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

PROGRAM ANALYSIS  
DIVISION

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The Honorable James R. Jones  
Chairman, Committee on the Budget  
U.S. House of Representatives

Dear Mr. Chairman:

Subject: Update to the Status Report on Implementation  
of GAO's Audit Findings and Recommendations

This letter updates information we provided to your Committee in our September 10, 1981, report on administrative practices (PAD-81-87). The status has changed for only five of the ten items we have been monitoring. Therefore, we direct your attention to the following items:

- Paperwork reduction pages 3-4
- Defense logistical economies pages 4-6
- Multi-year contracting page 7
- Full cost recovery for foreign military sales page 7
- Replacing obsolete computers page 9

We have updated the summary table by enclosing deleted material in brackets and using a leading asterisk for new information. We determined the status of actions through follow-up with agency and Office of Management and Budget officials and our ongoing work with various congressional committees. These actions include high priority leadership by the Office of Management and Budget, actions by Federal agencies to improve program management and administration, continued congressional monitoring, and legislative action.

We will continue to keep you apprised of actions taken or additional actions needed on these important issues as well as to advise you of other issues your Committee may wish to address.

Sincerely yours,

*Morton A. Myers*

Morton A. Myers  
Director

Enclosure

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Administrative practice and nature of deficiency

1. Delinquent accounts and loans receivable. The Federal Government has no clear assignment of responsibility for debt collection and no systematic procedures for keeping track of amounts delinquent nor for attempting to collect.

Elements of program

High priority and leadership by Executive Office of the President.

Continued congressional monitoring.

Specific roles for the Department of Justice, Inspectors General, and the General Accounting Office.

Passage of legislation to give collectors tools needed.

Strengthened collection through administrative actions.

Actions taken

A Presidential memorandum dated April 23, 1981, directed Executive Branch heads to develop and implement an aggressive debt collection program.

The Office of Management and Budget recently released the "Debt Collection Project--Report on Strengthening Federal Credit Management" which recommended measures to increase accountability, augment resources, and provide private sector tools in Federal debt management.

Legislative measures are before both the Senate and the House (S.1249 and H.R. 3741) calling for annual reporting on agency debt collection activities.

The Justice Department is making changes to the Federal Claims Collection Standards.

Inspector Generals will have increased opportunities to surface debt collection issues through the President's Council on Integrity and Efficiency.

Debt collection legislation was reported out by the Senate (S.1249) on July 9, 1981, and was introduced and referred to the House (H.R.3741) on June 1, 1981.

GAO and Justice in April 1981 issued a change to the Federal Claims Collection Standards encouraging agencies to use private debt collection agencies.

The Treasury Department in a June 24, 1981, change to its Fiscal Requirements Manual detailed reporting requirements for all accounts and loans receivable due from the public.

Further actions needed

Implementation of the policies contained in the President's April 23, 1981, memorandum.

Passage of legislation that would (1) require an annual detailed report to the Congress on agency debt collection activities and (2) provide for the offset of delinquent debts against Federal tax refunds due to debtors; and (3) provide for the full usage of consumer reporting agencies in locating and obtaining financial information on debtors.

Justice and GAO should continue to identify and make changes to the Federal Claims Collection Standards as new policies and procedures are being implemented.

Justice needs to develop specific plans for improving the debt litigation process.

Inspectors General need to continue to identify through the Council on Integrity and Efficiency, debt collection improvements that should be instituted.

Prompt passage of comprehensive debt collection legislation.

ENCLOSURE

Administrative practice and nature of deficiency

2. Unpaid taxes. IRS has not been able to keep up with its collections. Also it does not charge full interest costs on late payments.

3. Unresolved audit findings. The Federal Government has no clear assignment of responsibility for seeing that audit findings are resolved and no systematic procedures for keeping track of the status and amount involved.

Elements of program

Increase IRS collection staffing by up to 1500 staff years, as recommended by GAO's March 30, 1981 report, PAD-81-69.

Increase interest rate on delinquent tax to market rate.

Administrative action to assign responsibility and establish procedures for tracking and resolving audit findings. Resolution is also needed of the action to be taken on recoveries from oil companies.

Actions taken

Requested increase in IRS collection staff. The President's budget requests 600 additional staff years. House and Senate appropriation bills provide for 1200.

1981 tax act increases interest rate on unpaid taxes from 90 percent of the prime rate to 100 percent of the prime rate, effective 2/1/82.

In response to the recommendations in GAO's report, "Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings," AFMD-81-27:

--OMB has indicated that it will continue to consider audit followup a priority issue and place it on the agenda of the President's Council on Integrity and Efficiency; ensure that the council acts on needed changes; include oversight of agency audit resolution practices in the budget review process; and consider revisions to OMB Circular A-73.

--Federal agencies have provided comments on the report to the House Committee on Government Operations. Hearings are being held which have centered around progress made on the GAO report recommendations and agency plans for future action on unresolved audit findings.

GAO testified twice before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce: (1) on the impact of proposed budget cuts on DOE's compliance activities and the need for DOE to develop a plan for the orderly resolution of the outstanding violations and litigation, and (2) to discuss the Office of Enforcement's decontrol workplan. DOE did not act on our recommendation in that its plan lacked the workload analysis that we called for.

Further actions needed

Congress could appropriate funds to increase IRS collection staff by 1500 staff years, 300 more than in appropriation bills.

The Council on Integrity and Efficiency should revise OMB Circular A-73 and implement procedures for actually dealing with the audit findings in agency management and budgeting, OMB budget review, and litigation and debt collection, where needed.

DOE needs to act as aggressively as it can with the funds provided to resolve the outstanding alleged oil pricing violations.

Agency personnel should continue to implement GAO recommendations presented in AFMD-81-27.

Administrative practice and nature of deficiency

4. Paperwork reduction. The Paperwork Reduction Act of 1980 if used to its fullest potential can result in substantial savings. It covers more than just reports-it also covers data processing and telecommunications. Action will be needed to actually eliminate unneeded reporting.

Elements of program

Apply sufficient resources to effectively implement the Paperwork Reduction Act of 1980 (P.L. 96-511).

Eliminate statutory requirements for construction contractors to file weekly payroll reports.

Establish a systematic review process for declassifying Government records.

Provide direct appropriations for the National Records and Archives Service (NARS) Federal Records Management activities.

Actions taken

\* OMB included in its original fiscal year 1982 budget a request for 90 people to achieve the objectives of the Paperwork Reduction Act of 1980. This is being reduced to 80

positions which OMB will apply to regulatory reform rather than the accomplishment of the Act's objectives.

\* In testimony before the House Committee on Government Operations on October 21, 1981, Comptroller General Bowsher testified that (1) OMB has not provided the visible and forceful leadership necessary to achieve the Act's objectives, (2) a sufficiently high priority has not been given to implementing the Act, (3) little or no effort has been directed to key requirements of the Act, and (4) as recently as October 16, 1981, OMB has approved no formal plans for implementing the Act.

S.3, introduced in the 97th Congress, provides for eliminating the weekly statement--a certification--of wages paid to each employee, but does not deal with the weekly submission of payroll records required by the Department of Labor's regulations. We suggested revision to insure that submission of the payroll records be eliminated but as of August 31, no substantive action has been taken.

In the 97th Congress, members of both the Senate and House have introduced legislation to (1) repeal the Davis-Bacon Act, (2) rescind or modify the weekly payroll reporting requirements of the Copeland Anti-Kickback Act, and (3) repeal provisions of certain of the 77 related statutes which require use of the Davis-Bacon requirements on federally assisted construction projects.

On April 7, 1981, the OMB in a report to the Congress on "Additional Details of Budget Savings for Fiscal Year 1982" announced proposed changes to the Davis-Bacon Act.

On August 14, 1981, the Department of Labor published proposed changes to its regulations in the Federal Register which will reduce paperwork required under Government construction contracts.

Further actions needed

\* Congress could approve a fiscal year 1982 OMB budget for implementation of the Paperwork Reduction Act of 1980 designated specifically for the Office of Information and Regulatory Affairs.

\* Action is needed to ensure that (1) OMB gives priority to implementing fully the Paperwork Act; (2) agencies develop the management structure essential to achieving the objectives of the Act; and (3) proper coordination with GSA, the Department of Commerce, and the agencies to achieve the Act's objectives.

Passage of legislation or administrative action to eliminate the wages paid reporting requirement for construction contracts.

Executive action to change Executive Order 12065 to require review of only classified records which are specifically requested by the public

Executive action to request congressional approval for direct appropriation for the NARS technical assistance program.

Administrative practice and  
nature of deficiency

Elements of program

Actions taken

Further actions needed

4. Paperwork reduction  
(Continued).

[No action has been taken to modify Executive Order 12065 as recommended in GAO's report "Systematic Review for Declassification--Do Benefits Exceed Costs?" (LCD-81-3).]

\* A new Executive order, to replace E.O. 12065, is being processed that will relieve agencies of the stringent requirements for systematic declassification reviews. Agencies are given an option of conducting systematic reviews. The National Records and Archives Service will be conducting selective reviews.

No action has been taken to fund NARS through direct appropriations as recommended in GAO's report "Program to Improve Federal Records Management Practices Should be Funded by Direct Appropriations", (LCD-80-68).

5. Additional defense logistical economies through integration or sharing of support activities, overhead, facilities, and inventories. Several actions outlined in our letter of January 21, 1981, are not yet reflected in the Secretary of Defense's cost reduction plans for fiscal year 1982.

**Strong administrative action:**

Consolidate military base support activities.

Finish consolidation of management of consumable supplies in Defense Logistics Agency.

Consolidate management of aircraft depot maintenance activities.

Consolidate intermediate maintenance of aircraft components in Europe

Integrate traffic management activities.

Use wholesale and retail inventories of parts more effectively.

Based on GAO's report "Consolidating Military Base Support Service Could Save Billions," (LCD-80-92), DOD has taken the following actions:

--Deputy Secretary of Defense Carlucci set a savings goal of \$10 million per year for each Service for 5 years beginning in fiscal year 1983.

--All other DOD agencies have been directed to submit their own cost reduction goals.

--The Defense Retail Interservice Support (DRIS) program and Commercial Industrial Activities program have been removed from the Defense Logistics Agency (DLA) and Deputy Assistant Secretary of Defense (Supply Maintenance and Transportation), respectively, to the newly created Deputy Assistant Secretary of Defense for Facilities, Environment, and Economic Adjustment.

--The DRIS Manual is currently being converted to a DOD Regulation.

--The Joint Interservice Retail Study Groups (JIRSGs), which were scheduled to terminate in fiscal year 1983,

Assign full-time personnel to each of the JIRSGs, and broaden the DRIS programs data base to highlight for management potential areas for greatest savings.

The Secretary of Defense should monitor closely the impact of the initial transfer of consumable supplies and make further transfers as soon as it is determined to be feasible.

GAO plans to respond to the DOD study addressing the management of aircraft depot maintenance when it is officially provided.

Action by DOD to implement GAO recommendations to consolidate intermediate maintenance of aircraft components in Europe. DOD does not agree.

Continued efforts by DOD to maximize efficiency in logistics support through a truly centralized or unified traffic management command.

DOD's management needs to address the following areas:

Army - The program for validating aged, unfilled material orders (backorders).

<u>Administrative practice and nature of deficiency</u>	<u>Elements of program</u>	<u>Actions taken</u>	<u>Further actions needed</u>
5. Defense logistical economies (continued).	<p>have been extended indefinitely.</p> <p>On July 20, 1981, the Deputy Secretary of Defense announced that 200,000 consumable items would be transferred from the military services to DLA for central management. This was an Office of the Secretary of Defense (OSD) proposal supported by GAO.</p> <p>The Deputy Secretary of Defense directed the preparation of an option paper addressing the establishment of a single manager for Defense aeronautical depot maintenance. A joint OSD-Service task group provided a draft study on June 22, 1981. The study arrived at two key options:</p> <ul style="list-style-type: none"> <li>--Strengthen the existing interservicing system. This is supported by the services.</li> <li>--Establish single managers to control investment and work assignment. This is supported by OSD task-group participants and GAO.</li> </ul> <p>No action has been taken on GAO recommendations to consolidate intermediate maintenance of aircraft components in Europe.</p> <p>The Department of Defense, the Deputy Secretary of Defense announced on June 30, 1981, the realignment of some transportation and traffic management activities which included:</p> <ul style="list-style-type: none"> <li>*--Transfer [by October 1, 1981] of the sealift and passenger booking and contract administration functions from the Military Sealift Command (MSC) to the Military Traffic Management Command (MTMC) was accomplished on October 5, 1981. Worldwide Joint Offices for shipping military export cargo offering and booking functions have been established under MTMC supervision.</li> <li>*--The Assistant Secretary of Defense for Manpower Reserve Affairs and Logistics (ASD MRA&amp;L), in accordance with the</li> </ul>	<p>Navy - GAO believes the Navy could use inventories of spare parts more effectively by identifying parts in long supply. In addition the Navy's policy for stocking insurance items aboard ships needs attention.</p> <p>Air Force - Ongoing efforts in this service to identify procedural and system weaknesses which permit stockage of parts, at wholesale and retail levels, in excess of quantities needed.</p>	

Administrative practice and  
nature of deficiency

Elements of program

Actions taken

Further actions needed

5. Defense logistical economies  
(Continued).

Army and Air Force, will prepare a plan for improving the management and procurement of domestic passenger transportation services. As of October 20, 1981, this item was still under study.

[--The Joint Chiefs of Staff (JCS) will be responsible for assembling and leading a joint service task group to develop and implement a plan for strengthening the Joint Deployment Agency.]

\*--On September 16, 1981, the Deputy Secretary of Defense approved the JCS's concept to integrate MSC and MTMC into a single command. He asked MSC and MTMC to draw up a plan for implementation by October 1, 1982.

These actions are certainly a positive step toward centralized traffic management, but GAO believes they fall short of the structure and the operations as envisioned and recommended by 1) the Blue Ribbon Defense Panel, 2) congressional committees, 3) Harbridge House, Inc., an independent contractor, and 4) the GAO.

GAO has issued several reports concerning DOD's effective use of parts inventories (LCD-76-237, June 7, 1977; LCD-78-221, December 22, 1978; PLRD-81-5, March 16, 1981; PLRD-81-59, September 11, 1981). In response to GAO recommendations to strengthen supply activities the Navy agreed fully, or in part, with all the recommendations except one, and either has acted on them or has promised to act on them. The Air Force agreed fully with GAO recommendation to obtain parts from the DOD supply system and has taken action to do so.

Administrative practice and nature of deficiency

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Actions taken

Further actions needed

6. Provide statutory authorization for DOD to make multi-year contracts for the production of new weapon systems in order to obtain lower unit costs through program stability and incentives to invest in capital equipment.

DOD needs statutory authorization for multi-year contracts.

H.R. 3519 and S. 815 in conference as of August 11, 1981, which provides DOD with authority for multi-year contracting.

The Office of Federal Procurement Policy is considering seeking similar Government-wide authority in its proposed Uniform Procurement System to be submitted to Congress in October 1981 pursuant to P.L. 96-83.

The Department of Defense has issued a May 1, 1981, multi-year procurement policy memorandum to the service secretaries and directors of the defense agencies, and identified about seven potential candidates for multi-year contracting.

\*DOD provided the Congress with justification material for 4 multi-year procurement contracts (MYCs) on October 9, 1981 that it wished to pursue in fiscal year 1982.

The Air Force has expended considerable detailed effort in preparing its proposal of the F-16 aircraft multi-year contract candidate.

The Subcommittee on Legislation and National Security of the House Government Operations Committee held hearings on a GAO report concerning needed controls for the foreign military sales program.

\*The Subcommittee on Defense of the House Appropriations Committee held hearings on "Better Accounting and Financial Management Needed to Eliminate Continued Foreign Military Sales Subsidies." As a result of the hearings and two recent GAO reports (AFMD 81-62, September 10, 1981 and AFMD 81-105, October 5, 1981), the Committee is marking up DOD's budget request to cut \$136 million: \$120 from stock fund appropriations and \$16 million from procurement appropriations.

The Deputy Secretary of Defense alerted the military departments and Defense agencies to the need for emphasis in certain financial management areas.

DOD recently established a quality assurance unit to monitor foreign military sales pricing and is continuing its study of a centralized accounting system.

\*DOD has been preparing for this change and GAO is monitoring DOD's implementation to selectively determine whether (1) projected savings are reasonable and measurable and (2) there are any potentially significant problems that have not been identified.

Action may be required by the Congress on the Proposed Uniform Procurement System.

\* Congress needs to review and approve the proposed MYCs.

7. Full cost recovery for foreign military sales. The Federal Government has not been accounting for and charging for the full cost of the equipment and services sold to foreign countries.

DOD needs to strengthen its accounting for and financial management of the foreign military sales program.

DOD needs to develop an adequate centralized accounting system, establish and implement pricing policies that result in full cost recovery, and provide the Congress with adequate information for effective oversight and control.



Administrative practice and nature of deficiency

Elements of program

Actions taken

Further actions needed

8. Workforce cost control. Congress and the President need to be able to control total workforce through the budget process. The present system does not allow this; instead piecemeal approaches are used--personnel ceilings, hiring freezes, limitations on consultants and travel.

By administrative action with Congressional approval or by legislation:  
--revise the object classification to provide detailed data on total workforce costs;  
--implement the change in the budget systems;  
--revise the budget classification system to coincide with goals, missions, and program objectives established in authorizing legislation;  
--improve existing data systems;  
--develop a totally new system for accumulating and recording costs on total workforce; and  
--establish a workforce budget which segregates workforce data and costs from other elements of the budget.

No action has been taken.

The Congress needs to modify the budget procedures to better identify, manage, and control total Federal workforce costs and implement this alternative either through administrative action or by legislation.

9. General procurement practices. A constant objective in procurement is increasing competition. During the 1970's Government procurement trends have been to less competition--which means the probability of higher prices.

There should be clear Government-wide specification of the factual support needed for noncompetitive procurement as well as plans to improve competition through better planning of the annual procurement program, better management of the process, and higher skill and competence levels.

On July 28, 1981, in testimony before the Senate Armed Services Committee hearing on procurement, DOD added "increased stress on competition" as one of its principal initiatives to improve the acquisition process.

The Office of Federal Procurement Policy (OFPP) is addressing competition in its proposed Uniform Procurement System. (See item 6.)

GAO has informally provided data to OFPP on two ongoing GAO efforts on competition in DOD and civil agencies.

Completion of OFPP's proposed Uniform Procurement System which is required to be submitted by October, 1981.

Favorable congressional action on the system.

OFPP and agencies need to jointly establish meaningful baselines as to each agency's current rates of competitive procurements and plans for improving them.

Administrative practice and  
nature of deficiency

10. Replacing old, inefficient computers. The Federal Government has a large number of obsolete, and inefficient computers. Some of these can be replaced immediately at savings. But there is no leadership for making those changes.

Elements of program

Administrative direction: Guidance for replacement of economically obsolete equipment by General Services Administration (GSA).  
Require heads of Federal agencies to institute programs to determine equipment obsolescence and to make needed replacements.  
Provide through OMB leadership the requirement for Federal agencies to improve management's knowledge and involvement in ADP operations.

Actions taken

No legislative or budgetary action has been taken.

Administrative actions:

GSA has issued regulations in this area. GSA reports that 114 agency procurement requests have been processed, including the replacement of obsolete computers. From an analysis of these acquisitions, GAO plans to assess the extent the problem is being remedied.

OMB covered this subject in their spring preview meeting, which deals with major administrative problems. Additional information is currently under study by OMB.

\*Department of Interior has initiated action to identify and replace all computers within the Department that are determined to be no longer cost effective based on criteria outlined in our report, "Continued Use of Costly, Outmoded Computers in Federal Agencies Can be Avoided (AFMD-81-9, Dec. 15, 1980). Procurement transactions were completed in September to replace 2 computers at the Denver center for a savings of \$930,744.

Further actions needed

Decisive action by OMB to highlight the area and stimulate appropriate agency responses.