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Statement of

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before the

Subcommittee on Government Activities and Transportation
Committee on Government Operations
House of Representatives

concerning

GAO's second biennial report
on the impact of Public Law 94-519

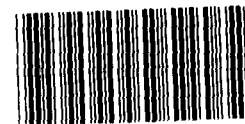
Madam Chairwoman and Members of the Subcommittee:

I welcome this opportunity to appear before you today to discuss our second biennial report on the impact of Public Law 94-519 and its implementation during its second 2-year period of operation.

BACKGROUND

Public Law 94-519, which became effective in 1977, established, under the direction of the General Services Administration (GSA), a single system intended to efficiently and equitably distribute the Federal Government's excess and surplus personal property to eligible non-Federal organizations. Property is "excess" when it is not needed by the possessing Federal agency but may be needed by another

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Federal agency. Excess property becomes "surplus" if it is not needed by any Federal agency.

The act has several objectives, including

- reducing the volume of transfers to non-Federal organizations of excess property that might be needed within the Federal Government and
- encouraging the fair and equitable donation of increased amounts of surplus property to meet the needs of a wider range of eligible non-Federal organizations.

As the Subcommittee is aware, the act requires the Administrator of General Services and the Comptroller General to submit to the Congress biennial reports covering a full and independent evaluation of the implementation and impact of the act. Our first biennial report entitled "Transfers Of Excess And Surplus Federal Personal Property--Impact Of Public Law 94-519" (LCD-80-101) was issued on September 30, 1980.

TRANSFERS OF EXCESS
PERSONAL PROPERTY

Prior to enactment of Public Law 94-519, substantial amounts of excess property, which might have been needed by Federal agencies, were being transferred to non-Federal organizations that were eligible to receive such property under section 514 of the Public Works and Economic Development Act of 1965 or as Federal grantees. Public Law 94-519 repealed section 514 and imposed a requirement that Federal grantor agencies pay to the Treasury 25 percent of the original acquisition cost of excess property transferred to their grantees.

The Congress did not intend to prohibit these non-Federal organizations from receiving property; instead, it believed it would be more equitable if they received surplus property under the Donation Program through the State Agencies for Surplus Property. To accomplish this, the act expanded the Donation Program to include these former excess property recipients as eligible donees and authorized many new purposes, including economic development, for which donated property could be used.

Public Law 94-519 is generally having the effects intended by the Congress. During the second 2-year period of the act's operation (fiscal years 1980 and 1981), the amount of excess transferred to non-Federal organizations continued to decline. Also, even though the total amount of excess property available has decreased significantly, Federal agencies are receiving a higher proportion of the total property transferred than before the act's implementation.

Also, GSA and Federal grantor agencies have implemented the recommendations in our first report to assure that the transfers of excess property to grantees comply with the act and implementing regulations.

GSA'S MANAGEMENT INFORMATION
SYSTEM FOR THE DISPOSAL OF
EXCESS AND SURPLUS PERSONAL PROPERTY

We found, during our second review, major discrepancies between the reports generated by the computerized management information system (known as the FPRS-1 computer system) and the manual records accumulated and reported monthly by the regional offices on the amount of excess property transferred to non-Federal organizations as well as the amount of the 25

percent payment to the Treasury required by the act on these excess transfers. For example, in fiscal year 1981, the computer system showed transfers of excess property to non-exempt grantees having an acquisition cost of \$4.4 million more than that contained in the manual records. This resulted in a difference of \$1.1 million in the amount of reimbursement required on these transfers. Because of the time and labor required to reconcile these differences, GSA decided to disregard the computer generated statistics and use the manual data which the regions had revised.

Consequently, GSA was maintaining two sets of records both of which are inaccurate and unreconcilable. Therefore, GSA, the approving agency for excess property transfers, could not determine with certainty the amount of excess property transferred to non-Federal organizations and subject to the 25 percent reimbursement.

Another problem with the computer system at the time of our second review was that the computer could not record transfers to non-Federal organizations that are exempt from the 25 percent reimbursement requirement by section 202(a)(2) of the act. However, this information is required to be reported annually to GSA by section 202(e) of the act--a report GSA wants to eliminate. Section 202(e) requires Federal agencies to submit to GSA annual reports showing information on all personal property furnished to non-Federal organizations. GSA is required to submit to the Congress a summary of these reports. GSA has proposed that the Congress eliminate this reporting requirement on the basis that it generally duplicates

information that can be provided to the Congress from GSA's management information system. However, we found in our second review that the GSA computer system does not provide accurate and reliable information on excess property transferred; therefore, we believe that this reporting requirement should be retained as an alternate source of statistical information.

We also question the adequacy and reliability of the computer system as an alternate source of information on the allocation of highly desirable items of surplus property. For example, on the computer-produced Historical Register by State and Type of Property Code report, a portion of the acquisition cost of the allocated property is printed in the GSA control number column, causing part of the control number to be lost. Thus, neither the complete acquisition cost nor the GSA control number can be identified on the report.

At the completion of our second review, GSA had contracted for the design of a new computer system to correct these problems; therefore, we did not make any recommendations regarding the current system in our second biennial report.

The FPRS-1 is the key management information system that GSA uses to monitor the transfers of excess and surplus personal property to Federal and non-Federal organizations. It has been in the development and modification process since 1975. While some reports produced by the system have been helpful in some aspects of the Program, the computer system still has problems. Because of these problems, we plan to closely monitor the progress in redesigning the system during our third biennial review.

DONATION OF SURPLUS PROPERTY

Because the amount of excess property flowing to grantees and other non-Federal organizations has decreased significantly, a larger percentage of the total amount of excess property eventually becomes surplus property and flows to a wider range of eligible donees. Therefore, to the extent surplus property is available for transfer to non-Federal organizations, the Congress' desire to have it flow through the Donation Program is being achieved.

However, we continue to find some problems with the implementation of the act's provisions which I would now like to address.

Submission of permanent State plans of operations

The act requires each State that chooses to participate in the Donation Program to develop a permanent plan of operation. The purpose of the plan is to ensure that Federal surplus property is properly distributed and used by eligible recipients. The act specified that the State plans be developed in accordance with State law by the legislature, certified by the Governor, and submitted to GSA within 270 days of enactment of the act or by July 14, 1977. If the States could not develop, approve, and submit permanent plans to GSA within 270 days, the act allowed the State Agencies for Surplus Property to operate and receive Federal property under a temporary plan approved and submitted by the Governor. No final deadline was provided in the act for submitting the permanent plans and no penalty was prescribed for failing to submit them.

In our first review, which covered fiscal years 1978 and 1979, we found that Oklahoma, South Dakota, and Wisconsin had submitted permanent plans developed by their State legislatures. GSA, in commenting on the draft report in June 1980, stated that South Carolina had also submitted a permanent State plan. Therefore, at the time of our first review, 50 of the 54 State Agencies participating in the Donation Program were operating under a temporary plan. The Donation Program includes the 50 States, the District of Columbia, the Virgin Islands, Puerto Rico, and Guam. At the time of our second review, the Territory of the Northern Mariana Islands had submitted a plan to the Administrator of General Services who on April 13, 1982, accepted it as a temporary State plan of operation. Thus, the number of State Agencies participating in the Donation Program has increased to 55.

On January 5, 1982, GSA issued a memorandum to all its regional offices and State Agencies for Surplus Property advising them that permanent State plans of operation must be submitted for review and acceptance by the Administrator of General Services no later than June 30, 1984. We believe that this is an important step toward bringing about the submission of the required plans; however, at the completion of our second review, only five States had submitted acceptable permanent plans. In addition to the four State Agencies previously mentioned, Tennessee submitted a permanent State plan of operation on July 23, 1981. GSA, in commenting on the draft

report in March 1983, stated that three more States (Arizona, California, and Michigan) had submitted permanent plans, bringing the total to eight States which have permanent State plans of operation.

Accomplishment of biennial external audits

The Federal Property Management Regulations implementing Public Law 94-519 require that the plan of operation for each State Agency provide for periodic external audits of its operations and financial affairs. These external audits must be performed at least every 2 years.

During our first review, only 6 of 25 State Agencies reviewed had received acceptable external audits. Our second review showed that external audits had been performed at 9 of the 11 State Agencies under the jurisdiction of the 2 GSA regional offices (Chicago and San Francisco) we visited, and audits at the other 2 State Agencies were in process. State Agencies should have received their second external audits by the time of our second review. However, only 2 of the 11 State Agencies in the GSA regions reviewed had received their second audits. We believe this is an area that needs continued emphasis by GSA to assure that each State Agency is audited at regular, 2-year intervals. These audits could enable the State Agencies to improve their programs and would assist GSA in promptly learning of State Agency management deficiencies.

Accountability for Federal property

During our first review, we found deficiencies at 7 of the 10 State Agencies visited regarding the adequacy with which

property is controlled and accounted for between the time it is obtained from the Federal Government and donated to eligible donees. In our second review, we found that three of the four State Agencies visited did not have adequate inventory management and records systems. We believe GSA needs to further emphasize to the State Agencies the importance of adequate property control and accountability procedures for Federal property in their possession.

We attempted to determine the status of 65 items of property that GSA had transferred to one State Agency. We found that appropriate records were not available for the majority of the items selected. Inventory record cards for property received by the State Agency between October 1980 and March 1981 had been misplaced during a July 1981 move to new facilities and were not immediately available. A bundle of inventory cards were discovered in an empty file cabinet in the warehouse. State Agency employees explained that some inventory cards had been inadvertently thrown out. We could not locate inventory cards for 35 of the 65 items we selected. At another State Agency, physical security of its inventory was less than adequate due to a shortage of personnel. At one of its warehouses, customers have virtually free access to the property storage areas during operating hours. Because of a State hiring freeze, only one State Agency employee is available to staff the warehouse and manage all operations. Although the State Agency has not noted any significant losses from theft, this warehouse is highly susceptible to pilferage.

Proper use of donated
property by donees

In our first review, we noted many instances in 4 of the 10 States visited where property acquired by donees through the Donation Program either had not been used or had been used for purposes which did not conform to the requirements of Federal regulations. For all 10 States, we found that 103, or 42 percent, of 245 items donated at least 1 year before our visits had not been used or had been used improperly. During our second review, we found 12, or less than 10 percent, of 123 items donated at least 1 year before our visits had not been used or had been used improperly. However, two of the four State Agencies visited were not performing the number and type of inspections required by their plans of operation to assure that donees in their States were properly using donated property.

The manager of one State Agency stated that no onsite inspections had been made since September 1980. Due to significant personnel shortage, the State Agency has been forced to rely entirely on donee responses to a utilization survey form mailed to donees a few months after the property has been donated. However, if a donee does not return the form or if the donee reports that the property is not in use, the State Agency does not have the personnel available to follow up with the donee. At the time of our review and in commenting on the draft report in February 1983, the State Agency manager again stated that he was unable to hire additional employees because

of a State hiring freeze. Also, one of the four State Agencies audited had taken Federal surplus property for its own use without requesting GSA advance authorization. Because of these problems, we believe that proper utilization of property remains a matter that needs the attention of GSA and the State Agencies for Surplus Property.

RECOMMENDATIONS

In our second biennial report, we are recommending that the Administrator of General Services:

--Continue the requirement for Federal agencies to submit annual reports on all personal property furnished to non-Federal organizations until GSA's new management information system has been proven to provide complete and accurate data.

--Continue emphasizing to the State Agencies that participation in the Donation Program is dependent on their compliance with the act's requirements for submitting permanent State plans of operation, having external audits performed, and establishing adequate accountability systems. If the States do not submit permanent plans of operation by the June 30, 1984, deadline administratively established by GSA, we recommend that the Administrator advise the appropriate congressional committees of the actions that will be taken in cases of noncompliance.

GSA has concurred with our findings and recommendations. Three of the four State Agencies visited provided comments on

our draft report. They cited a number of corrective actions that have been taken since completion of our fieldwork and these actions were addressed in our report.

In summary, the Congress, by Public Law 94-519, put in place a system providing for the fair and equitable donation of surplus Federal personal property to meet the needs of a wide range of eligible non-Federal organizations. There is room for improvement, but the system is generally working well. However, the health of the Donation Program ultimately rests on the amount of personal property in useable condition that is made available to the Program. As can be expected in times of tight budgets, we have found the amounts of this property decreasing.

Madam Chairwoman, this concludes my prepared statement. My associate and I will be pleased to respond to any questions at this time.