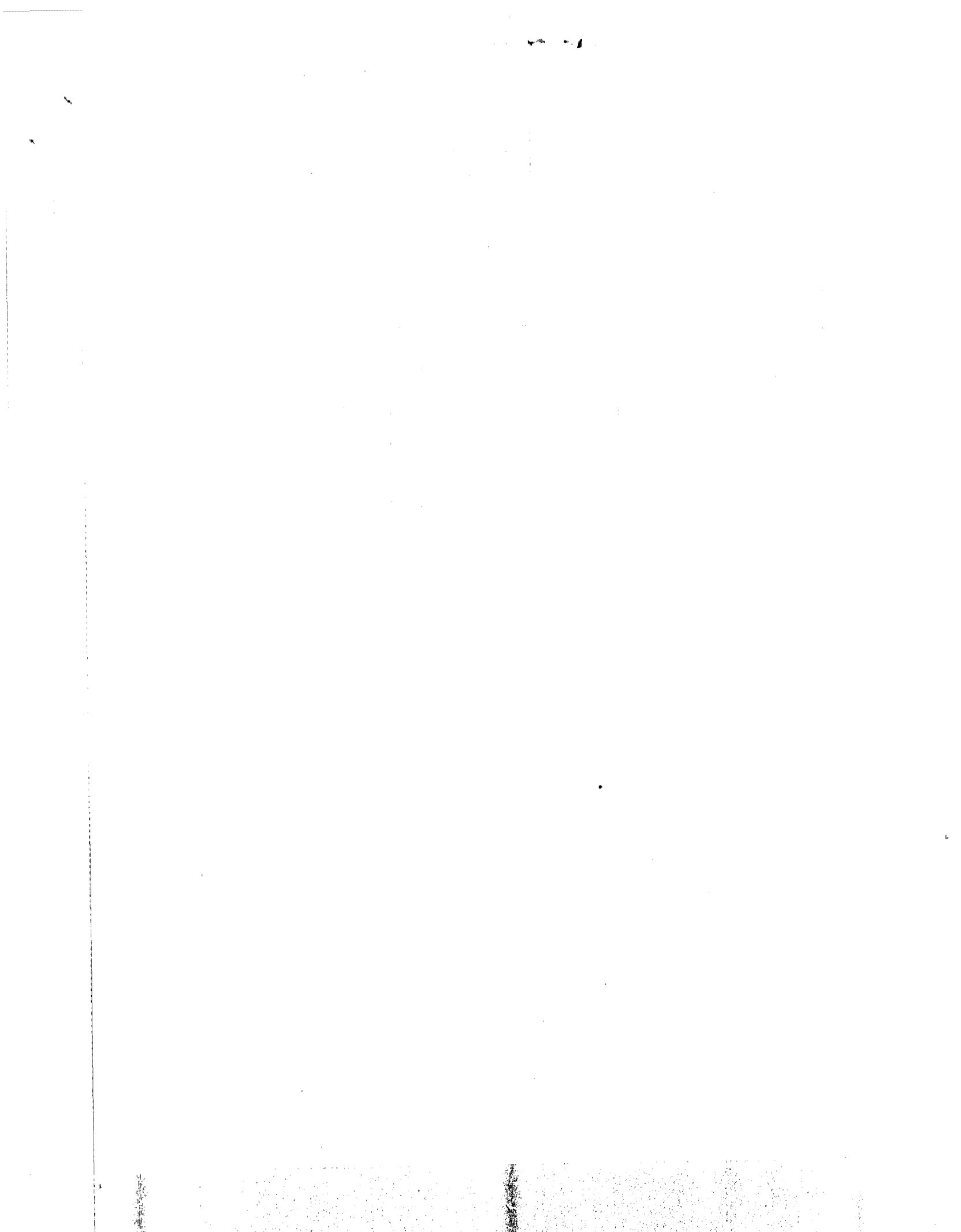
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DECEMBER 20, 1979





COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

B- 197383

The Honorable Bennett^{M.} Stewart
House of Representatives

Dear Mr. Stewart:

In your September 25, 1979, request you asked that we study the spending patterns of the departments and agencies of the Federal Government to determine whether there is a correlation between the utilization of appropriated funds and the time during the fiscal year when the funds are spent. In response to your request we have assembled information on gross obligations incurred during fiscal years 1977, 1978, and the first half of 1979. We have analyzed this information by quarter within the fiscal year. In addition, we have analyzed the last quarter of the fiscal year by month. The data are presented:

- in total for Government-wide gross obligations,
- by departments and agencies, and
- by the purposes for which funds were obligated in categories such as personal compensation and transportation of persons.

We found that a disproportionate amount of obligations occurred in the last quarter of the fiscal year. Further, within that quarter a disproportionate amount of obligations was incurred in September, the last month of the quarter.

Our analysis showed that agencies differed in the proportion of obligations made at the end of the fiscal year. Data assembled show that certain agencies had a large proportion of their annual obligations at the end of the year in both fiscal years 1977 and 1978.

Since the purposes for which funds are obligated may affect spending patterns of the funds, we also analyzed obligation data by object class. Object classes are used by the Office of Management and Budget to classify spending in terms of use. We found that object classes also differed in the proportion of obligations made in the last quarter. Certain object classes have disproportionate yearend obligations in both years analyzed.

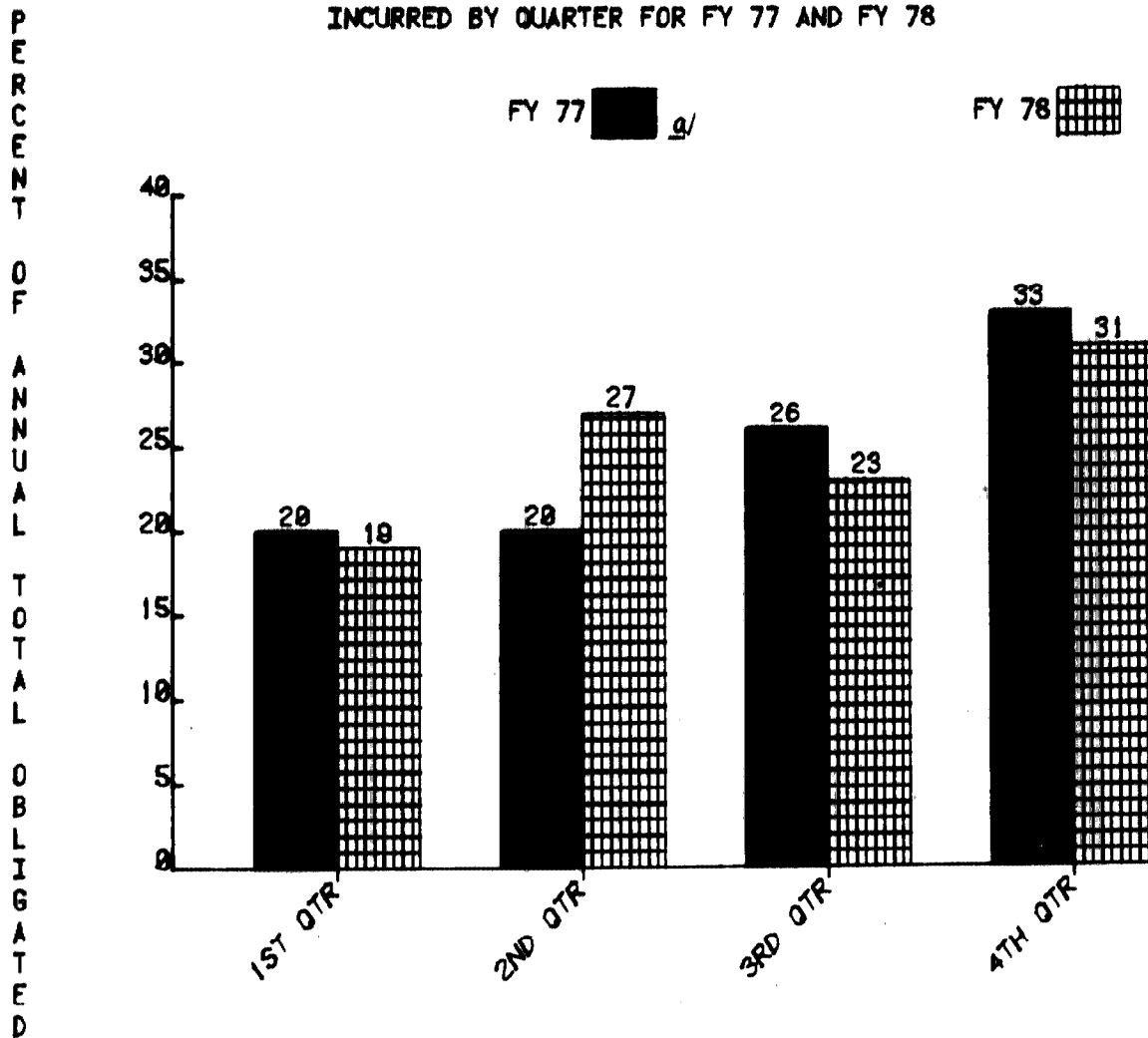
Further analysis and verification are needed before conclusions should be drawn from this information. Obligation

of disproportionate amounts during the end of the fiscal year may be for legitimate reasons. Data errors and adjustments must be identified and adjusted before valid conclusions can be drawn. Nevertheless, we believe that these data can be used as a rough gauge of spending patterns. Additional details on our analysis are discussed below.

Government-wide gross obligations

In terms of percentage of total obligations made during each quarter of the fiscal year, the fourth quarter of both fiscal years 1977 and 1978 was larger than other quarters. As illustrated by figure 1, 33 percent of fiscal year 1977 obligations were made in the last quarter and 31 percent in the last quarter of fiscal year 1978.

Figure 1
COMPARISON OF PERCENT OF GROSS OBLIGATIONS
INCURRED BY QUARTER FOR FY 77 AND FY 78

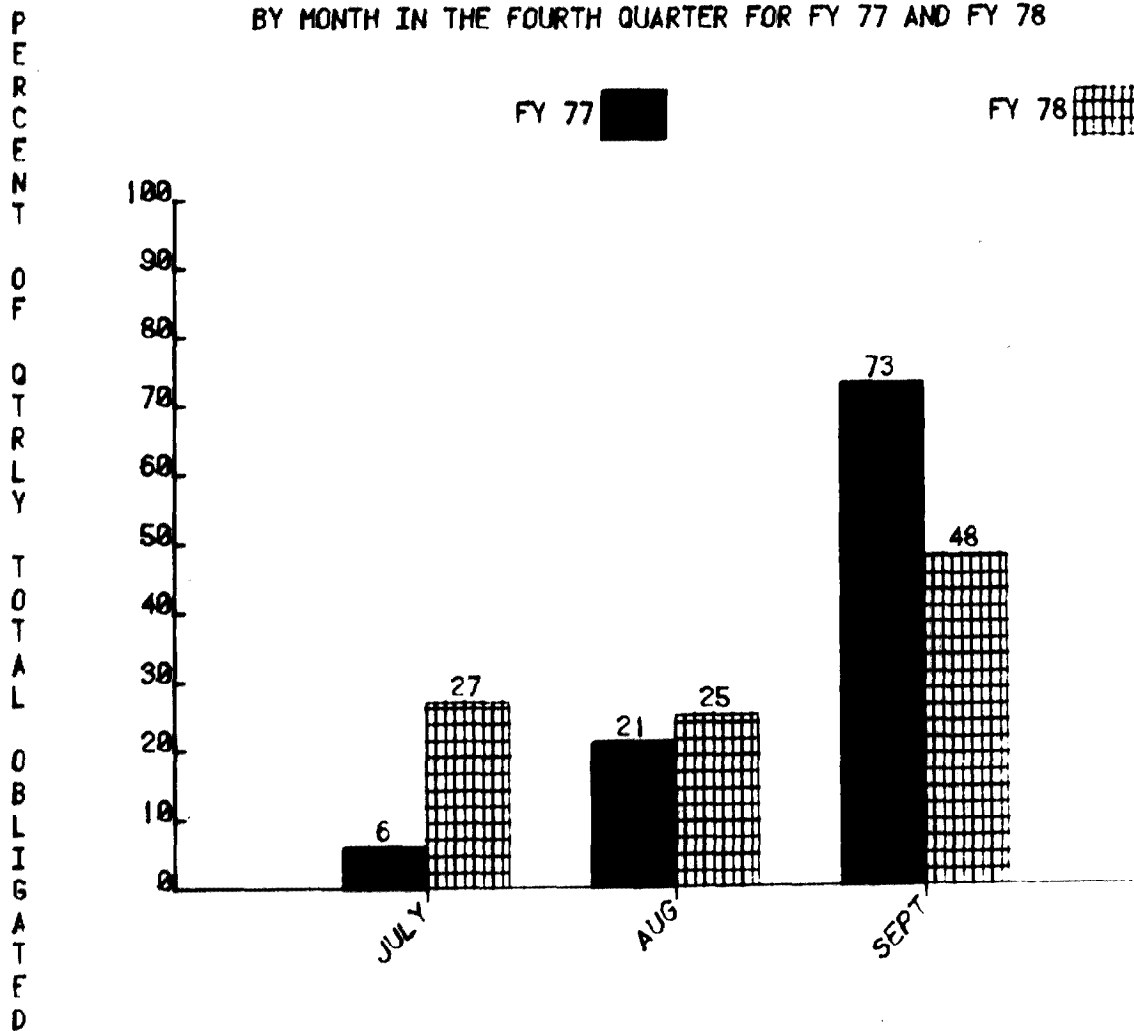


g/Percentages do not add to 100 due to rounding.

Further analysis of the fourth quarter spending surge showed that another disproportionate spending pattern takes place within these last 3 months of the year. As illustrated by figure 2, September (the last month of the year) accounted for the majority of the fourth quarter's surge. In 1977, September made up 73 percent of the quarter's obligations. A lower, but still disproportionate percentage was obligated in September 1978--48 percent.

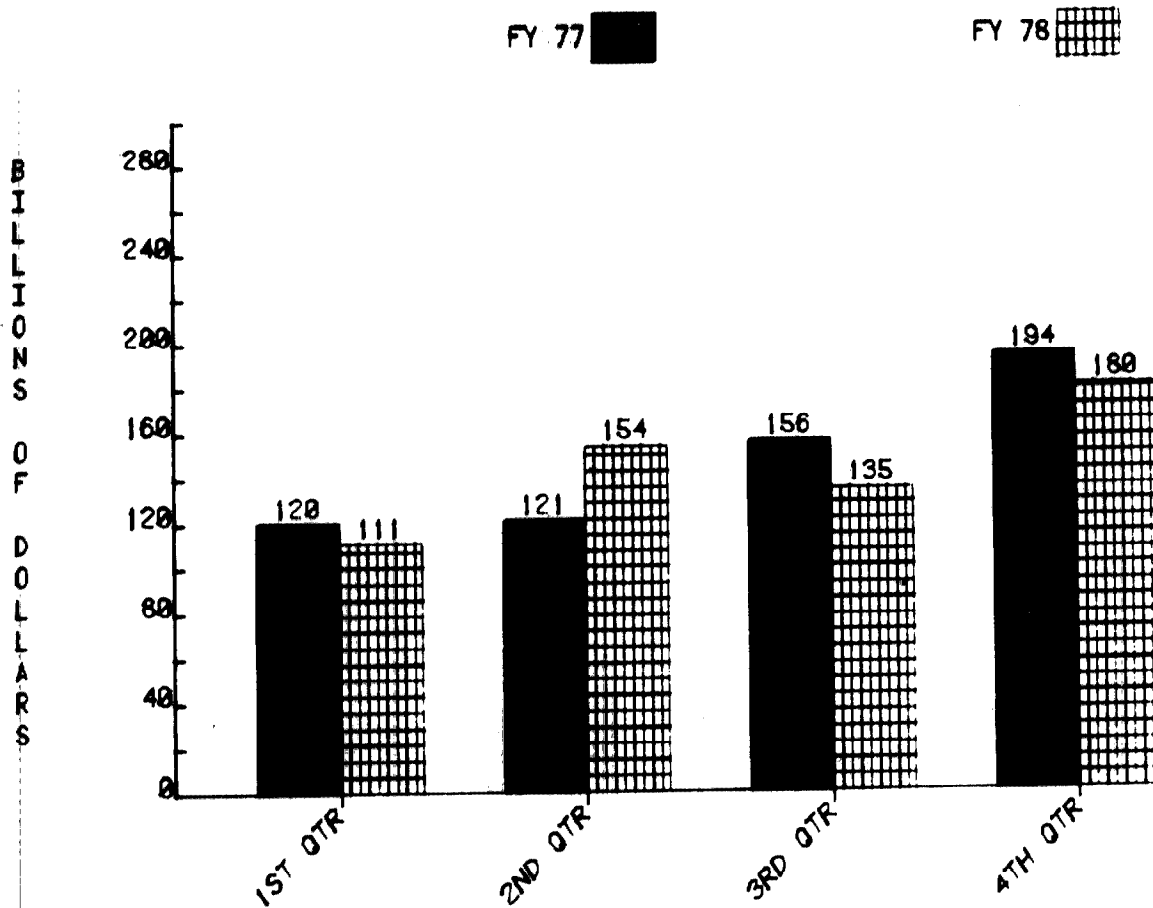
Figure 2

COMPARISON OF PERCENT OF GROSS OBLIGATIONS INCURRED BY MONTH IN THE FOURTH QUARTER FOR FY 77 AND FY 78



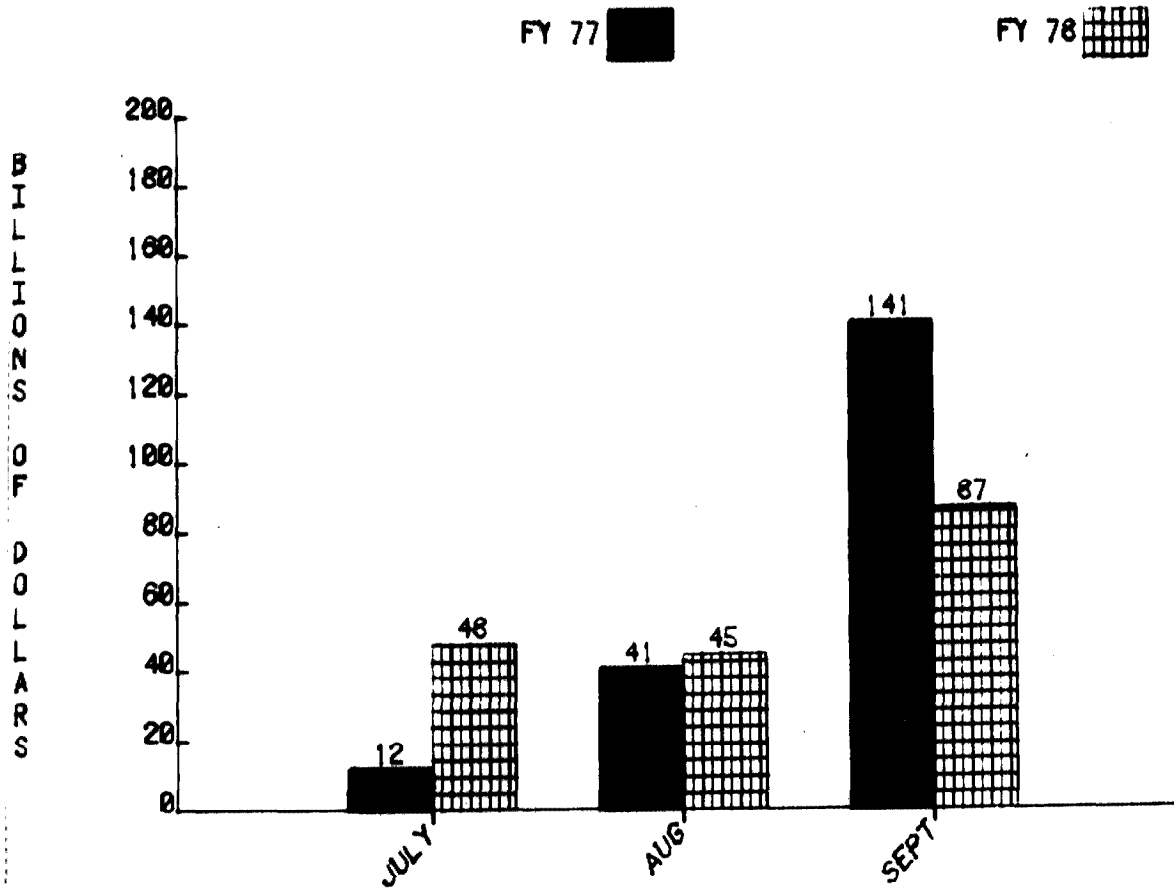
While percentages are the best overall measure for comparison, the amount of dollars by quarter is also a useful measure. In dealing with Government-wide financial data, it should be remembered that a small percentage can represent a large dollar amount. A 1 percent difference in fiscal year 1978 obligations represents \$5.8 billion dollars. Our analysis of dollar data showed a Government-wide surge at the end of the fiscal year. A comparison of the quarterly obligations for fiscal year 1977 (\$591 billion) and fiscal year 1978 (\$580 billion) is presented in figure 3.

Figure 3
COMPARISON OF GROSS OBLIGATIONS INCURRED
BY QUARTER FOR FY 77 AND FY 78



Dollar data for the last quarter by month show the Government-wide surge which takes place in September.

Figure 4
COMPARISON OF GROSS OBLIGATIONS INCURRED
BY MONTH IN THE FOURTH QUARTER
FOR FY 77 AND FY 78



The obligation pattern for individual departments and agencies

Agencies differ greatly in the proportion of their annual obligations incurred at the end of the fiscal year. Detailed tables provided in appendix I show dollars and percentages

obligated by each department and agency. These data are provided for fiscal years 1977 and 1978, the first half of 1979 on a quarterly basis, and by month in the fourth quarter.

The following entities obligated more than one third of their annual totals in the fourth quarter of both fiscal years 1977 and 1978:

The Judiciary

Funds Appropriated to the President

Department of Health, Education, and Welfare

Department of Housing and Urban Development

Department of the Interior

Environmental Protection Agency.

For three entities, over 60 percent of last quarter obligations were made in September in both fiscal years 1977 and 1978:

The Judiciary

Department of Energy

Environmental Protection Agency.

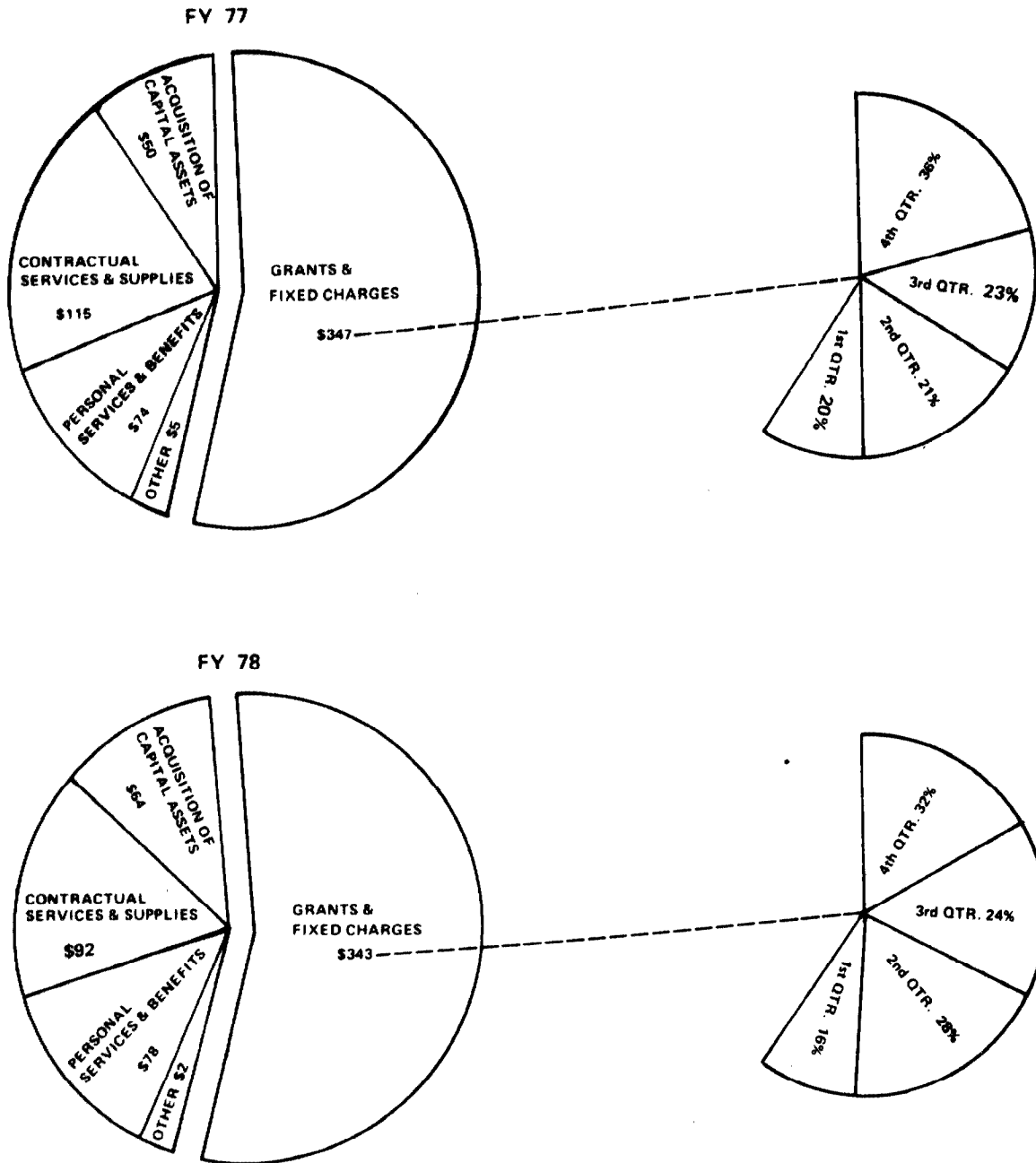
Object class analysis

Yearend surges in obligations were also apparent from our analysis of object classes. Object class categories describe the activities for which funds are used and include such categories as personal compensation, travel and transportation of persons, and interest and dividends. Data on these individual object classes are provided in appendix II. These object classes are summarized in five categories. The chart in figure 5 shows the amount of annual obligations devoted to each summary category. It also shows obligations for the largest category--grants and fixed charges--by quarter. As with agency data, greatest amounts are obligated in the fourth quarter.

FIGURE 5

GROSS OBLIGATIONS INCURRED BY CATEGORIES OF OBJECT CLASS WITH AN ANALYSIS OF PERCENTAGES IN THE LARGEST CATEGORY BY QUARTERS

(In billions of dollars)



Our analysis showed that four individual object classes incurred more than one-third of their annual obligations in the last quarter of both years analyzed. These are presented in table 1.

Table 1

Percentage Obligated in the Fourth Quarter

<u>Object Class</u>	<u>FY 1977</u>	<u>FY 1978</u>
Benefits to former personnel <u>a/</u>	56%	57%
Grants, subsidies, and contributions	50	43
Transportation of things	72	36
Investments and loans	44	34

a/In his November 29, 1979, testimony before the Senate Committee on Governmental Affairs, Subcommittee on Oversight of Government Management; the Executive Associate Director for Budget, Office of Management and Budget pointed out reporting classification errors involving two personnel benefit items (\$3 billion) which always occur in September. These errors could account for the high fourth quarter percentage in this case.

Limitations on Data

While there is clear evidence of a yearend spending surge, in our opinion, further analysis of reasons for surges and verification of data are needed before any specific conclusions can be derived.

Analysis of reasons for surges

In my recent testimony before the Subcommittee on Human Resources, House Committee on Post Office and Civil Service, I stated that "The problems associated with year-end surges in Government spending--disruption of orderly funding of Government operations, bypassing certain procurement controls, and inflationary impact on the economy--are of concern to both the legislative and executive branches." As I pointed out then, this is a matter that should generally be examined on a case-by-case basis. There may be legitimate reasons for yearend spending surges in some cases. I am enclosing a copy of a recent letter to Representative Ike Skelton in which we cite recent work on specific cases. We also have a major study in progress for the Chairman, House Post Office and Civil Service Committee, Subcommittee on Human Resources, on

reasons for yearend spending. This work is expected to be completed in June 1980.

Verification of data

We have noted some questionable items within the published data on obligations. Data for this report to you were obtained from Treasury Bulletins for May 1977 through September 1979, and we have not verified these data.

Questionable items include:

- 1) Fiscal year 1977 personnel compensation figures by quarter are 23, 24, 45, and 8 percent in fiscal year 1977. A more even flow for personnel compensation would be expected and took place in fiscal year 1978 (23, 24, 24, and 29 percent).
- 2) Supplies and materials were almost twice as high in fiscal year 1977 as in fiscal year 1978. Obligations for the single month of September 1977 were \$38.3 billion. This was greater than the total for fiscal year 1978, which was \$33.2 billion.
- 3) Many negative obligation numbers appear in the Treasury Bulletins. Negative numbers would not normally be expected for gross obligations. One such negative number--\$1.8 billion for August 1977 Department of Commerce obligations--was the result of a clerical error. (See appendix I, table 3.) We did not attempt to obtain the correct amount or adjust data provided.

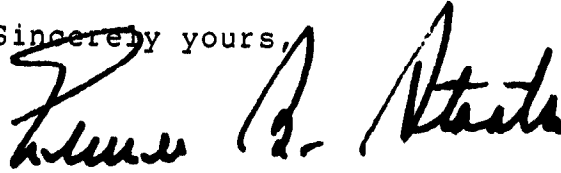
We have not provided data for the last two quarters of fiscal year 1979. According to a Treasury official, complete fiscal year 1979 data will not be available until February or March 1980. We will be happy to complete the analysis of fiscal year 1979 at that time if requested.

* * *

In order to meet your requested timeframe for receipt of this report, we have not obtained comments from the Department of the Treasury. However, we plan to furnish these data to Department of Treasury officials and will advise you of their comments. As agreed with your office, we plan no further distribution of this material until 4 days from the issuance date. At that time, we will send copies to a number of interested parties.

We hope that these data will be useful to you as a rough indicator of spending patterns. Again, I would caution that these data should be used only as a preliminary guide to future questions. We will be happy to further discuss this information with you at any time.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "James A. Atchafalua".

Comptroller General
of the United States

Table 2
Gross Obligations Incurred Outside the Federal Government
By Department or Agency, Fiscal Year 1977

Appendix I
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(In millions of dollars)

Department or Agency	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total
	Amount	Percentage of total a/	Amount	Percentage of total a/	Amount	Percentage of total a/	Amount	Percentage of total a/	
Legislative Branch	\$ 192	25%	\$ 171	22%	\$ 166	22%	\$ 239	31%	\$ 776
The Judiciary	1	20	1	20	0	-	3	60	5
Executive Office of the President	9	20	7	16	13	30	15	34	44
Funds appropriated to the President:									
International security assistance	29	*	3	*	0	*	40,012	*	40,038
International development assistance	1,039	33	829	26	230	7	1,059	34	3,157
Other	97	12	67	9	181	23	433	56	778
Agriculture Department:									
Commodity Credit Corporation	1,710	28	1,196	19	1,455	24	1,803	29	6,164
Other	4,809	*	7,932	*	36,610	*	-24,521	*	22,830
Commerce Department	363	4	2,527	30	462	6	4,974	60	8,326
Defense Department:									
Military:									
Department of the Army	7,424	28	6,184	23	7,678	29	5,635	21	26,921
Department of the Navy	11,070	29	9,394	25	8,666	23	9,131	24	38,261
Department of the Air Force	8,180	26	8,194	26	7,711	25	6,972	22	31,039
Defense agencies	4,176	23	4,422	24	4,566	25	5,049	28	18,213
Civil defence	41	59	7	10	7	10	14	20	69
Civil	548	22	617	25	584	23	756	30	2,505
Energy Research and Development Administration	1,775	24	2,027	28	2,085	29	1,366	19	7,253
Health, Education, and Welfare Department	12,470	23	11,075	21	10,762	20	18,791	35	53,098
Housing and Urban Development Dept:									
Government National Mortgage Association	7	28	6	24	6	24	6	24	25
Housing for the elderly or handicapped b/	c/	-	31	-	158	10	607	76	359
Other	1,766	5	2,305	6	9,339	24	25,292	65	38,902
Interior Department	1,175	25	871	18	1,060	22	1,618	34	4,724
Justice Department	765	4	427	2	331	2	19,649	93	21,222
Labor Department	3,324	19	5,403	30	3,862	22	5,360	30	17,949
State Department	266	19	383	27	353	25	397	28	1,399
Transportation Department	1,216	16	3,003	41	1,547	21	1,632	22	7,398
Treasury Department:									
Interest on the public debt	9,579	29	6,696	21	9,349	29	6,960	21	32,584
Interest on refunds, etc.	82	25	59	18	77	24	108	33	326
General revenue sharing	2,705	29	2,137	23	2,195	23	2,367	25	9,404
Other	30,555	24	31,516	25	31,615	25	32,754	26	126,440
Environmental Protection Agency	923	11	1,328	16	1,672	20	4,279	52	8,202
General Services Administration	837	24	812	24	825	24	972	28	3,446
National Aeronautics and Space Administration	1,172	30	992	25	1,023	26	762	19	3,949
Veterans Administration	5,073	26	5,262	27	4,584	23	4,616	24	19,535
Other independent agencies:									
Export-Import Bank of U.S.	341	25	362	27	384	28	266	20	1,353
Small Business Administration	290	25	228	20	255	22	388	33	1,161
Tennessee Valley Authority	1,297	41	536	17	734	23	629	20	3,196
Other	4,710	16	5,350	18	5,625	19	13,522	46	29,207
Total	\$119,996	20%	\$120,554	20%	\$155,224	26%	\$193,975	33%	\$590,749
Off-budget federal agencies:									
Postal Service	\$ 3,431	28%	\$ 2,956	24%	\$ 2,851	24%	\$ 2,869	24%	12,107
Rural Electrification Administration revolving funds	244	20	255	20	371	30	374	30	1,244
Pension Benefit Guaranty Corporation	3	16	5	26	5	26	6	32	19
Total Off-budget Federal agencies	\$ 3,678	28%	\$ 3,216	24%	\$ 3,667	24%	\$ 3,249	24%	\$ 13,370

a/Percentages may not add across to 100 due to rounding.

b/Although HUD's Housing for the Elderly or Handicapped Fund was off-budget in FY 1977, we included it on budget in FY 1977 data to provide consistency with subsequent years.

c/Less than \$500 thousand.

* Because negative figures occurred during this fiscal year, no percentages have been calculated.

Table 3
Gross Obligations Incurred Outside the Federal Government
by Department or Agency, Fiscal Year 1977--4th Quarter

Appendix I
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(In millions of dollars)

Department or Agency	July		August		September	
	Amount	Percentage of Quarter a/	Amount	Percentage of Quarter a/	Amount	Percentage of Quarter a/
Legislative Branch	\$ 46	19%	\$ 69	29%	\$ 124	52%
The Judiciary	1	33	0	-	2	67
Executive Office of the President	8	53	3	20	4	27
Funds appropriated to the President:						
International security assistance	14	b/	4	b/	39,994	100
International development assistance	76	7	271	26	712	67
Other	86	20	84	19	263	61
Agriculture Department:						
Commodity Credit Corporation	551	31	868	48	384	21
Other	-29,749	*	2,881	*	2,347	*
Commerce Department c/	256	-	-1,803	-	6,521	-
Defense Department:						
Military:						
Department of the Army	0	-	4,080	72	1,555	28
Department of the Navy	2,704	30	2,604	29	3,823	42
Department of the Air Force	2,164	31	2,425	35	2,383	34
Defense agencies	1,533	30	1,506	30	2,010	40
Civil defense	3	21	4	29	7	50
Civil	131	17	276	37	349	46
Energy Research and Development Administration	322	24	183	13	861	63
Health, Education, and Welfare Department	6,744	36	4,066	22	7,981	42
Housing and Urban Development Dept:						
Government National Mortgage Association	2	33	2	33	2	33
Housing for the elderly or handicapped d/	5	1	1	b/	661	99
Other	4,509	18	6,416	25	14,367	57
Interior Department	316	20	361	22	941	58
Justice Department	155	1	122	1	19,372	99
Labor Department	1,252	28	1,068	20	3,040	57
State Department	171	43	66	17	160	40
Transportation Department	509	*	-1,476	*	2,599	*
Treasury Department:						
Interest on the Public debt	2,382	34	2,296	33	2,282	33
Interest on refunds, etc.	40	37	35	32	33	31
General revenue sharing	2,258	95	44	2	65	3
Other	10,711	33	9,799	30	12,244	37
Environmental Protection Agency	660	15	709	17	2,910	68
General Services Administration	271	28	311	32	390	40
National Aeronautics and Space Administration	244	32	225	30	293	38
Veterans Administration	1,473	32	1,503	33	1,640	36
Other independent agencies:						
Export-Import Bank of U.S.	5	2	39	15	222	83
Small Business Administration	75	19	109	28	204	53
Tennessee Valley Authority	157	25	214	34	258	41
Other	1,903	14	1,847	14	9,772	72
Total	\$11,988	6%	\$1,212	21%	\$140,775	73%
Off-budget Federal agencies:						
Postal Service	\$ 941	33%	\$ 988	34%	\$ 940	33%
Rural Electrification Administration revolving funds	102	27	124	33	148	40
Pension Benefit Guaranty Corporation	3	50	2	33	1	17
Total Off-budget Federal agencies	<u>\$ 1,046</u>	<u>32%</u>	<u>\$1,114</u>	<u>34%</u>	<u>\$ 1,089</u>	<u>34%</u>

a/ Percentages may not add across to 100 due to rounding.

b/ Less than 1/2 of 1 percent.

c/ A significant clerical error caused incorrect monthly data. Therefore, no percentage is provided.

d/ Although HUD's Housing for the Elderly or Handicapped Fund was off-budget in FY 1977, we have included it on budget in FY 1977 data to provide consistency with subsequent years.

* Because negative figures occurred during this fiscal year, no percentages have been calculated.

Table 4

Gross Obligations Incurred Outside the Federal Government
by Department or Agency, Fiscal Year 1978

(In millions of dollars)

Department or Agency	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total
	Amount	Percentage of total a/	Amount	Percentage of total a/	Amount	Percentage of total a/	Amount	Percentage of total a/	
Legislative Branch	\$ 182	22%	\$ 235	28%	\$ 180	21%	\$ 248	29%	\$ 845
The Judiciary	-	-	1	1%	1	1%	4	6%	6
Executive Office of the President	11	1%	39	4%	13	1%	20	2%	83
Funds appropriated to the President:									
International security assistance	44	*	159	*	-154	*	31	*	80
International development assistance	1,088	27%	1,185	29%	397	10%	1,369	34%	4,039
Other	233	12%	143	7%	278	14%	1,306	67%	1,960
Agriculture Department:									
Commodity Credit Corporation	3,885	36%	2,174	20%	1,497	14%	3,255	30%	10,811
Other	6,492	23%	7,963	28%	7,365	26%	6,715	24%	28,535
Commerce Department	854	35%	152	6%	649	26%	818	33%	2,473
Defense Department:									
Military:									
Department of the Army	7,629	26%	6,973	24%	6,506	22%	7,906	27%	29,014
Department of the Navy	12,470	29%	10,581	24%	10,384	24%	10,223	23%	43,658
Department of the Air Force	9,173	27%	8,376	25%	8,557	26%	7,409	22%	33,515
Defense agencies	4,713	23%	4,844	24%	5,166	25%	5,889	29%	20,612
Civil defense	33	4%	21	3%	7	1%	8	1%	69
Civil	787	32%	476	19%	612	25%	614	25%	2,489
Energy Department	34	b/	6,935	60%	2,250	20%	2,289	20%	11,508
Health, Education, and Welfare Department	11,534	20%	12,379	21%	13,981	24%	21,118	36%	59,012
Housing and Urban Development Dept.: Government National Mortgage Association	6	3%	93	4%	55	2%	38	2%	192
Housing for the elderly or handicapped	18	2%	17	2%	14	2%	707	9%	756
Other	1,110	3%	2,530	6%	6,935	16%	31,710	75%	42,285
Interior Department	1,424	26%	934	17%	877	16%	2,148	40%	5,383
Justice Department	768	34%	443	19%	441	19%	628	28%	2,280
Labor Department	4,823	39%	3,153	26%	2,051	17%	2,184	18%	12,211
State Department	294	18%	454	28%	312	19%	551	34%	1,611
Transportation Department	1,976	23%	1,776	21%	2,628	31%	2,132	25%	8,312
Treasury Department:									
Interest on the Public debt	11,807	31%	6,700	18%	12,618	33%	6,983	18%	38,108
Interest on refunds, etc.	88	2%	70	2%	83	2%	85	2%	326
General revenue sharing	2,561	27%	2,435	26%	2,253	24%	2,128	23%	9,377
Other	10,927	8%	56,386	41%	33,369	24%	35,989	26%	136,671
Environmental Protection Agency	441	12%	801	21%	702	19%	1,814	48%	3,758
General Services Administration	930	24%	897	23%	1,003	26%	1,040	27%	3,870
National Aeronautics and Space Administration	1,170	28%	1,063	26%	984	24%	896	22%	4,113
Veterans Administration	5,194	26%	5,159	26%	4,958	25%	4,872	24%	20,183
Other independent agencies:									
Export-Import Bank of U.S.	293	17%	191	11%	507	29%	732	42%	1,723
Small Business Administration	418	12%	1,174	35%	620	18%	1,147	34%	3,359
Tennessee Valley Authority	1,450	37%	608	15%	995	25%	909	23%	3,962
Other	5,770	18%	5,993	19%	6,094	19%	13,629	43%	31,486
Total	\$110,630	19%	\$153,513	27%	\$135,188	21%	\$179,546	31%	\$578,875
Off-budget Federal agencies:									
Postal Service	\$ 3,379	24%	\$ 3,166	23%	\$ 3,197	23%	\$ 4,263	30%	\$ 14,005
Rural Electrification Administration revolving funds	295	22%	311	23%	302	23%	418	32%	1,326
Pension Benefit Guaranty Corporation	6	19%	6	19%	8	26%	11	35%	31
Total Off-budget Federal agencies	\$ 3,680	24%	\$ 3,483	23%	\$ 3,507	23%	\$ 4,692	31%	\$ 15,362

a/Percentages may not add across to 100 due to rounding.

b/Less than 1/2 of 1 percent.

* Because negative figures occurred during this fiscal year, no percentages have been calculated.

Table 5

Gross Obligations Incurred Outside the Federal Government
by Department or Agency, Fiscal Year 1978 -4th Quarter

(In millions of dollars)

Department or Agency	July		August		September	
	Amount	Percentage of quarter ^{a/}	Amount	Percentage of quarter ^{a/}	Amount	Percentage of quarter ^{a/}
Legislative Branch	\$ 61	25%	\$ 66	27%	\$ 121	49%
The Judiciary	1	25	-	-	3	75
Executive Office of the President	10	50	4	20	6	30
Funds appropriated to the President:						
International security assistance	27	*	-31	*	35	*
International development assistance	116	8	887	65	366	27
Other	1,124	86	55	4	127	10
Agriculture Department:						
Commodity Credit Corporation	1,123	35	473	15	1,659	51
Other	2,615	39	2,096	31	2,004	30
Commerce Department	167	20	156	19	495	61
Defense Department:						
Military:						
Department of the Army	2,126	27	2,099	27	3,681	47
Department of the Navy	2,804	27	3,035	30	4,384	43
Department of the Air Force	2,088	28	2,144	29	3,177	43
Defense agencies	1,755	30	2,180	37	1,954	33
Civil defenses	2	25	2	25	4	50
Civil	184	30	185	30	245	40
Energy Department	385	17	331	14	1,573	69
Health, Education, and Welfare Department	5,580	26	2,856	14	12,682	60
Housing and Urban Development Dept:						
Government National Mortgage Association	11	29	0	-	27	71
Housing for the elderly or handicapped	5	1	35	5	667	94
Other	5,229	16	5,771	18	20,710	65
Interior Department	522	24	431	20	1,195	56
Justice Department	135	21	222	35	271	43
Labor Department	979	45	436	20	769	35
State Department	144	26	125	23	282	51
Transportation Department	527	25	509	24	1,096	51
Treasury Department:						
Interest on the Public debt	1,339	19	2,965	42	2,679	38
Interest on refunds, etc.	23	27	34	40	28	33
General revenue sharing	1,965	92	36	2	127	6
Other	11,845	33	12,170	34	11,974	33
Environmental Protection Agency	338	19	244	13	1,232	68
General Services Administration	335	32	454	44	251	24
National Aeronautics and Space Administration	265	30	312	35	319	36
Veterans Administration	1,582	32	1,615	33	1,675	34
Other independent agencies:						
Export-Import Bank of U.S.	58	8	386	53	288	39
Small Business Administration	238	21	310	27	599	52
Tennessee Valley Authority	304	33	260	29	345	38
Other	2,082	15	1,939	14	9,608	70
Total	\$48,094	27%	\$44,792	25%	\$86,658	48%
Off-budget Federal agencies:						
Postal Service	\$ 1,005	24%	\$ 1,053	25%	\$ 2,205	52%
Rural Electrification Administration revolving funds	150	36	96	23	172	41
Pension Benefit Guaranty Corporation	1	9	3	27	7	64
Total Off-budget Federal agencies	\$ 1,156	25%	\$ 1,152	25%	\$ 2,384	51%

^{a/}Percentages may not add across to 100 due to rounding.

* Because negative figures occurred during this fiscal year, no percentages have been calculated.

Table 6

Appendix I
Page 5 of 5

Gross Obligations Incurred Outside the Federal Government
by Department or Agency, Fiscal Year 1979

(In millions of dollars)

<u>Department or Agency</u>	<u>1st Quarter</u> <u>Amount</u>	<u>2nd Quarter</u> <u>Amount</u>	<u>Total</u>
Legislative Branch	\$ 240	\$ 227	\$ 467
The Judiciary	-	-	-
Executive Office of the President	12	10	22
Funds appropriated to the President:			
International security assistance	9	21	30
International development assistance	1,309	393	1,702
Other	1,689	270	1,959
Agriculture Department:			
Commodity Credit Corporation	3,476	3,624	7,100
Other	6,489	9,039	15,528
Commerce Department	600	632	1,232
Defense Department:			
Military:			
Department of the Army	7,873	7,206	15,079
Department of the Navy	13,493	11,181	24,674
Department of the Air Force	9,888	8,830	18,718
Defense agencies	5,309	5,272	10,581
Civil defense	26	33	59
Civil	910	593	1,503
Civil	5,233	1,993	7,226
Energy Department			
Health, Education, and Welfare Department	12,457	14,328	26,785
Housing and Urban Development Dept:			
Government National Mortgage Association	-	119	119
Housing for the elderly or handicapped	14	13	27
Other	983	1,883	2,866
Interior Department	1,483	1,122	2,605
Justice Department	794	477	1,271
Labor Department	6,991	3,004	9,995
State Department	328	359	687
Transportation Department	1,398	1,500	2,898
Treasury Department:			
Interest on the Public debt	12,641	10,173	22,814
Interest on refunds, etc.	88	85	173
General revenue sharing	2,257	1,903	4,160
Other	37,273	37,661	74,934
Environmental Protection Agency	525	917	1,442
General Services Administration	825	897	1,722
National Aeronautics and Space Administration	1,321	1,177	2,498
Veterans Administration	5,345	5,352	10,697
Other independent agencies:			
Export-Import Bank of U.S.	1,847	313	2,160
Small Business Administration	377	560	937
Tennessee Valley Authority	2,049	949	2,998
Other	6,097	6,658	12,755
Total	\$151,649	\$138,774	\$290,423
Off-budget Federal agencies:			
Postal Service	\$ 3,643	\$ 3,404	\$ 7,047
Rural Electrification Administration revolving funds	349	326	675
Pension Benefit Guaranty Corporation	8	9	17
Total Off-budget Federal agencies	<u>\$ 4,000</u>	<u>\$ 3,739</u>	<u>\$ 7,739</u>

Table 7

**Gross Obligations Incurred Outside the Federal Government
by Object Class, Fiscal Year 1977 a/**

(In millions of dollars)

Object Class	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		Total
	Amount	Percentage of total b/	Amount	Percentage of total b/	Amount	Percentage of total b/	Amount	Percentage of total b/	
Personal services and benefits									
Personnel compensation	\$ 12,837	23%	\$ 13,116	24%	\$24,585	45%	\$ 4,403	8%	\$ 54,941
Personnel benefits	495	28	365	20	428	24	496	28	1,784
benefits for former personnel	2,418	14	2,517	15	2,516	15	9,533	56	16,984
Contractual services and supplies									
Travel and transportation of persons	404	22	428	23	773	42	242	13	1,847
transportation of things	437	9	464	9	539	11	3,616	72	5,056
rent, communications, and utilities	882	27	864	27	1,245	38	256	8	3,247
Printing and reproduction	108	25	89	21	131	31	97	23	425
Other services	11,528	28	9,834	24	12,807	31	6,491	16	40,660
Supplies and materials	7,488	12	6,787	11	16,296	25	33,631	52	64,202
Acquisition of capital assets									
Equipment	5,631	*	5,073	*	11,085	*	-1,063	*	20,726
lands and structures	1,355	21	1,746	27	1,859	29	1,405	22	6,365
investments and loans	3,858	17	3,778	17	5,127	22	10,173	44	22,936
Grants and fixed charges									
grants, subsidies, and contributions	23,313	14	26,737	17	30,207	19	80,642	50	160,899
insurance claims and indemnities	36,566	24	39,120	26	37,315	25	36,620	25	149,621
interest and dividends	10,150	29	7,275	21	9,948	28	7,631	22	35,004
refunds	284	20	358	25	394	27	399	28	1,435
Other									
Undistributed U.S. obligations	457	*	553	*	-812	*	-163	*	35
Obligations incurred abroad	1,731	*	1,408	*	1,734	*	-390	*	4,483
unvouchered	53	*	45	*	47	*	-46	*	99
Gross obligations incurred	\$119,995	20%	\$120,557	20%	\$156,224	27%	\$193,973	33%	\$590,749

a/Although HUD's Housing for the Elderly or Handicapped Fund was off-budget in FY 1977, we have included it on budget in FY 1977 data to provide consistency with subsequent years.

b/Percentages may not add across to 100 due to rounding.

* Because negative figures occurred during this fiscal year, no percentages have been calculated.

Table 8

Gross Obligations Incurred Outside the Federal Government
by Object Class, Fiscal Year 1977-4th Quarter a/

(In millions of dollars)

Object Class	July		August		September	
	Amount	Percentage of Quarter b/	Amount	Percentage of Quarter b/	Amount	Percentage of Quarter b/
<u>Personal services and benefits</u>						
Personnel compensation	\$-8,275	**%	\$ 5,396	*%	\$ 7,282	*%
Personnel benefits	121	25	170	34	205	41
Benefits for former personnel	781	8	810	9	7,942	83
<u>Contractual services and supplies</u>						
Travel and transportation of persons	-197	*	191	*	248	*
Transportation of things	- 46	*	156	*	3,506	*
Rent, communications, and utilities	-280	*	238	*	298	*
Printing and reproduction	0	-	31	32	66	68
Other services	-1,800	*	2,098	*	6,193	*
Supplies and materials	-6,667	*	2,045	*	38,253	*
<u>Acquisition of capital assets</u>						
Equipment	-5,093	*	1,570	*	2,460	*
Lands and structures	689	*	1,188	*	-472	*
Investments and loans	862	8	2,899	28	6,412	63
<u>Grants and fixed charges</u>						
Grants, subsidies, and contributions	16,469	20	8,200	10	55,973	69
Insurance claims and indemnities	12,286	34	11,439	31	12,895	35
Interest and dividends	2,794	37	2,635	35	2,202	29
Refunds	23	6	178	45	198	50
<u>Other</u>						
Undistributed U.S. obligations	-28	*	452	*	-587	*
Obligations incurred abroad	328	*	1,503	*	-2,221	*
Unvouchered	17	*	19	*	-82	*
<u>Gross obligations incurred</u>	<u>\$11,984</u>	6%	<u>\$41,218</u>	21%	<u>\$140,771</u>	73%

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a/Although HUD's Housing for the Elderly or Handicapped Fund was off-budget in FY 1977, we have included it on budget in FY 1977 data to provide consistency with subsequent years.

b/Percentages may not add across to 100 due to rounding.

* Because negative figures occurred during this fiscal year, no percentages have been calculated.

Table 9

Gross Obligations Incurred Outside the Federal Government
by Object Class, Fiscal Year 1978

(In millions of dollars)

Object Class	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		a/ Total
	Amount	Percentage of total a/	Amount	Percentage of total a/	Amount	Percentage of total a/	Amount	Percentage of total a/	
<u>Personal services and benefits</u>									
Personnel compensation	\$ 13,746	23%	\$ 14,462	24%	\$ 13,961	24%	\$ 17,123	29*	\$ 59,292
Personnel benefits	323	46	152	22	87	12	135	19	697
Benefits for former personnel	2,569	14	2,714	15	2,485	14	10,138	57	17,906
<u>Contractual services and supplies</u>									
Travel and transportation of persons	432	18	652	28	600	26	662	28	2,346
Transportation of things	456	24	386	21	351	19	675	36	1,868
Rent, communications, and utilities	869	22	1,209	30	965	24	998	25	4,041
Printing and reproduction	133	23	128	22	143	25	177	30	581
Other services	11,763	24	14,471	29	10,776	22	12,569	25	49,579
Supplies and materials	9,152	28	7,223	22	8,262	25	8,580	26	33,217
<u>Acquisition of capital assets</u>									
Equipment	5,858	27	5,757	27	5,011	23	4,988	23	21,614
Lands and structures	1,264	19	1,619	24	1,388	20	2,505	37	6,776
Investments and loans	7,382	21	8,739	25	6,945	20	12,051	34	35,117
<u>Grants and fixed charges</u>									
Grants, subsidies, and contributions	30,768	21	22,457	15	31,879	21	63,749	43	148,853
Insurance claims and indemnities	11,505	8	64,167	42	36,910	24	39,622	26	152,204
Interest and dividends	12,598	30	7,494	18	13,516	33	7,979	19	41,587
Refunds	228	29	237	30	302	39	15	2	782
<u>Other</u>									
Undistributed U.S. obligations	-413	*	-182	*	-111	*	-450	*	-1,156
Obligations incurred abroad	1,938	*	1,781	*	1,666	*	-2,030	*	3,355
Unvouchered	55	25	51	24	51	24	59	27	216
<u>Gross obligations incurred</u>	<u>\$110,626</u>	19%	<u>\$153,517</u>	27%	<u>\$135,187</u>	23%	<u>\$179,545</u>	31%	<u>\$578,871</u>

a/Percentages may not add across to 100 due to rounding.

* Because negative figures occurred during this fiscal year, no percentages have been calculated.

Table 10

Gross Obligations Incurred Outside the Federal Government
by Object Class, Fiscal Year 1978-4th Quarter

(In millions of dollars)

<u>Object Class</u>	<u>July</u>		<u>August</u>		<u>September</u>	
	<u>Amount</u>	<u>Percentage of Quarter a/</u>	<u>Amount</u>	<u>Percentage of Quarter a/</u>	<u>Amount</u>	<u>Percentage of Quarter a/</u>
<u>Personal services and benefits</u>						
<u>Personnel compensation</u>	\$ 4,914	29%	\$ 4,978	29%	\$ 7,231	42%
<u>Personnel benefits</u>	54	40	57	42	24	18
<u>Benefits for former personnel</u>	895	9	855	8	8,388	83
<u>Contractual services and supplies</u>						
<u>Travel and transportation of persons</u>	184	28	201	30	277	42
<u>Transportation of things</u>	108	16	131	19	436	65
<u>Rent, communications, and utilities</u>	284	28	282	28	432	43
<u>Printing and reproduction</u>	23	13	49	28	105	59
<u>Other services</u>	2,951	23	2,711	22	6,907	55
<u>Supplies and materials</u>	1,986	23	3,168	37	3,426	40
<u>Acquisition of capital assets</u>						
<u>Equipment</u>	976	20	1,134	23	2,878	58
<u>Lands and structures</u>	330	13	457	18	1,718	69
<u>Investments and loans</u>	3,355	28	3,010	25	5,686	47
<u>Grants and fixed charges</u>						
<u>Grants, subsidies, and contributions</u>	15,255	24	10,218	16	38,276	60
<u>Insurance claims and indemnities</u>	13,409	34	13,416	34	12,797	32
<u>Interest and dividends</u>	1,654	21	3,276	41	3,049	38
<u>Refunds</u>	47	*	50	*	-82	*
<u>Other</u>						
<u>Undistributed U.S. obligations</u>	792	*	57	*	-1,299	*
<u>Unobligations incurred abroad</u>	854	*	724	*	-3,608	*
<u>Unvouchered</u>	20	34	18	31	21	36
<u>Gross obligations incurred</u>	<u>\$48,091</u>	27%	<u>\$44,792</u>	25%	<u>\$86,662</u>	48%

a/Percentages may not add across to 100 due to rounding.

* Because negative figures occurred during this fiscal year, no percentages have been calculated.

Table 11

Gross Obligations Incurred Outside the Federal Government
by Object Class, Fiscal Year 1979

(In millions of dollars)

<u>Object Class</u>	<u>1st Quarter</u>	<u>2nd Quarter</u>
	<u>Amount</u>	<u>Amount</u>
<u>Personal services and benefits</u>		
Personnel compensation	\$ 14,759	\$ 15,214
Personnel benefits	159	126
Benefits for former personnel	2,779	2,884
<u>Contractual services and supplies</u>		
Travel and transportation of persons	595	584
Transportation of things	514	473
Rent, communications, and utilities	1,610	859
Printing and reproduction	167	150
Other services	16,030	11,082
Supplies and materials	9,500	7,203
<u>Acquisition of capital assets</u>		
Equipment	7,434	6,414
Lands and structures	1,619	1,463
Investments and loans	9,715	8,405
<u>Grants and fixed charges</u>		
Grants, subsidies, and contributions	30,926	25,891
Insurance claims and indemnities	40,787	40,979
Interest and dividends	13,640	11,531
Refunds	125	153
<u>Other</u>		
Undistributed U.S. obligations	-674	3,314
Unobligations incurred abroad	1,906	1,986
Unvouchered	60	57
<u>Gross obligations incurred</u>	<u>\$151,651</u>	<u>\$138,768</u>

(974605)

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

PROGRAM ANALYSIS
DIVISION

IN REPLY
REFER TO:

B-160725

JULY 19, 1979

The Honorable Ike Skelton
House of Representatives

Dear Mr. Skelton:

This is in response to your letter of April 23, 1979, in which you asked if any study on a government-wide or agency-by-agency basis has been done on the percentage of annual allocations spent for travel, equipment, and supplies during the last quarter of a fiscal year. You also asked for results of studies or investigations by this office and for our suggestions on how to counter such yearend spending.

GAO has conducted and continues to conduct numerous reviews of agency procurement policies, procedures, and practices. While few of these reviews are directed specifically toward yearend spending issues, we have issued reports that address certain yearend spending practices at the following agencies--General Services Administration, Department of the Army, Maritime Administration, Environmental Protection Agency, Department of Transportation, and the former Office of Economic Opportunity.

These studies have found that funds are sometimes obligated at the end of the year to prevent budget authority from lapsing. This can lead to problems with the validity of yearend obligations, questions on the current needs for supplies or services, as well as the fairness of prices negotiated without competition and under hurried conditions. Recommendations in these reports have generally been directed to improvements in procurement practices for the specific situations involved. We have summarized the findings and recommendations of these reports as they relate to yearend spending and have included them as an enclosure.

We currently have underway studies on yearend spending at the Environmental Protection Agency and the Department of Defense. These studies are not yet complete; however, we can brief you or your representative if you desire. In addition, we have recently received a request from a House Committee to conduct a broad review of yearend procurement in civil agencies.

PAD-79-75
(990516)

Congress has recognized that excess funds have been used at yearend for items that are not valid requirements of the specified year and has taken action in appropriation acts to limit the amount of obligations that can be incurred at the end of a fiscal year. For example, two appropriations acts contain such limitations. Section 819 of the Department of Defense Appropriation Act, 1979 (P.L. 95-457) provides that:

"Not more than 20 per centum of the appropriations in this Act which are limited for obligation during the current fiscal year shall be obligated during the last two months of the fiscal year: Provided, That this section shall not apply to obligations for support of active duty training of civilian components or summer-camp training of the Reserve Officers' Training Corps."

The Foreign Assistance and Related Programs Appropriation Act, 1979 (P.L.95-481) provides that:

"Sec. 102. Except for the appropriations entitled 'Contingency fund', 'International disaster assistance', and 'United States emergency refugee and migration assistance fund', not more than 15 per centum of any appropriation item made available by this Act for fiscal year 1979 shall be obligated or reserved during the last month of availability."

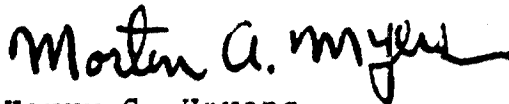
While the above actions by the Appropriations Committees may limit the total amount of obligations to be incurred near the end of a fiscal year, they do not guarantee that such obligations are for goods or services needed at that time or that proper procurement practices are followed. For example, our report on Department of the Army operations and maintenance accounts disclosed that while the Army had complied with the congressional constraints on the rate of yearend obligations, we found several instances where obligations were recorded prematurely and did not represent bona fide needs of that fiscal year (see enclosure, page 3).

While we have made several recommendations related to yearend spending in the reports issued, we believe that a significant underlying problem is that there are no incentives not to spend the funds appropriated. As pointed out in your letter, agencies often fear that future appropriations will be reduced if current funds are not spent by the end of the

fiscal year. Even in instances where multi-year and no-year funds do not expire, and there is no time pressure to obligate the funds prior to the end of the fiscal year, the increased levels of unobligated balances in recent years have been a concern of the Congress. Hence, unobligated balances that are carried forward raise questions as to whether too much funding was provided or whether the programs are being carried out in a timely manner. However, we believe these are not issues that should be generalized about; for the most part they have to be monitored and examined on a program-by-program basis to assess the validity of the needs.

I trust that the information provided herein will be of use to you. Should you have further questions on these matters, please contact us.

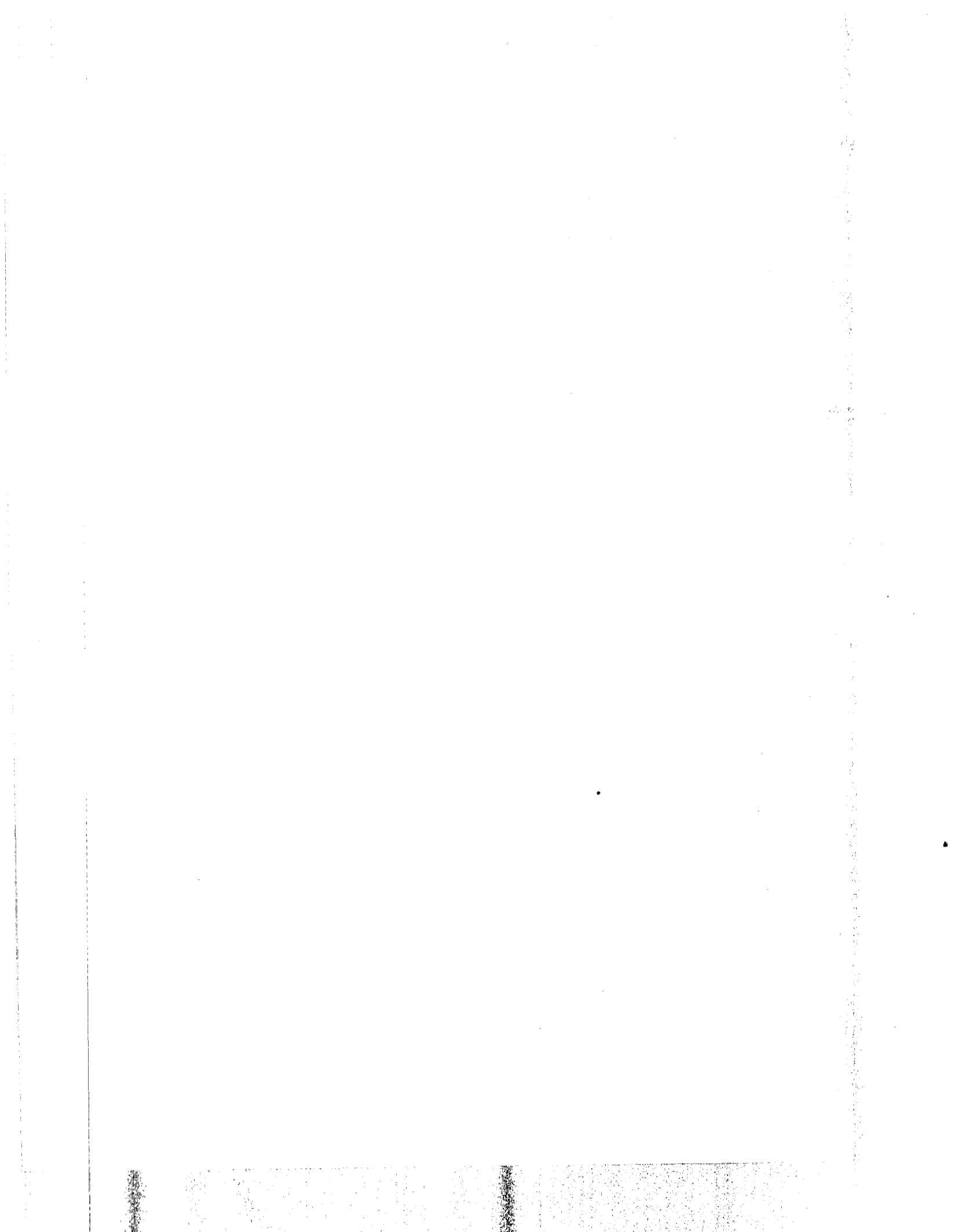
Sincerely,



Harry S. Havens
Director

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Enclosure



GENERAL ACCOUNTING OFFICE
REPORTS ON YEAREND SPENDING

GENERAL SERVICES ADMINISTRATION

General Services Administration's practices for altering leased buildings should be improved. (LCD-78-338, September 14, 1978).

Findings and Conclusions

The General Services Administration had too much flexibility in funding alteration work in leased buildings in fiscal year 1977. In addition to funds made available by tenant agencies, several Federal Buildings Fund accounts were used. Greater emphasis seems to have been placed on obligating available funds balances by the end of fiscal year 1977 than on adhering to sound contracting practices and effective budgetary controls. Several yearend obligations may be invalid or misclassified. In April 1977 the Commissioner of the Public Buildings Service notified the regions that he was concerned about large unobligated balances in three accounts. The regions were urged to obligate available funds before the end of the fiscal year. The regions responded and the level of obligations increased significantly in September, the last month of the fiscal year. For example, in Region 3, obligations for alterations and major repair funds increased from a monthly average of \$4.4 million for 11 months to \$9.3 million in September, an increase of 111 percent. For another account, about \$4.1 million, or 51 percent of the total amount, was obligated for alterations in September 1977, with \$3.1 million during the last 15 days of the fiscal year.

Recommendations

We recommended that the Administrator of General Services:

- Limit the use of letter contracts as a means of obligating yearend fund balances consistent with the criteria in the Federal Procurement Regulations.
- Take appropriate steps to insure (1) that accelerated yearend spending is avoided, (2) that yearend obligations are valid, and (3) that budgetary controls and contracting procedures are followed.

MARITIME ADMINISTRATION, ENVIRONMENTAL
PROTECTION AGENCY, AND THE DEPARTMENT
OF TRANSPORTATION

Federal agencies' contracting for research
and development in the private, profitmaking
sector. (PSAD-77-66, March 24, 1977).

Findings and Conclusions

We examined 111 research and development contracts awarded to profitmaking firms in fiscal year 1975 by the Maritime Administration, the Environmental Protection Agency, and the Department of Transportation (Federal Aviation Administration, National Highway Traffic Safety Administration, Federal Railroad Administration, and Office of the Secretary).

The agencies awarded 65 percent of their contracts to profitmaking firms in the last month of the fiscal year. The Maritime Administration awarded 73 percent of its contracts during the month of June; 42 percent in the last 2 working days of the fiscal year.

Awarding a large number of contracts at the end of the fiscal year suggests improper planning and implies that funds are obligated to prevent the authority from lapsing or to avoid reductions in future appropriations. EPA and FAA have issued policies discouraging peak buying at the end of the fiscal year. These policies recognize that proper planning would enable the distribution of contract awards throughout the year and minimize bottleneck conditions at year's end. According to the policies, peaks in procurement can cause:

- Inadequate review of projects, inexact work statements, and/or incomplete proposal evaluations.
- Awarding of unnecessary contracts.
- Lower quality proposals because of peaks in contractor workload when most solicitations are issued about the same time.
- Increased cost to the Government due to overtime in the procurement office.

Agency officials believe they are expected to obligate R&D funds in the fiscal year in which they are appropriated,

even if the funds remain available for obligation in the following year; otherwise they will be vulnerable to criticism and congressional action reducing funding in subsequent years if appropriations are carried over to the next fiscal year. If subsequent appropriations are reduced, agencies may be unable to fund needed projects.

There are varying perceptions among agency officials as to why award concentrations occur at the year's end. Some believe it is caused by delays in the procurement offices and others, by poor planning in the R&D program offices. Still other officials attribute this problem to R&D funds not being appropriated before the start of the fiscal year.

Recommendations

None

DEPARTMENT OF THE ARMY

Policies and practices for obligating operations and maintenance appropriations funds during the last 2 months of fiscal years 1969 and 1970. (B-174211, October 26, 1971). Note: Although this report is about 8 years old, it illustrates the role of stock funds in yearend obligations.

Findings and Conclusions

For fiscal years 1969 and 1970, the Department of the Army had complied with congressional restraints regarding the rate of obligations to be incurred in the last 2 months of the year. We noted, however, several instances at Fort Carson and Pueblo Army Depot where funds had been obligated contrary to DOD and Army regulations or were not for bona fide needs of the current fiscal year or for replacing stocks used in that year.

At Fort Carson we found that \$181,000 of items requisitioned from the stock fund in June 1969 were turned in shortly after the beginning of fiscal year 1970 and were credited to 1970 obligational authority. The intent of these transactions had been to use 1969 funds to procure items for which there were continuing requirements and to alleviate the impact on 1970 funds.

At Pueblo we found that \$131,600 had been prematurely obligated on June 30, 1969, for requisition that were not delivered until July.

At Pueblo we found that June 1970 requisitions valued at \$17,526 were not supported by demand history data and were not valid fiscal year 1970 requirements.

At Pueblo one of the techniques used to ensure full utilization of funds at year-end was the submission of requisitions on the stock fund on a fill-or-kill basis. If items requisitioned on this basis were available in the stock fund inventory, they were issued and an obligation was established prior to year-end. If the items were not in stock, however, the requisition was cancelled, instead of backordered, and the requisitioning organization then was notified that the funds were available for other requirements.

Recommendations

We recommended that the Secretary of the Army:

- issue guidance near the end of each fiscal year emphasizing the requirements of DOD and Army instructions that pertain to the establishment of valid obligations.
- take specific action to (1) prevent the manipulation of stock fund transactions for the purpose of transferring obligational authority for annual appropriations from one fiscal year to the next and (2) preclude the acceleration of stock fund issues that were programmed for a subsequent fiscal year solely for the purpose of obligating funds available near the end of the current year.
- issue instructions that requisitions on local stock funds not be issued on a fill-or-kill basis unless there is a valid operating need to procure the items elsewhere if the stock fund cannot fill the requisition promptly.

THE FORMER OFFICE OF ECONOMIC OPPORTUNITY
(Now the Community Services Administration)

Contract award procedures and practices
of the Office of Economic Opportunity
need improving. (B-130515, December 15, 1971).

Note: Although this report is about 8 years old, it is still illustrative of the problems that can be encountered by agencies with large amounts of contracts to be awarded.

Findings and Conclusions

The Office of Economic Opportunity (OEO) had awarded a large volume of contracts in June, the final month of the fiscal year.

In June 1969 OEO awarded 149, or 45 percent, of the 332 contracts awarded throughout fiscal year 1969. The June awards amounted to \$22.7 million or 18 percent, of the \$128.4 million for all new contracts awarded in fiscal year 1969.

June 1970 awards represented 56 percent of the 169 contracts awarded by OEO throughout fiscal year 1970 and 69 percent of the \$22.9 million for all 1970 new contracts. GAO's follow-up review showed that a large percentage of contracts still were being awarded in June 1971.

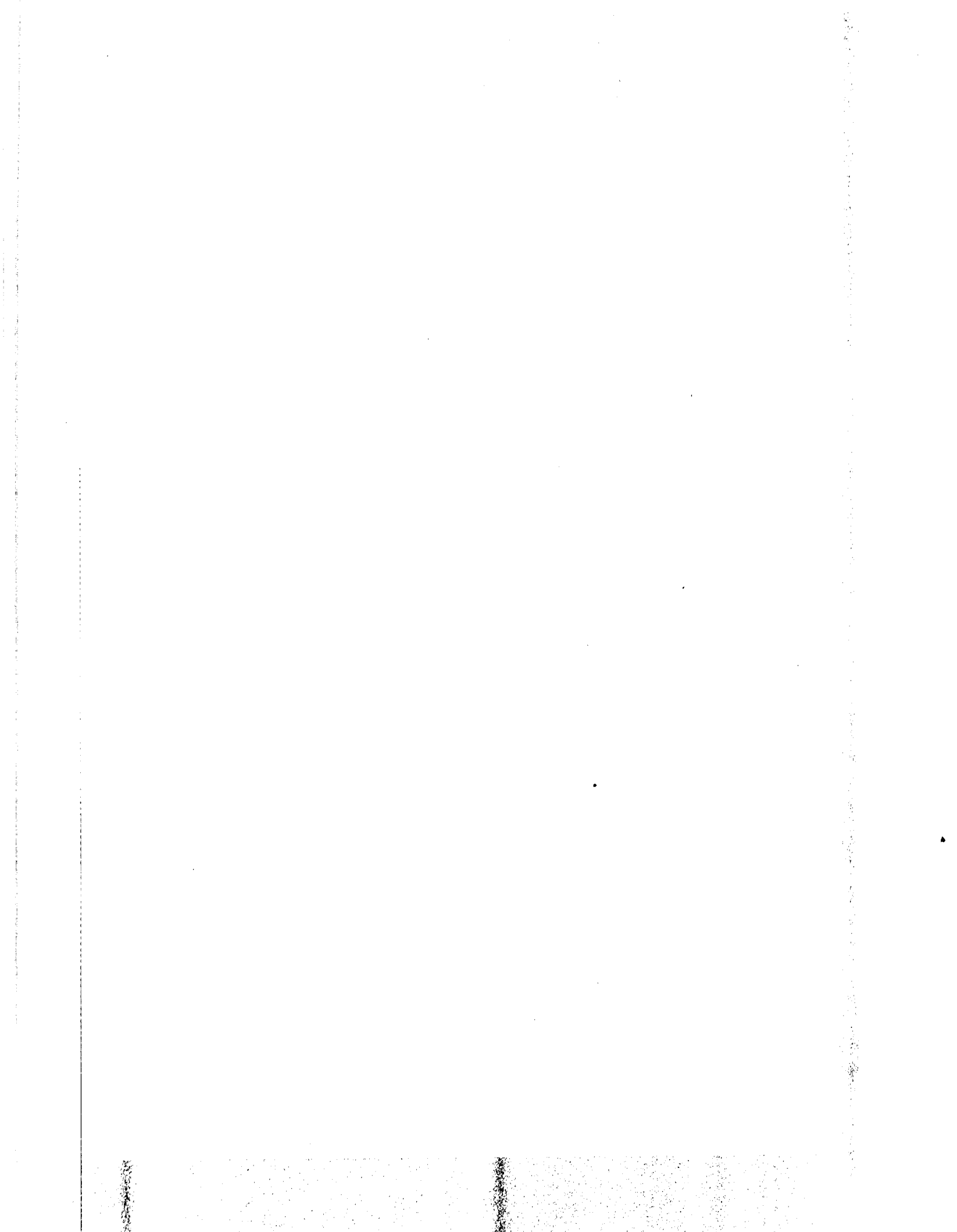
A combination of circumstances resulted in OEO's disproportionately large volume of June contract awards.

- Program offices were not submitting their procurement requests until late in the fiscal year.
- Many June contracts were for activities of a continuing nature and were being reawarded in the final month of each fiscal year.
- Late enactment of OEO appropriation laws caused a delay in funding new projects. OEO had authority, however, to fund continuing activities until appropriations were received.

Recommendations

We recommended that OEO:

- Require program and regional offices to prepare annual procurement plans that show their contract needs for each fiscal year quarter.
- Stagger contract performance periods so that contracts for continuing activities will reach completion in months other than June.



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