

BY THE COMPTROLLER GENERAL

# Report To The Congress

OF THE UNITED STATES

## GAO's Third Biennial Report On The Transfer Of Excess And Surplus Federal Personal Property To Nonfederal Organizations

Public Law 94-519, effective in 1977, established, under the direction of GSA, a single system to distribute excess and surplus federal personal property to eligible nonfederal organizations. Property is "excess" when it is not needed by the possessing federal agency. Excess property becomes "surplus" if it is not needed by any federal agency. The Congress believed it would be more equitable if nonfederal organizations mainly received personal property as surplus through the donation program. Also, the law requires federal agencies to report annually to GSA all personal property furnished to nonfederal organizations in any manner whatsoever.

GAO found that the law is accomplishing the objectives of reducing transfers to nonfederal organizations of excess personal property that might be needed within the federal government and encouraging the fair and equitable donation of surplus personal property to a wider range of eligible nonfederal organizations. But, GAO found that several federal agencies believed that certain categories of personal property and types of recipients were not to be reported to GSA. Thus, GAO recommends that GSA clarify the types of information on federal personal property that are to be reported.



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To the President of the Senate and the  
Speaker of the House of Representatives

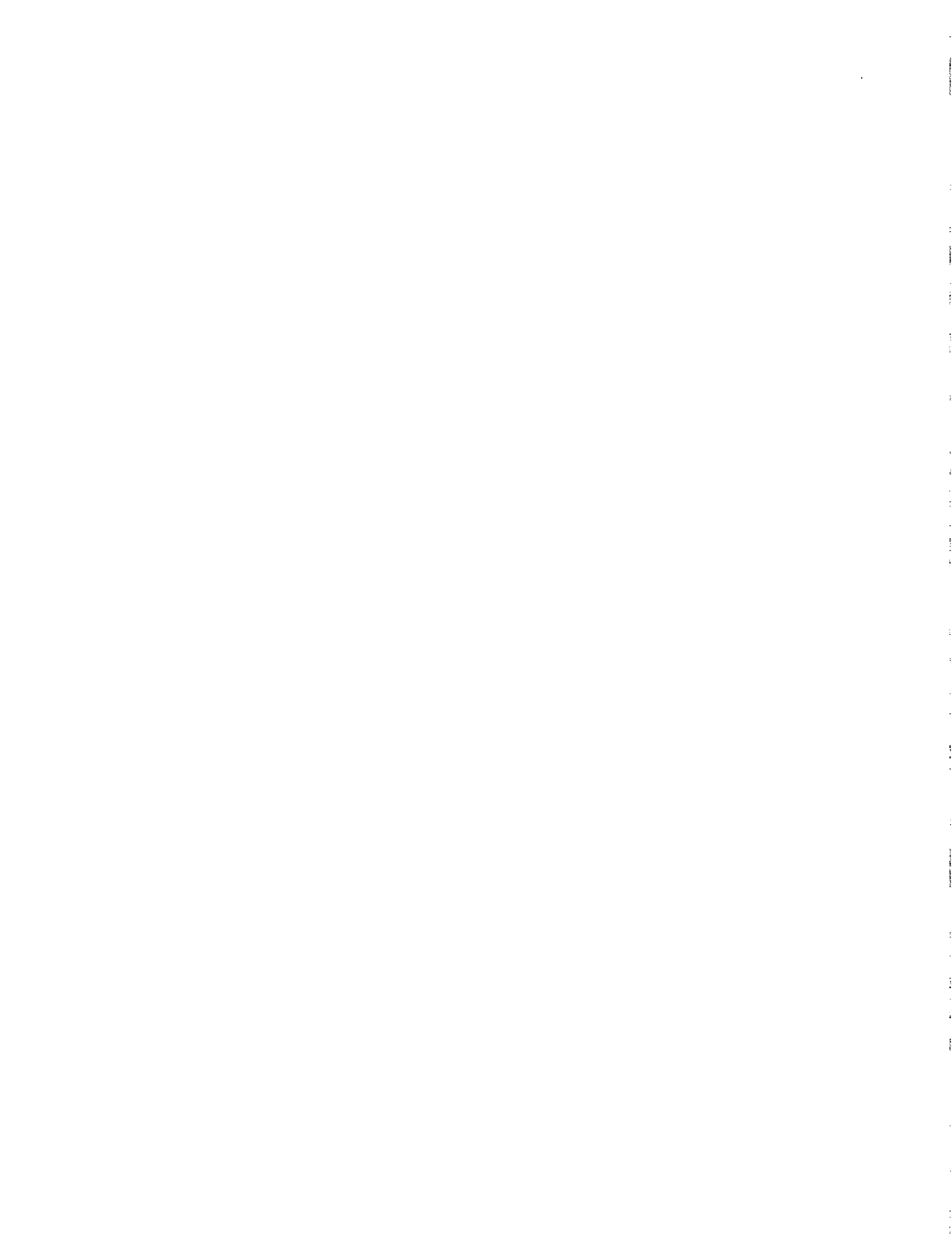
This report discusses the impact of Public Law 94-519 during its third 2-year period of operation. The law, which became effective on October 17, 1977, significantly altered the government's policies and procedures regarding the transfer of excess and the donation of surplus federal personal property to nonfederal organizations.

This report is the third in a series of biennial reports required by section 10 of Public Law 94-519 (40 U.S.C. §493).

We are sending copies of this report to the Director, Office of Management and Budget, and to the federal agencies and State Agencies for Surplus Property mentioned in the report.

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Comptroller General  
of the United States



D I G E S T

Public Law 94-519 amended the Federal Property and Administrative Services Act of 1949. Becoming effective in 1977, it established, under the direction of the General Services Administration (GSA), a single system to distribute excess and surplus federal personal property to eligible nonfederal organizations. Property is "excess" when it is not needed by the possessing federal agency but may be needed by another federal agency. Excess property becomes "surplus" if it is not needed by any federal agency. (See p. 1.)

Prior to enactment of Public Law 94-519, substantial amounts of excess personal property, which might have been needed by federal agencies, were being transferred to nonfederal organizations. The Congress became concerned that too much excess personal property was being transferred to nonfederal organizations when much of this property might be needed by other federal agencies for their own use. While some nonfederal organizations would continue to receive personal property as excess, the Congress believed it would be more equitable if nonfederal organizations mainly received personal property as surplus through the donation program. Under this program, the State Agencies for Surplus Property (State Agencies) receive at no cost surplus personal property from GSA for donation to a larger number of eligible nonfederal organizations than prior to the law. (See pp. 1 and 2.)

Accordingly, two of the objectives of Public Law 94-519 are

- to reduce transfers of excess personal property to nonfederal organizations that might be needed within the federal government (see p. 6) and
- to encourage the fair and equitable donation of surplus personal property to a wider range of eligible nonfederal organizations (see p. 22).

Public Law 94-519 requires the Administrator of General Services and the Comptroller General to submit to the Congress biennial reports evaluating the operation and impact of the law. This is GAO's third biennial report on this topic. (See p. 3.)

For this report GAO's work was limited to ascertaining the amount of excess personal property being transferred to federal agencies and provided to nonfederal organizations and to evaluating the actions taken by GSA to (1) encourage the states to submit legislatively developed, permanent state plans of operation and (2) encourage the State Agencies to perform biennial external audits of their donation programs. Both of these efforts are critical to the program's operation. They have been the subject of recommendations in both prior GAO reports. (See pp. 4, 6, 8, and 24.)

#### EXCESS PERSONAL PROPERTY

Regarding the amount of excess federal personal property provided, Public Law 94-519 is generally having the effect intended by the Congress--a greater proportion of excess personal property is being acquired for use within the federal government. In fiscal year 1983, 92.6 percent of excess personal property was so redistributed, whereas in 1976, the last fiscal year before Public Law 94-519 became effective, 78.4 percent was acquired by federal agencies for their own use. (See pp. 8 and 9.)

#### Agency reports not in compliance with the act

Although the proportion of excess federal personal property provided to nonfederal organizations is decreasing, GAO found that some executive agencies' annual reports to GSA did not include all property furnished by them directly to these organizations. (See pp. 13 to 15.)

Section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended, requires all executive agencies to submit to GSA annual reports containing information on personal property (1) obtained as

excess or determined to be no longer required for the purposes of the appropriation from which it was purchased and (2) furnished in any manner whatsoever within the United States to any organization other than a federal agency during the fiscal year. Section 202(e) also requires GSA to annually submit to the Congress a summary and an analysis of these reports. GSA, consistent with GAO's prior recommendation, did not seek repeal of this reporting requirement. (See pp. 13 and 14.)

Three agencies--the Departments of Energy (DOE) and Justice and the National Aeronautics and Space Administration (NASA)--of the seven executive agencies GAO visited said they were not reporting to GSA all such property because they believed that certain categories of personal property--loaned property, for example--and types of recipients were not to be reported. While GAO could not determine the amounts excluded from the annual reports of the agencies GAO visited, GAO believes that GSA needs to clarify the agencies' reporting obligations. (See pp. 14 and 15.)

SURPLUS PERSONAL PROPERTY

The dollar amount of surplus federal personal property approved for donation by GSA to the State Agencies has fluctuated since 1976, the year before Public Law 94-519 was enacted. These fluctuations at original acquisition cost are shown below.

<u>FY</u>	<u>Amount</u>
	(millions)
1976	\$367.6
1978	482.6
1981	325.5
1983	401.1

During fiscal years 1982 and 1983, surplus personal property was donated to recipients for educational, public health, conservation, economic development, park and recreational, and public safety purposes. Before the implementation of Public Law 94-519, surplus personal property was donated only for educational, public health, and civil defense purposes. (See pp. 22 to 24.)

GSA has not completed corrective actions on two recommendations on the donation program in GAO's previous two biennial reports. These are: (1) encouraging the states to submit legislatively developed, permanent state plans of operation for their donation programs as required by Public Law 94-519 and (2) encouraging the State Agencies to perform the prescribed external audits of their donation program operations as required by the Federal Property Management Regulations.

By emphasizing the importance of permanent plans and external audits and increasing GSA central office oversight of these matters, GSA has made progress. As of February 29, 1984, GSA had accepted permanent plans from 13 of the 55 participating states (includes the District of Columbia, Puerto Rico, Guam, the Virgin Islands, and the Northern Mariana Islands). In addition, 38 of the 55 participating State Agencies had completed an external audit within the past 2 years as required by GSA. In its July 6, 1984, comments, GSA reported that it had accepted permanent plans from 24 of the 55 participating states and that all remaining states were making progress toward completing their state plans and external audits. GAO believes that GSA is continuing to take reasonable steps to have the permanent plans submitted and the external audits performed; therefore, GAO is not repeating any recommendations concerning these matters. (See pp. 25 to 28 and 33.)

#### RECOMMENDATION

GAO recommends that the Administrator of General Services clarify for all executive agencies the information on federal personal property to be reported to GSA in compliance with section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended. This clarification can be accomplished by informing the heads of the executive agencies that they are to include in their annual reports all personal property (1) obtained as excess or determined to be no longer required for the purposes of the appropriation from which it was purchased and (2) furnished in any manner whatsoever--including personal property loaned to any nonfederal organization--within the United States to any



organization other than a federal agency during the fiscal year. (See p. 21.)

AGENCY COMMENTS

GSA concurred with GAO's recommendation and stated that a Federal Property Management Regulations bulletin will be issued to implement the recommendation. (See p. 21.)

In commenting on a draft of this report, Justice said that in the future they would report to GSA all personal property they furnished to nonfederal organizations. DOE and NASA, citing their interpretation of the legislative history and general counsel opinions, reiterated their belief that certain categories of property--loaned property, for example--and types of recipients did not need to be reported to GSA. GAO does not agree. GAO believes that the legislative history of the law and the specific wording of section 202(e) which states ". . . [property] furnished in any manner whatsoever . . . to any recipient other than a Federal agency . . ." clearly indicates the Congress' intent to include all property furnished to all nonfederal organizations, including loaned property. (See pp. 16 to 20.)



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ABBREVIATIONS

DOE	Department of Energy
FPMR	Federal Property Management Regulations
FPRS	Federal Property Resources Service
FSS	Office of Federal Supply and Services
FPRS-1/ FSS-23	Excess/Surplus Personal Property Disposal System
GAO	General Accounting Office
GSA	General Services Administration
NASA	National Aeronautics and Space Administration



## CHAPTER 1

### INTRODUCTION

During the course of their operations, federal agencies acquire and use millions of dollars worth of personal property that, for various reasons, they later no longer need. This property is reported to the General Services Administration (GSA) as excess when not needed by the federal agency that has it. Excess property can be acquired by federal agencies for their own use or transferred<sup>1</sup> to their grantees and other non-federal organizations. Also, property not needed by federal agencies, although never reported as excess to GSA,<sup>2</sup> is furnished to their grantees and other nonfederal organizations. If the property is subsequently found to be unneeded by all federal agencies, GSA declares it to be surplus to federal needs. Surplus property is transferred by GSA to the State Agencies for Surplus Property (State Agencies) and made available by the State Agencies for donation to their eligible nonfederal organizations called donees. The State Agencies are established by a state plan of operation and operate in each of the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, and the Northern Mariana Islands. Personal property, as discussed in this report, refers to property of any kind, except real property (e.g. land and buildings), federal records, and certain naval vessels.

Before enactment of Public Law 94-519, the Congress had expressed concern that federal agencies were transferring significant amounts of excess personal property to nonfederal organizations when much of this property might be needed by other federal agencies for their own use. Also, there was concern that much of this property was not being used, being used for unauthorized purposes and by unauthorized parties, or being stockpiled by nonfederal organizations.

To improve this situation, the Congress enacted Public Law 94-519. This law, approved October 17, 1976, and effective 1

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<sup>1</sup>In this report, the term "transferred" means title to the property passes to the grantee or nonfederal organization and the term "furnished" means title to the property is retained by the federal government. In Public Law 94-519 and the legislative history these two terms are used interchangeably. In this report the term "provided" is used when excess personal property was either transferred or furnished.

<sup>2</sup>This category of personal property is sometimes commonly referred to as "property not technically excess."

year later, amended portions of the Federal Property and Administrative Services Act of 1949. Public Law 94-519 has several objectives including (1) reducing transfers of excess personal property to nonfederal organizations that might be needed within the federal government and (2) encouraging the fair and equitable donation of surplus personal property to a wider range of eligible nonfederal organizations. The law resulted in significant changes in the government's policies and procedures regarding the transfer of excess and the donation of surplus federal personal property to nonfederal organizations.

First, Public Law 94-519 repealed section 514 of the Public Works and Economic Development Act of 1965 (sometimes called the section 514 program) under which large amounts of excess personal property were being transferred to nonfederal organizations for economic development purposes. These organizations included states and their political subdivisions, Indian tribes, tax-supported or nonprofit hospitals or institutions of higher education, and other tax-supported organizations. Second, it imposed various restrictions on the transfer of excess personal property to nonfederal organizations holding grants from federal agencies.

One of the more significant restrictions Public Law 94-519 imposed on transfers of property to grantees was the requirement that the sponsoring federal agency pay to the Treasury 25 percent of the acquisition cost of excess personal property transferred to their eligible grantees. However, Public Law 94-519 allowed excess personal property to be provided without payment of the 25 percent if the property was furnished

- under section 608 of the Foreign Assistance Act of 1961, as amended, as a grant to a foreign country and was determined by the Administrator of General Services not to be needed for donation purposes;

- under section 11(e) of the National Science Foundation Act of 1950, as amended, and was scientific equipment;

- under section 203 of the Department of Agriculture Organic Act of 1944 for the cooperative forest fire control program where title to the property was retained by the federal government; or

- to Indian tribes, as defined in section 3(c) of the Indian Financing Act, holding federal grants.

The Agriculture and Food Act of 1981 (Public Law 97-98, approved December 22, 1981) amended section 202(d)(2) of the Federal Property and Administrative Services Act of 1949 by adding a fifth exemption to the requirement for a 25-percent payment: under section 1443 of the Agriculture and Food Act of



1981, the Secretary of Agriculture can furnish excess property to any state or county extension service, state experimental station, or other institution engaged in cooperative agricultural extension work or cooperative agricultural research work; however, title to this property is retained by the federal government.

Public Law 94-519 also consolidated and simplified many separate, overlapping, and uncoordinated activities by various federal agencies for the distribution of excess and surplus personal property to nonfederal organizations. GSA was given the government's principal property management authority for the excess personal property utilization program and the surplus personal property donation program in partnership with the states. Excess property can be acquired by federal agencies and transferred to their grantees and other nonfederal organizations. Also, federal agencies furnish other property not technically excess to their grantees and other nonfederal organizations rather than declaring this property excess and reporting it to GSA. Surplus property is transferred by GSA to the State Agencies for Surplus Property under the donation program. This property is made available for donation by the State Agencies to their eligible nonfederal organizations called donees.

Public Law 94-519 requires GSA and GAO to submit to the Congress biennial reports which address how well the applicable agencies are implementing the law's provisions and whether the objectives of the law are being fulfilled.

In our first report<sup>3</sup> on the implementation of Public Law 94-519 and its impact during the first 2-year period of operation, we made a number of recommendations to ensure that transferred property is managed and used as envisioned by the law. These recommendations were discussed by GAO during the July 29, 1981, hearings before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations.

In our second report<sup>4</sup> on the impact of Public Law 94-519 during its second 2-year period of operation, we stated that GSA and other involved federal agencies have, for the most part, initiated and are pursuing actions to implement the recommendations contained in our first biennial report. We also made additional recommendations to ensure that transferred property

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<sup>3</sup>Transfers of Excess and Surplus Federal Personal Property--  
Impact of Public Law 94-519 (LCD-80-101, Sept. 30, 1980).

<sup>4</sup>GAO's Second Biennial Report on the Transfers of Federal  
Personal Property to Grantees and Other Eligible Organizations  
(GAO/PLRD-83-66, July 13, 1983).

is managed and used as envisioned by the law. These recommendations were discussed by GAO during the July 28, 1983, hearings before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives for this third review, covering fiscal years 1982 and 1983, were to evaluate the effect of the law's changes on the programs that provide excess and surplus federal personal property to nonfederal organizations. During this review, our work was primarily directed toward evaluating actions taken by GSA to (1) encourage the states to submit legislatively developed, permanent state plans of operation and (2) encourage the State Agencies to perform biennial external audits of their donation programs. Both of these efforts are critical to the program's operation. They have been the subject of recommendations in both of our previous reports.

To attain these objectives, we obtained information on the quantity of excess personal property transferred and furnished to nonfederal organizations as reported by the federal agencies to GSA. We evaluated the accuracy of the agencies' reports and the accuracy of the records of this information that GSA uses to prepare its reports to the Congress as required by the law.

We also obtained information on (1) quantity of surplus personal property GSA made available and approved for donation to the State Agencies for Surplus Property and (2) the proposed use of this property. We obtained information on how GSA has ensured that the states participating in the surplus personal property donation program have fulfilled their responsibilities for submitting legislatively developed, permanent state plans of operation and how the State Agencies are obtaining independent audits of their operations at 2-year intervals and accounting for and assuring proper utilization of donated surplus personal property.

For this third biennial review we also selected seven federal agencies that provided excess personal property having an original acquisition cost of \$50.4 million (98 percent of the total) and \$43.7 million (98 percent of the total) during fiscal years 1982 and 1983, respectively, to gain insight into the law's effect on the amount of excess personal property these agencies transferred or furnished to grantees and nonfederal organizations, respectively. In addition, we selected two State Agencies for Surplus Property--New Jersey and Pennsylvania--and a small judgmental sample of 21 eligible donees which were not included in our previous reviews to gain insight into the law's effect on the amount of personal property available for donation to the State Agencies as well as the amount of personal property donated for the wider range of purposes authorized by Public Law

94-519. A detailed listing of the organizations included in our review is shown as appendix IX.

Our review was performed during the period April 1983 through February 1984. We performed our review in accordance with generally accepted government audit standards.

## CHAPTER 2

### THE LAW CONTINUES TO AFFECT EXCESS

#### PROPERTY PROVIDED AS INTENDED BY THE CONGRESS

Public Law 94-519 continues to have the effect intended by the Congress of reducing the amount of federal excess personal property provided to nonfederal organizations that might be needed within the government. During the third 2-year period of the law's operation (fiscal years 1982 and 1983), a smaller proportion of excess personal property went to nonfederal organizations and a larger proportion went to federal agencies than before Public Law 94-519 was enacted.

The law is generally being implemented effectively by the federal agencies we visited during this review. GSA has completed corrective actions on the recommendations made in our previous biennial reports regarding the excess personal property utilization program.

We again found discrepancies between the reports generated by GSA's automated system and the manual records maintained by GSA's regional offices on the amount of excess personal property transferred to nonfederal organizations by federal agencies which required a 25-percent reimbursement.

#### EXCESS PERSONAL PROPERTY PROVIDED TO NONFEDERAL ORGANIZATIONS

Before the implementation of Public Law 94-519, the amount of excess personal property being transferred to nonfederal organizations--as grantees of federal agencies or as eligible recipients under the section 514 program--had increased substantially. As discussed previously, Public Law 94-519 terminated the section 514 program and imposed various restrictions on the transfer of federal excess personal property to grantees. The full impact of these restrictions is best shown in the following table.

Type of recipient	Excess Personal Property Provided to Nonfederal Organizations							
	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982	FY 1983
	----- (millions) -----							
Grantees and other nonfederal organizations <sup>a</sup>	\$111.7	\$ 97.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Exempt from 25-percent payment <sup>b</sup>	-	-	65.6 <sup>d</sup>	50.2 <sup>f</sup>	41.2	37.7	46.6	41.1
Requiring 25-percent payment <sup>c</sup>	-	-	3.4 <sup>d</sup>	2.0 <sup>f</sup>	6.3	5.0	4.6	3.6
Section 514	<u>131.4</u>	<u>273.8</u>	<u>28.3<sup>e</sup></u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$243.1</u>	<u>\$370.8</u>	<u>\$97.3</u>	<u>\$52.2</u>	<u>\$47.5</u>	<u>\$42.7</u>	<u>\$51.2</u>	<u>\$44.7</u>

<sup>a</sup>During fiscal years 1976 and 1977 excess personal property was transferred to grantees without the payment of 25 percent of the acquisition cost to the Treasury because Public Law 94-519 did not become effective until fiscal year 1978.

<sup>b</sup>Public Law 94-519 allows federal agencies to provide excess personal property without the 25-percent payment if the property was (1) furnished under section 608 of the Foreign Assistance Act of 1961 after completion of donation screening; (2) scientific equipment furnished to National Science Foundation grantees; (3) property furnished in connection with the cooperative forest fire control program; (4) property furnished in connection with grants to federally recognized Indian tribes; and (5) property furnished in connection with the cooperative extension service program.

<sup>c</sup>Except for the above mentioned exemptions, Public Law 94-519 requires that the sponsoring federal agencies pay to the Treasury 25 percent of the acquisition cost of excess personal property transferred to their eligible grantees.

<sup>d</sup>Data not available from GSA. These amounts, totaling \$69 million, are partial totals from federal agencies that provided excess personal property.

<sup>e</sup>Section 514 recipients received excess personal property for part of fiscal year 1978.

<sup>f</sup>Data from GSA's automated system was incomplete. These amounts, totaling \$52.2 million, were computed from manual records.

A table showing the amount of excess personal property each federal agency provided to its grantees and other nonfederal organizations between fiscal years 1976 and 1983 is included as appendix I.

As shown in the table on page 7, during fiscal year 1982 the amount of excess personal property provided to nonfederal organizations increased to \$51.2 million--an increase of \$8.5 million from the preceding year. In fiscal year 1983, the amount provided to nonfederal organizations declined to \$44.7 million--a decrease of \$6.5 million. However, when considering that transfers exceeded \$243 million in fiscal year 1976, Public Law 94-519 has had an impact on greatly reducing the amount provided. Also, there has been a decrease in the amount of excess personal property transferred to nonfederal organizations where Public Law 94-519 requires that the sponsoring federal agency pay to the Treasury 25 percent of the original acquisition cost of the property. During fiscal year 1982, \$4.6 million was transferred which required a 25-percent reimbursement. During fiscal year 1983, the amount of these transfers decreased to \$3.6 million. During fiscal years 1982 and 1983, a majority of the excess personal property provided to exempt recipients was furnished to Agriculture recipients under the cooperative forest fire control program and to National Science Foundation grantees.

EXCESS PERSONAL PROPERTY  
TRANSFERRED TO FEDERAL AGENCIES

In fiscal years 1978 and 1979--after the implementation of Public Law 94-519--the total amount of excess personal property transferred to federal agencies by other agencies for their own use did not increase over the amount transferred during the prior 2 fiscal years. However, the percentages of total excess personal property transferred to federal agencies increased because less excess personal property had been provided to nonfederal organizations. In fiscal year 1982 there was a decrease in the amount of excess personal property transferred to federal agencies, but the percentage remained high. However, in fiscal year 1983, the amount of excess personal property transferred to federal agencies increased significantly--an increase of \$198.5 million over the preceding year. A breakdown of excess personal property provided at acquisition cost between fiscal years 1976 and 1983 follows.

Excess Personal Property Provided To

<u>FY</u>	<u>Federal agencies<sup>a</sup></u>		<u>Nonfederal organizations<sup>b</sup></u>		<u>Total</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	(millions)		(millions)		(millions)	
1976	\$881.0	78.4	\$243.1	21.6	\$1,124.1	100
1977	714.8	65.8	370.8	34.2	1,085.6	100
1978	778.6	88.9	97.3	11.1	875.9	100
1979	735.6	93.4	52.2	6.6	787.8	100
1980	422.1	89.9	47.5	10.1	469.6	100
1981	458.2	91.5	42.7	8.5	500.9	100
1982	358.3	87.5	51.2	12.5	409.5	100
1983	556.8	92.6	44.7	7.4	601.5	100

<sup>a</sup>Property transferred to federal agencies for their own use.

<sup>b</sup>Includes grantees, section 514 recipients, and recipients of property under both the cooperative forest fire control program and the cooperative extension service program. The cooperative forest fire control program recipients are technically not grantees, but are included in Public Law 94-519 as an exemption to the general conditions on transfer of excess personal property to federal grantees. Section 1443 of Public Law 97-98 amended the Federal Property and Administrative Services Act of 1949 and provided the cooperative extension service recipients, who are technically not grantees, an exemption to the general conditions on transfer of excess personal property to federal grantees.

A GSA official stated that organizational changes at GSA contributed to the fiscal year 1982 decrease in the total amount of excess personal property acquired by federal agencies and their grantees and other nonfederal organizations. These changes resulted from the following orders:

- A GSA order issued January 11, 1982, that consolidated 10 Federal Property Resources Service (FPRS) regional personal property offices into four personal property divisions and converted the six former regional offices into field offices.

--A GSA order issued March 15, 1982, that established a new GSA regional organization structure and placed the FPRS utilization and donation programs in the Utilization and Disposal Branch of the Property Management and Supply Division of the Office of Personal Property.

On the other hand, according to this official, GSA's establishment--through a January 13, 1983, order--of Customer Service Bureaus to assist federal agencies in acquiring excess personal property in each of GSA's 11 regional Offices of Personal Property contributed to the increase in the total amount of excess personal property transferred during fiscal year 1983.

DISCREPANCIES IN RECORDS OF  
EXCESS PERSONAL PROPERTY TRANSFERRED

During our second review, we identified several problems with GSA's property information system now known as the FSS-23 Excess/Surplus Personal Property Disposal System.<sup>1</sup> Specifically, we found

- major discrepancies between information in the reports generated by the computer system and information in the manually maintained records accumulated and reported monthly by GSA's regional offices on the amount of excess personal property transferred to nonfederal organizations;
- the system could not differentiate between property provided (1) to grantees or other nonfederal organizations that are exempt from the 25-percent reimbursement and (2) those required to pay the reimbursement; and
- the system could not differentiate between excess personal property (1) acquired for a federal agency's own use or (2) furnished to grantees or other nonfederal organizations.

Because of problems with its FSS-23 system, GSA plans to redesign it in conjunction with other automated property management system changes scheduled to be completed in fiscal year 1985. However, GSA has taken actions to address the problems we found during our second review. These actions are discussed below.

Data differences still exist

During this review, we again found discrepancies between information in the reports generated by the FSS-23 system and information in the manually maintained records accumulated and

<sup>1</sup>At the time of our second review, this system was called the FPRS-1 Excess/Surplus Personal Property Disposal System.



reported monthly by GSA's regional offices. GSA uses the information in the FSS-23 system and the manually maintained records to report transfers of property to nonexempt organizations that are required to pay a 25-percent reimbursement.

The FSS-23 system and the manually maintained records contained discrepancies in the amount of excess personal property transferred to nonfederal organizations. For example, in fiscal year 1982, the FSS-23 system showed \$1,214,791 in transfers of excess personal property to nonexempt organizations requiring a 25-percent reimbursement when the manual records showed \$536,055--a difference of \$678,736 at acquisition cost.

Again, in fiscal year 1983, the FSS-23 system information and the manually maintained records contained discrepancies. The FSS-23 system showed \$760,773 in transfers of excess personal property to nonexempt organizations requiring a 25-percent reimbursement when the manual records showed \$207,735--a difference of \$553,038 at acquisition cost. Although these discrepancies are not as large as those discussed in our second report--\$5.6 million and \$4.4 million during fiscal years 1980 and 1981, respectively--these discrepancies indicate that the FSS-23 system still contains errors. The system does not provide accurate and reliable statistical information for GSA to use in its periodic statistical reports on the excess personal property utilization program and for GSA to effectively oversee the operation of the excess personal property program.

#### GSA's corrective efforts

Because of the discrepancies between the computer-generated data and the manually maintained records, the GSA central office issued a memorandum to all its regional offices on August 10, 1983. This memorandum requested that (1) the excess transfer documents for fiscal year 1982 and the first three quarters of fiscal year 1983 be reviewed and (2) the discrepancies between the computer-generated reports and the manually maintained records be reconciled.

In response, the regional offices stated that most of the discrepancies in the fiscal years 1982 and 1983 computer-generated reports were input coding errors; that is, excess transfers should have been coded as transfers of property to a bureau within the agency and not to a grantee. Also, some discrepancies were due to errors in the manually maintained records and reports sent to the central office. The discrepancies between the computer-generated data and the manually maintained records were reconciled by the central office between November 1983 and January 1984. This reconciliation showed that excess personal property with an acquisition cost of \$504,928 and \$274,795 had been transferred to nonexempt grantees requiring a 25-percent reimbursement during fiscal years 1982 and

1983, respectively. Data for the fourth quarter of fiscal year 1983 has been included in the fiscal year 1983 reconciliation. These amounts are included in the amounts shown in the table on page 7.

GSA's central office issued a memorandum dated January 3, 1984, to all its regional offices confirming that most of the statistical discrepancies were attributable to the miscoding of data into the FSS-23 computer system. The memorandum explained that the central office wanted to eliminate the monthly manual reports showing the amount of excess personal property transferred to nonfederal organizations requiring a 25-percent reimbursement but found it necessary to continue the reporting requirement. Also, the memorandum (1) established a monthly procedure to reconcile the FSS-23 computer-generated data with the manually maintained records and (2) required correction of any discrepancies prior to submitting the manual reports to the central office. We plan to evaluate this procedure during our next biennial review to determine if it has eliminated the discrepancies previously discussed.

At the time of our second review, GSA had entered into a contract for the design of a new computer-based management information system and, therefore, we did not recommend actions to correct the computer system. GSA plans to improve its automated information system during fiscal year 1985.

#### GSA's comments and our evaluation

In its comments on a draft of this report, GSA stated that our report does not accurately portray the purposes of the regionally prepared manual reports and the computer-generated data on transfers to nonfederal organizations requiring a 25-percent reimbursement. Because of this and because the dollar amount of these types of transfers are not large, GSA said that our report overstates the significance of the discrepancies between these two records. GSA also said that our report implied that the reports on reimbursable transfers and the reports required by section 202(e)<sup>2</sup> of the Federal Property and Administrative Services Act of 1949, as amended (the 1949 act), are related. GSA believes they are completely unrelated.

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<sup>2</sup>Section 202(e) requires all executive agencies to submit to GSA annual reports containing information on personal property (1) obtained as excess or determined to be no longer required for the purposes of the appropriation from which it was purchased and (2) furnished in any manner whatsoever within the United States to any organization other than a federal agency during the fiscal year. Section 202(e) also requires GSA to submit to the Congress a summary and an analysis of these reports.

We agree that the manually prepared reports and the computer-generated data on reimbursable transfers apply to a small proportion of the total personal property transfers covered by the FSS-23 system. However, the accuracy of this information has been a problem that GSA has been addressing for several years. We discussed this same matter in our second report when the discrepancies between the manual records and computer-generated data were larger.

We also agree that the reports required by section 202(e) of the 1949 act and the reports concerning reimbursable transfers have different purposes; however, there is a relationship. These reports are discussed in the same section of our report because they both relate to a need for improvements in the FSS-23 system. GSA plans to have these improvements completed during fiscal year 1985. The manual reports on reimbursable transfers are used by GSA to check the data emanating from the FSS-23 system. The agency reports, required by section 202(e), also could be used to check data in the FSS-23 system concerning reimbursable transfers to nonfederal organizations.

#### AGENCIES' MANAGEMENT OF EXCESS PERSONAL PROPERTY PROGRAMS

As previously indicated, the annual amount of excess personal property provided has decreased since Public Law 94-519 was implemented. The amount of excess personal property provided to nonfederal organizations was \$243.1 million during fiscal year 1976--the year before the law was enacted--but decreased to \$44.7 million during fiscal year 1983. However, even though the amount of property provided to nonfederal organizations has decreased, these property programs still involve substantial dollar amounts of property, and their effective management is an important concern.

Because of input coding problems, GSA's FSS-23 computer system does not accurately identify excess personal property provided to organizations that are exempt from the 25-percent reimbursement requirement. Therefore, agencies' annual reports continue to be needed as an alternate source of statistical information. But, the executive agencies need to submit annual reports that contain complete information so that GSA can report to the Congress on the utilization of all federal personal property which is furnished in any manner whatsoever within the United States to any organization other than a federal agency during the fiscal year.

The legislative history of Public Law 94-519 and the language of section 202(e) clearly indicate the Congress' desire for information concerning the utilization of all federal personal property which is furnished in any manner, including by loan, to any nonfederal organization. Both the House and Senate

Committees' reports<sup>3</sup> that accompanied the bill which became Public Law 94-519 contained the following section regarding the reason for inserting the new annual reporting requirement.

"New subsection (e) of section 202 requires each executive agency to submit an annual report to the Administrator with respect to (1) personal property obtained as excess or (2) personal property determined to be no longer required for the purpose of the appropriation for which it was purchased where in either case the property is furnished to any recipient other than a Federal agency. The Administrator shall furnish a report to Congress summarizing and analyzing such individual agency reports. This requirement, for the first time, will give GSA and the Congress a ready source of information on how excess property and other property not technically excess but available for transfer to non-Federal users are, in fact, being utilized. The reports are in addition and supplementary to the annual reports of surplus property donations required under the revised section 203(o)."

We reviewed the ways in which seven executive agencies provided either excess personal property or property not technically excess to nonfederal organizations during fiscal years 1982 and 1983 and whether these agencies accurately reported to GSA the amount of property they provided. The seven agencies were the Departments of Agriculture, Energy (DOE), the Interior, Justice, and Labor; the National Aeronautics and Space Administration (NASA); and the National Science Foundation. During this review, we found that three of the seven executive agencies--DOE, Justice, and NASA--were not reporting to GSA, in their annual reports required by section 202(e) of the 1949 act, information on all personal property (1) obtained as excess or determined to be no longer required for the purposes of the

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<sup>3</sup>Distribution of Federal Surplus Property to State and Local Organizations, H. Rept. 94-1429. Distribution of Federal Surplus Property to State and Local Organizations, S. Rept. 94-1321.

appropriation from which it was purchased<sup>4</sup> and (2) furnished in any manner whatsoever<sup>5</sup> within the United States to any organization other than a federal agency during the fiscal year. We were informed by officials of these agencies that they were not reporting to GSA all such property because they believed that certain categories of property and types of recipients were not to be reported. While we could not determine the total amounts excluded, we did identify some specific cases. For example, DOE did not report excess personal property furnished to its contractors who operate government-owned facilities and Justice did not report property furnished under intergovernmental service agreements to state and local governments.

## Department of Energy

### DOE can transfer or loan property

In accordance with its responsibility to encourage research and development in the field of energy, DOE can transfer used DOE-owned laboratory equipment under the Used Energy-Related Laboratory Equipment Grants Program to universities, colleges, and other nonprofit institutions in the United States for use in energy-related educational programs. Once DOE makes an award, title to the property passes to the educational institution. Most of DOE's research work is performed at government-owned and contractor-operated facilities.

DOE can also loan property which is temporarily not in use by the agency (although not excess to its needs) to agency offices and contractors, other federal agencies, and other organizations for official purposes. According to DOE regulations, loan agreements for property cannot exceed 1 year; however, these agreements can be renewed.

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<sup>4</sup>This category of personal property, which is sometimes commonly referred to as property not technically excess, includes (1) property which is no longer needed for direct agency use by the organizational unit accountable for the property and was subsequently furnished in any manner whatsoever to any nonfederal organization rather than placing the property in the agency's internal redistribution or disposal system and (2) property which has entered the agency's internal redistribution or disposal system and was subsequently furnished during the fiscal year in any manner whatsoever to any nonfederal organization.

<sup>5</sup>We interpret this phrase to include transfers, loans, leases, license agreements, and sale transactions.

DOE did not report to GSA certain  
property furnished and transferred

In its fiscal year 1982 and 1983 annual reports to GSA, DOE reported that no excess personal property had been transferred to project grantees. However, we found that DOE had furnished property to contractors and transferred property to educational and research institutions which should have been reported to GSA and included in both GSA's and DOE's annual reports. DOE and GSA officials told us that they jointly decided not to include information on excess personal property furnished to contractors who operate government-owned facilities because these contractors are authorized to act as an agent of DOE and are using the property on DOE programs.

During our review we also found that property costing \$157,000 was transferred under the Used Energy-Related Laboratory Equipment Grants Program to 21 educational recipients in fiscal year 1982, and property costing \$610,000 was transferred to 9 educational recipients in fiscal year 1983. None of this information was reported to GSA.

DOE's comments and our evaluation

The Acting Assistant Secretary for Management and Administration provided us with DOE's comments on a draft of this report on July 6, 1984. These comments are included as appendix VI.

DOE supports our recommendation that GSA clarify the information on federal personal property to be reported in compliance with section 202(e) of the 1949 act. However, DOE expressed concern that certain statements in the draft report may be misinterpreted regarding the intent of the Congress when it enacted Public Law 94-519. Specifically, DOE mentioned the information on federal personal property to be annually reported to GSA in compliance with section 202(e) of the 1949 act, a reporting requirement added by Public Law 94-519. DOE's position was that section 202(e) does not require reporting of all federal personal property furnished to nonfederal organizations other than grantees.

DOE stated that the legislative history of Public Law 94-519 indicates that the Congress was primarily concerned with personal property provided to grantees. Therefore, DOE reasons the Congress did not intend that equipment loaned to nongrantees or excess personal property furnished DOE contractors who operate government-owned facilities be covered by the section 202(e) reporting requirement. DOE also maintains that DOE-owned property transferred under the Used Energy-Related Laboratory Equipment Grants Program is not subject to the section 202(e) reporting requirement because it is DOE-owned property used to further the mutual interest of DOE and the recipient organization.

We agree that the Congress' concern was triggered by the agencies' practice of providing property to their grantees. However, the legislative history also shows a broader congressional concern that the amount and quality of all excess personal property potentially available for use by other federal agencies or for donation under the surplus personal property program was being reduced because of agencies' handling of excess property. In addition, there is no indication in the legislative history that the Congress intended the broad language of section 202(e) to be interpreted to apply only to personal property provided to grantees. The portions of the legislative history referred to by DOE which focus on the practice of providing personal property to grantees were not directed to the reporting requirement in section 202(e); they addressed a different statutory provision (section 202(d)) which specifically restricts the practice of providing personal property to grantees.

We continue to believe that the legislative history of Public Law 94-519 and the language of section 202(e) clearly indicate the Congress' desire for information concerning the utilization of all federal personal property which has been furnished in any manner whatsoever within the United States to any organization other than a federal agency during the fiscal year. Thus in our view, the reporting requirement includes property furnished in any manner, including by loan, to any nonfederal organization--not just to grantees. Also, FPMR subpart 101-43.4701(c), which implemented the section 202(e) reporting requirement, requires that all personal property furnished to cost reimbursement-type contractors be included in the annual reports to GSA required by section 202(e) of the 1949 act. Therefore, we believe that equipment loaned to nonfederal organizations, which was either obtained as excess or determined to be no longer required for the purposes of the appropriation from which it was purchased; excess personal property furnished to DOE contractors who operate government-owned facilities; and used DOE-owned property transferred under the Used Energy-Related Laboratory Grants Program should be included in DOE's annual report to GSA in compliance with section 202(e) of the 1949 act. With regard to the Used Energy-Related Laboratory Equipment Grants Program, despite the fact that the equipment transferred is DOE-owned property used for the mutual benefit of DOE and the recipient, the equipment qualifies as property not technically excess that is furnished to a nonfederal recipient, and thus falls within the coverage of section 202(e) of the 1949 act.

DOE's comments also expressed concern that our findings will be interpreted by GSA as a requirement to expand the reporting requirements established by Public Law 94-519 and cited the Administration's efforts to reduce paperwork. We are not recommending that GSA introduce a new reporting requirement but clarify what information is already required by section 202(e) of the 1949 act.

## Department of Justice

Justice reported to GSA that during fiscal years 1982 and 1983 only the Office of Justice Assistance, Research and Statistics transferred excess personal property to a nonfederal organization requiring a 25-percent reimbursement. However, the United States Marshals Service furnished excess personal property to state and local governments during fiscal years 1982 and 1983 under intergovernmental service agreements which was not included in Justice's annual reports. A Justice official stated that excess personal property furnished by the Service under intergovernmental service agreements to contractors does not have to be included in Justice's annual report to GSA because the section 202(e) reporting requirement and Public Law 94-519 in general pertain to the furnishing of excess personal property to grantees only.

### United States Marshals Service

In July 1982 the United States Marshals Service began furnishing excess personal property under intergovernmental service agreements<sup>6</sup> to state and local governments as an incentive for temporarily incarcerating federal prisoners. A Service official informed us that during the last 3 months of fiscal year 1982, excess personal property costing \$418,473 was furnished to about 100 state and local government jails. During fiscal year 1983, property costing about \$2.5 million was furnished to about 170 state and local government jails. Title to this property was retained by the federal government.

The intergovernmental service agreements between the Service and state and local governments provide for the housing, safekeeping, and subsistence of federal prisoners in state and local detention facilities. In the agreements, the Service estimates the number of prisoner-days per year, establishes a fixed rate of reimbursement based on actual costs associated with the operation of the facility, and estimates an annual payment. Also, each agreement contains a section on government furnished property which stipulates that the dollar value of property provided each year will not exceed the annual dollar payment made by the Service for prisoner support. According to Service officials, most of the property is expendable property such as clothing, blankets, and painting supplies.

### Justice's comments and our evaluation

The Assistant Attorney General for Administration, Justice Management Division, provided us with Justice's comments on a

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<sup>6</sup>Authority to use intergovernmental service agreements was granted by the Director, Office of Management and Budget.



draft of this report on July 3, 1984. These comments are included as appendix VII.

Justice agreed with us that excess personal property furnished by the United States Marshals Service to state and local governments under intergovernmental service agreements should have been reported to GSA under the section 202(e) annual reporting requirement. Justice stated that its future section 202(e) reports to GSA will include the furnishing of such personal property by the Service.

#### National Aeronautics and Space Administration

A NASA official informed us that Public Law 94-519 has had the desired effect on the transfer of excess personal property to NASA grantees. Prior to enactment of the law, grantees acquired excess personal property primarily for cannibalization. An official informed us that now with the requirement for a 25-percent payment, less property is acquired because its condition usually is not worth the 25 percent. Also, the official said, currently the acquisition of excess personal property for the grant program is not being emphasized because NASA does not have the personnel or the resources to perform the property reviews required by GSA's FPMR.

NASA reported to GSA that it furnished property not technically excess costing about \$109,000 and \$407,000 to project grantees during fiscal years 1982 and 1983, respectively.<sup>7</sup> Also, NASA reported that it had furnished property costing about \$2.3 million and \$509,000 to contractors during fiscal years 1982 and 1983, respectively.

NASA did not report to GSA property on loan to colleges and universities. NASA conducted a one-time survey of loaned property and found that, as of September 30, 1982, there were 2,122 items of property on loan having an acquisition cost of about \$22.6 million. Included were about 1,097 items of property having an acquisition cost of about \$3.4 million on loan to 48 colleges and universities; this property had been on loan for approximately 7 to 14 years.

An official informed us that property is loaned when a sponsoring organization (not a NASA contractor) makes a request for property to carry out research. NASA loans the property to the organization under an agreement that the research findings are to be provided to NASA. Internal regulations require that

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<sup>7</sup>This was reported in compliance with section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended.

loaned property be certified yearly to determine if it is still required and being used by the organization.

#### NASA's comments and our evaluation

The Acting Associate Administrator for Management provided us with NASA's comments on a draft of this report on July 2, 1984. NASA's position is that section 202(e) does not require reporting property on loan to nonfederal organizations. These comments are included as appendix VIII.

We continue to believe that the legislative history of Public Law 94-519 and the language of section 202(e) clearly indicate the Congress' desire for information concerning the utilization of all federal personal property which has been furnished in any manner whatsoever within the United States to any organization other than a federal agency during the fiscal year. We disagree with NASA that only property transferred to a non-federal organization, not property on loan, has to be reported to GSA under the section 202(e) annual reporting requirement. In addition to transferred property, we believe NASA should be reporting to GSA personal property determined to be no longer required for the purposes of the appropriation from which it was purchased and furnished in any manner whatsoever, including by loan, within the United States to any organization other than a federal agency during the fiscal year. Based on NASA's comments, we have made a differentiation between the terms "transferred" and "furnished" in this report.

#### CONCLUSIONS

During the third 2-year period of the law's operation, a smaller proportion of excess personal property went to nonfederal organizations and a larger proportion went to federal agencies than before Public Law 94-519 was enacted.

GSA continues to experience problems with its management information system. The FSS-23 system still does not provide GSA management with accurate and reliable data on excess personal property provided by federal agencies to their grantees and other nonfederal organizations. The data for fiscal years 1982 and 1983 contained discrepancies similar to those in the fiscal year 1980 and 1981 statistics but not of the same magnitude. Since GSA plans to redesign the FSS-23 system during fiscal year 1985, we are not making any recommendation regarding the current system.

Executive agencies' annual reports required by section 202(e) of the 1949 act to be submitted to GSA on personal property provided to nonfederal organizations may not contain complete information. Without complete information, GSA cannot provide the Congress with an accurate annual report.

## RECOMMENDATION

We recommend that the Administrator of General Services clarify for all executive agencies the information on federal personal property to be reported to GSA in compliance with section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended. This clarification can be accomplished by informing the heads of the executive agencies that they are to include in their annual reports all personal property (1) obtained as excess or determined to be no longer required for the purposes of the appropriation from which it was purchased and (2) furnished in any manner whatsoever--including personal property loaned to any nonfederal organization--within the United States to any organization other than a federal agency during the fiscal year.

## AGENCY COMMENTS AND OUR EVALUATION

The Acting Administrator of General Services provided us with GSA's comments on a draft of this report on July 6, 1984. These comments are included as appendix III.

GSA concurred with our recommendation that the Administrator clarify the information on federal personal property to be reported in compliance with section 202(e) of the 1949 act. GSA stated that a FPMR bulletin will be issued to implement our recommendation.

## CHAPTER 3

### MANAGEMENT OF SURPLUS PROPERTY DONATION PROGRAM

#### GENERALLY EFFECTIVE

The management of the donation program by GSA and the State Agencies included in this review has generally been effective. Specifics regarding GSA's and the New Jersey and Pennsylvania State Agencies management are discussed later in this chapter.

One of the objectives of Public Law 94-519 is to encourage the fair and equitable donation of surplus personal property to a wider range of eligible nonfederal organizations. The Congress believed that property would be distributed more fairly and equitably if recipients who formerly received property as excess now received the property as surplus through the donation program. Surplus personal property is available to eligible nonfederal organizations through the State Agencies for Surplus Property who receive the property at no cost from GSA. Public Law 94-519 expanded the donation program to include the former excess personal property recipients as eligible donees and authorized many new purposes, including economic development, for which property could be donated.<sup>1</sup>

Since enactment of Public Law 94-519, the amount of surplus personal property GSA approved for donation to the State Agencies has fluctuated from year to year. But in fiscal years 1982 and 1983, as in previous fiscal years, surplus personal property has been donated through the State Agencies to a wider range of recipients than before the enactment of the law.

#### SURPLUS PERSONAL PROPERTY APPROVED FOR DONATION BY THE STATE AGENCIES

During the first 2 fiscal years immediately following implementation of Public Law 94-519--fiscal years 1978 and 1979--the dollar amount of surplus personal property approved for donation, i.e., property GSA approved for transfer to the State Agencies, increased significantly over the dollar amount approved in fiscal years 1975, 1976, and 1977. During fiscal years 1982 and 1983, the dollar amount of surplus personal property approved for donation increased over the dollar amount approved for donation prior to the law's implementation. This increase was caused, in part, by an increase of items with large original acquisition costs. Fiscal year fluctuations are shown in the following table.

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<sup>1</sup>Also, the former section 514 recipients are eligible to receive surplus personal property as donees of the State Agencies for Surplus Property.

Amount of Surplus Personal Property  
Available and Approved for Donation

<u>FY</u>	<u>Original cost of property</u>		<u>Approved as a percentage of available</u>
	<u>Available for donation</u>	<u>Approved for donation</u>	
	- - - - (millions) - - - -		
1974	\$4,042.8	\$431.7	10.7
1975	3,026.5	395.9	13.1
1976	2,930.5	367.6	12.5
1977	2,397.6	392.0	16.4
1978	2,704.1	482.6	17.9
1979	2,538.5	452.9	17.8
1980	2,431.4	347.8	14.3
1981	2,827.2	325.5	11.5
1982	2,869.9	349.4	12.2
1983	2,610.6	401.1	15.4

A GSA official informed us that the fiscal years 1982 and 1983 increases over fiscal year 1981 in the dollar amount of property approved for donation were caused in part by donations of high-cost items. For example:

- A portion of the fiscal year 1982 increase was due to the donation of a coal gasification plant, having an original acquisition cost of \$3.3 million, to the South Dakota School of Mines and Technology for research purposes. Also, a small auxiliary floating drydock, having an original acquisition cost of \$1.6 million, was donated to the Port of Bellingham, Washington, to reduce the backlog of ship repairs in the Bellingham area and to increase employment in the ship repair and rebuild industry.
- A portion of the fiscal year 1983 increase was due to the donation of a two-car experimental train, having an original acquisition cost of \$30 million, to the Tennessee Valley Railroad and Museum in Chattanooga, Tennessee, for addition to its railroad collection.

Before the implementation of Public Law 94-519, surplus personal property could be donated only for educational, public health, and civil defense purposes or for research related to these purposes. Organizations eligible to receive property donations were limited to tax-supported or nonprofit tax-exempt medical or educational organizations, public libraries, and civil defense organizations established pursuant to state law.

Public Law 94-519 broadened the range of purposes and organizations eligible to receive donations. In addition to the former eligible recipients, donations also can be made to any public agency for use in carrying out or promoting one or more

public purposes for the residents of a given political area. Eligible public agencies include any state and the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa, and the Northern Mariana Islands; state political subdivision (including any unit of local government or economic development district); state department, agency, or instrumentality (including an instrumentality created by an agreement between a state or political subdivision); or Indian tribe, band, group, pueblo, or community located on a state reservation.

Donated property received by nonprofit tax-exempt organizations must still be used only for educational or public health purposes or related research.

The following table, which categorizes the total property donated through the State Agencies in the past 8 fiscal years, shows that a substantial amount of property has been donated to public agencies for a wider range of purposes as authorized by Public Law 94-519.

Amounts of Personal Property Donated by State Agencies  
for Surplus Property by Category

<u>FY</u>	<u>Educa- tion</u>	<u>Public health</u>	<u>Conser- vation</u>	<u>Economic develop- ment</u>	<u>Parks and rec- reation</u>	<u>Public safety<sup>a</sup></u>	<u>Two or more purposes</u>	<u>For other public purposes</u>	<u>Total<sup>b</sup></u>
------(millions)-----									
1976	\$228.8	\$32.9	\$ -	\$ -	\$ -	\$37.7	\$ -	\$ -	\$299.5
1977	196.9	31.4	-	-	-	57.1	-	-	285.4
1978	197.1	22.9	2.9	21.6	4.8	49.0	25.6	18.8	342.8
1979	216.0	21.4	3.8	46.3	6.1	45.2	37.6	11.3	387.8
1980	184.2	18.2	3.3	27.2	4.4	38.0	30.3	11.4	316.9
1981	144.9	16.1	7.7	22.4	3.4	31.4	26.8	11.3	263.9
1982	146.4	13.4	2.8	23.2	3.6	32.3	31.6	40.7	294.1
1983	123.8	15.3	4.4	32.6	4.7	32.7	34.0	10.5	258.0

<sup>a</sup>In fiscal years 1976 and 1977 this category was called civil defense.

<sup>b</sup>Figures do not add across due to rounding. Also, the differences shown between the amount of personal property approved for donation and the amount donated by the State Agencies equals the amount of property the State Agencies have in inventory awaiting donation to eligible donees.

## MANAGEMENT OF THE DONATION PROGRAM BY GSA

We believe GSA's management of the donation program has generally been effective. In particular, GSA has taken positive actions to have the states submit legislatively developed, permanent state plans of operation for their donation programs, and the State Agencies obtain independent external audits of their operations. GSA's biennial reviews of each State Agency include examinations of service charges, external audits, inventory control procedures, physical security of the State Agency's facilities, and the State Agency's compliance with GSA regulations.

Public Law 94-519 was intended to create a full partnership between the federal government and the states for donating federal surplus personal property to fulfill needs of eligible nonfederal agencies and organizations within the states. As the government's agent, GSA allocates federal surplus personal property among the states and monitors the donation of the property by the State Agency for Surplus Property--the states' donation agent.

### States are required to have approved permanent plans of operation

Public Law 94-519 requires that each state choosing to participate in the donation program develop a permanent plan of operation. The plan is to ensure that federal surplus personal property is fairly distributed and properly used by eligible recipients. Through the plans of operation, the states agree to fulfill various minimum requirements. For example, the states are to ensure that

- the State Agencies have adequate authority and capability to carry out their responsibilities and
- the State Agencies' procedures are adequate regarding property accountability; audits; donee use of property; consultation with public and private groups; fair and equitable service charges based on services performed; and fair and equitable distribution of property to donees.

Public Law 94-519 specified that the state plans be developed by the legislature in accordance with state law, certified by the governor, and submitted to GSA within 270 days of enactment of the law or by July 14, 1977. The Congress wanted the state legislatures to develop the plans to ensure broad public input in their development through the state legislators. If the states could not develop, approve, and submit legislatively developed plans to GSA within 270 days, the law allowed the State Agencies to operate and receive federal property under temporary plans approved and submitted by the governor. No

final deadline was provided in the law for submitting the permanent plans and no penalty was prescribed for failing to submit them. Similarly, the Federal Property Management Regulations (FPMR) issued by GSA to implement the law contained no deadline or penalty.

#### GSA action on plans

In our first report we recommended that GSA take action to encourage the states to submit legislatively developed, permanent state plans of operation. On January 5, 1982, GSA issued a memorandum to all its regional offices and the State Agencies describing alternatives that could be followed. Each GSA regional office was told to ensure that the states within its jurisdiction proceed with the development of permanent plans. GSA has suggested that the states use one of the two following methods to expedite completion of the required permanent plans.

- If the state has enacted a Uniform Administrative Procedure Act, the State Agency officials may request a written opinion from the state attorney general stating that the temporary plan, which is currently the authority to operate the State Agency, be considered promulgated and approved by the legislature as an act of the legislature.
- The State Agency officials may seek to obtain a resolution passed by the legislature adopting the temporary plan as a permanent plan promulgated by the state legislature; a certified copy of this resolution should be submitted to GSA.

This memorandum further states that if neither of these two alternatives is acceptable, the state legislature will have to develop a new permanent plan in accordance with the procedures in section 203(j)(4) of the Federal Property and Administrative Services Act of 1949, as amended.

On August 2, 1983, GSA sent a letter to all its Assistant Regional Administrators and the State Agencies reminding them that legislatively developed, permanent state plans of operation for all states must be submitted for review and acceptance by the Administrator of General Services no later than June 30, 1984. In a letter dated August 30, 1983, the Acting Assistant Administrator for Federal Supply and Services informed the governors of the 41 states without permanent plans that ". . . failure to submit the required plan could necessitate [GSA] deferring further allocations of property to [the] State." Also, GSA has established a requirement for the regions to report monthly on the State Agencies' progress on their permanent plans.



### Status of plan submissions

As of February 29, 1984, 13 states had submitted and GSA had accepted their legislatively developed, permanent state plans of operation. The remaining 42 states (Public Law 94-519 includes as a state the District of Columbia, Puerto Rico, the Virgin Islands, Guam, American Samoa,<sup>2</sup> and the Northern Mariana Islands) were operating under temporary plans. Twenty of the 42 states had submitted proposed permanent plans for review and acceptance by the Administrator of General Services, but as of February 29, 1984, none of these proposed permanent plans had been accepted as permanent state plans. Appendix II shows the status of state plans as of February 29, 1984.

### External audits of the State Agencies' operations need more emphasis

FPMR subpart 101-44.202(c)(12) requires that each State Agency's permanent plan of operation provide for periodic external audits of donation program operations and financial affairs. According to the FPMR, external audits must be performed at least every 2 years by an appropriate state authority or by an independent certified public accountant or an independent licensed public accountant. They must include a review of the State Agency's compliance with the state plan of operation and the requirements of part 101-44 of the FPMR which describes how the State Agencies are to operate their programs.

As of October 17, 1983, Public Law 94-519 had been in effect for 6 years, and states with operating plans that had been in effect for this entire period were due for their third audit. However, some states did not submit their plans when due in 1977 and other states have not had their audits performed on schedule. Consequently, as shown in appendix II, as of February 29, 1984, 10 State Agencies had been audited for the third time. Most of the others had been audited twice since their state plans were approved by GSA in 1977 or 1978. However, 38 State Agencies have had an external audit performed during the past 2 years. 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. Therefore, its external audit was not due until April 1984. A GSA official informed us that an external audit was not requested from the Northern Mariana Islands State Agency for Surplus Property because of its negligible participation in the donation program.

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<sup>2</sup>The Government of American Samoa has not yet submitted a detailed plan of operation for approval and acceptance by the Administrator of General Services.

As summarized earlier and shown in more detail in appendix II, external audits are not being performed at 2-year intervals. However, GSA has taken action to improve this situation. In a letter dated April 27, 1983, the Assistant Administrator for Federal Supply and Services informed the GSA Regional Administrators that GSA is not adequately exercising its oversight responsibility for the donation program and ensuring that external audits of the State Agencies are conducted every 2 years. The letter mandated the regions to initiate immediate action to ensure that the State Agencies schedule and conduct external audits every 2 years as well as ensure the prompt submission of completed external audits by the states. The letter also required the regional offices to submit quarterly reports to GSA's central office reflecting the scheduling and completion of the external audits.

On July 26, 1983, GSA issued a memorandum to all its regional offices and the State Agencies providing them with guidelines for conducting external audits. The guidelines, developed jointly by GSA and the State Agencies, identify donation program areas having compliance requirements and provide suggested audit procedures.

#### MANAGEMENT OF THE DONATION PROGRAM BY THE NEW JERSEY AND PENNSYLVANIA STATE AGENCIES

We believe the management of the donation program by the two State Agencies included in this review--New Jersey and Pennsylvania--has also generally been effective. These two State Agencies have improved their management as a result of actions taken to correct deficiencies found during prior external audits (performed by an appropriate state authority or by an independent certified public accountant or independent licensed public accountant) and internal and GSA reviews. Even though both State Agencies at the time of our review were operating under temporary state plans of operation, they had reasonably effective management control over their operations. We found that the New Jersey State Agency was in compliance with the requirements of its temporary state plan and that no deficiencies or weaknesses were identified in the management and financial procedures and practices followed by the State Agency. However, at the Pennsylvania State Agency<sup>3</sup> we found that (1) external audits had not been performed every 2 years as required by its temporary state plan and the FPMR and (2) officials had not

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<sup>3</sup>The Pennsylvania State Agency is known as the Federal Surplus Property Division. This Division is in the Bureau of Supplies and Surplus Operations within the Department of General Services.

ensured that the number of compliance and utilization reviews<sup>4</sup> were being performed as prescribed by its temporary state plan of operation.

#### Inventory control procedures

At the two State Agencies we visited, our review showed that they had adequate inventory management and records systems for controlling surplus federal personal property in their possession.

#### New Jersey State Agency

The inventory control procedures outlined in the New Jersey state plan were adequate. Inventory control procedures require that property received by the State Agency be labeled with control numbers. In addition, property is recorded in a stock record card file by the control number. When the property is donated, the amount of property is posted to the stock record card. The state plan also requires a periodic random sample of property in inventory to verify the accuracy of balances on the stock record cards and at least one complete physical inventory or two random-sample inventories each fiscal year.

We selected 27 stock record cards and physically inventoried the property in the warehouse. Conversely, we selected another 25 items located within the State Agency's warehouse and verified the accuracy of quantities recorded on the stock record cards. We found no discrepancies between the actual quantities on hand in the warehouse and quantities recorded on the stock record cards.

#### Pennsylvania State Agency

The Pennsylvania state plan provides adequate accountability of surplus personal property. Property is posted to the account inventory promptly after receipt, and verified receipt documents are used to prepare input documents for the automated inventory control system. Monthly inventory listings are printed for verification of receipts, issues, and inventory balances, and any discrepancies are researched. In addition to monthly inventory reconciliations, a count is made at least once a year for all restricted items. A sample inventory is made at

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<sup>4</sup>A compliance review examines whether donees are complying with the terms and conditions imposed by the State Agencies on restricted property--passenger vehicles, property costing \$3,000 or more, and property with special handling conditions or use limitations imposed by GSA. A utilization review examines whether restricted property is being used by donees appropriately.

least once a year to determine the accuracy of recorded balances on all other items.

We reviewed the results of the physical inventory performed in June 1982 by the State Agency. We selected all receipts, disbursements, sales, and balances reported to GSA and traced these to supporting documents to verify their accuracy. We found no discrepancies.

#### Compliance of donees and the State Agencies with conditions of the donation program

The FPMR requires donees to begin using donated property within 1 year from the date of receipt. The property is to remain in use for at least 1 year or be returned to the State Agency for redonation. Permission to cannibalize (disassemble to obtain parts) property or to use an item for other than its primary function must be obtained from the State Agency or GSA. FPMR subpart 101-44.202(c)(10) requires a State Agency to periodically examine donee use of certain property to ensure that the FPMR requirements are complied with and that property is being appropriately used. If the donee fails to comply with these and other restrictions, a State Agency can have the property returned and assess the donee for any compensation due the government.

#### Use of property by donees

Between June 1983 and September 1983, we reviewed the donees' use of 123 items from a total of 257 items of property that had been donated between January 1982 and September 1982 by the New Jersey and Pennsylvania State Agencies to see if these State Agencies were ensuring that the FPMR requirements were adhered to. The items were received by 21 donees at least 1 year before the date of our visit. We visited each donee based on the number of restricted items of property received to determine if the items were in use and if the donee had violated any use restrictions. We found that 103 items (84 percent) were in use and that donees had not violated use restrictions on any of these items. Of the remaining 20 items, 9 items (7 percent) were not in use; 6 items (5 percent) were to be cannibalized although permission had not been received; and 5 items (4 percent) were not available for inspection at the time of our visit because the property could not be located by the donee.

The incidence of nonuse was relatively low--9 in 123 items, or approximately 7 percent of the items reviewed. From our conversations with donees and inspection of the property, we believe that most nonuse instances occurred because the property (1) needed repairs to be serviceable and the donee was in the process of repairing it or (2) needed parts and the donee did not have the funds to buy them.

Overall, the donees believed that the donation program was highly beneficial to them because it (1) provided property at low cost which the donee could not normally afford, (2) provided property for services which could not otherwise have been performed, (3) saved money and helped donees stay within their budgets, and (4) expanded their educational and civil defense capabilities.

#### State Agencies' use and accountability of property

The FPMR allows the State Agencies to obtain and retain surplus personal property for their own use in carrying out their donation activities. The use of all such items taken from the State Agencies' active inventory must be approved by GSA.

During our visits to the two State Agencies, we inspected items to determine (1) if the State Agencies' received GSA's approval for use of these items and (2) if items were being used. We also inspected the State Agencies' inventory records to determine if the items were properly accounted for. We found that the items had been approved for use and that they were being appropriately used and accounted for by both State Agencies.

#### Compliance and utilization reviews

The FPMR requires that the State Agencies make compliance and utilization reviews, as prescribed in their state plans, to ensure that restricted donated property is being used by the donee for the purpose for which it was acquired. State Agencies also check whether or not the property was placed in use within 1 year of receipt and used for a minimum of 1 year after being placed in use.

The results of our review of the New Jersey and Pennsylvania State Agencies' compliance and utilization reviews are discussed below.

#### New Jersey State Agency

The New Jersey state plan requires the State Agency to conduct a planned program of regular compliance and utilization reviews. State Agency representatives are required to review a minimum of 10 percent of active donees each year. This percentage should include donees who receive restricted property.

We found that the New Jersey State Agency was performing the number and types of compliance and utilization reviews required by its state plan.

## Pennsylvania State Agency

The Pennsylvania state plan prescribes that state representatives must make utilization and compliance reviews at least once during the period of restriction on all passenger motor vehicles and items having a unit acquisition cost of \$3,000 or more.

We selected for review 177 items from a total of 205 restricted items issued to donees during the 6-month period from January through June 1982 and found that the State Agency did not adequately comply with its state plan requirements. Specifically, of the 177 items reviewed, we found that responsible Agency personnel made compliance and utilization reviews on 27 items, or about 15 percent, of the restricted items issued during the 6-month period.

The Chief, Federal Surplus Property Division, could not adequately explain why the compliance and utilization reviews were not being carried out to ensure donee compliance with the terms and conditions of the donations.

### Service charges assessed donees

FPMR subpart 101-44.202(c)(5) provides that when a State Agency is authorized to assess and collect service charges from participating donees to cover direct and reasonable indirect costs of its activities, the method of establishing such charges shall be prescribed in the state plan. Such charges shall be fair and equitable and be based on services performed by the State Agency, such as screening, packing, crating, removal, and transportation of donated property.

We examined the New Jersey and Pennsylvania state plans dealing with assessment of service charges and found that the State Agencies were in compliance with FPMR requirements. We selected some transactions to determine if the assessed charges were consistent with the schedule of charges prescribed in the state plans. We found that the actual assessments were generally consistent with the service charge schedules set forth in the state plans. Seventeen of the 21 donees visited during our review believed that the service charges levied by both State Agencies were fair and reasonable.

### CONCLUSIONS

As intended by the Congress, Public Law 94-519 has encouraged the fair and equitable donation of surplus personal property through the State Agencies for Surplus Property to a wider range of eligible nonfederal organizations. Although the amount of surplus personal property donated has fluctuated since Public Law 94-519 was enacted, property is now donated to recipients in

six purpose categories as contrasted with three purpose categories before the law was enacted.

We believe that GSA has effectively acted on the recommendations contained in our two previous reports and that GSA and the two State Agencies covered by this review are, in general, effectively managing the donation program.

Although many states have not submitted legislatively developed, permanent state plans of operation to GSA, and the audits of many State Agencies' donation programs were behind schedule at the completion of our audit, we believe GSA has taken reasonable steps to have the permanent plans submitted and the external audits performed. We therefore are not making recommendations concerning these matters.

#### AGENCY COMMENTS AND OUR EVALUATION

##### GSA comments

In commenting on a draft of this report, GSA stated that 24 states had submitted and the Administrator of General Services had accepted their legislatively developed, permanent state plans of operation. In addition, six other states had submitted proposed permanent plans for review and acceptance by the Administrator of General Services. The number of accepted permanent plans has increased since we completed our fieldwork; however, based on GSA's response, 31 states are operating under temporary plans of operation. In its response GSA stated that the states, which had not submitted permanent plans, are making every effort to finalize their plans at the earliest possible time.

GSA also stated that it had established the 2-year cycle for external audits. However, the frequency for the audits was initially challenged by some states, thereby causing some irregularity in the performance of the early external audits. GSA stated that this matter has been resolved, the 2-year cycle for external audits has been firmly established, and all State Agencies are completing these in a timely and satisfactory manner. We continue to believe that external audits of the State Agencies operations every 2 years are important because these audits enable the State Agencies to improve their program operations as well as assist GSA in recognizing State Agency management deficiencies.

##### State Agencies for Surplus Property comments

###### New Jersey

The Chief, New Jersey State Agency for Surplus Property, provided us with the State Agency's comments on selected sections of a draft of this report on July 17, 1984. These

comments are included as appendix IV. The Chief expressed agreement with our statements regarding the operations of the New Jersey State Agency for Surplus Property.

### Pennsylvania

The Director, Bureau of Supplies and Surplus Operations, provided us with the State Agency's comments on selected sections of a draft of this report on June 11, 1984. These comments are included as appendix V. The Director responded that the information contained in the draft report was correct and accurate and that he completely agreed with the report as written.

The Director informed us that the physical review of all compliance items by State Agency personnel as required by the temporary state plan of operation was unrealistic and beyond the capabilities of accomplishment. Therefore, this requirement has been changed in the proposed permanent state plan of operation to state that a minimum of 15 percent of the items must be physically reviewed and the balance may be reviewed by correspondence. However, the Pennsylvania state plan of operation as of July 31, 1984, had not been accepted as a permanent plan.



EXCESS PERSONAL PROPERTY PROVIDED TO GRANTEES  
AND OTHER NONFEDERAL ORGANIZATIONS

<u>Federal department/agency</u>	<u>FY 1976<sup>a</sup></u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
------(000 omitted)-----								
Architect of the Capitol	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ -
Executive Office of the President	7,288	589	-	-	-	-	-	-
Department of Agriculture <sup>b</sup>								
Grantees	26	108	-	4	2	51	43	125
Forest Service's Forest Fire Control Program cooperators	13,282	19,095	33,755	14,308	17,938	21,085	30,824	29,190
Extension Service cooperators <sup>c</sup>	-	-	-	-	-	-	-	394
Department of Commerce	2,410	8,750	1,489	732	137	1	1	242
Section 514 recipients	131,376	273,805	28,300	-	-	-	-	-
Department of the Interior								
Grantees	336	2,089	272	525	375	87	3	-
Bureau of Indian Affairs (furnished to Indian tribes holding federal grants)	-	-	-	-	-	-	-	-
Department of Justice <sup>d</sup>								
Grantees	3,908	3,380	196	420	485	282	430	232

<u>Federal department/agency</u>	<u>FY 1976<sup>a</sup></u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
----- (000 omitted) -----								
Law Enforcement Assistance Administration/Office of Justice Assistance, Research and Statistics	\$ -	\$ -	\$ -	\$ -	\$ 112	\$ 63	\$ 1	\$ 6
Department of Labor								
Grantees	7,111	10,084	211	132	628	765	81	57
Employment and Training Administration	-	-	-	-	4,054	3,121	3,380	2,845
Department of the Navy	338	71	-	-	5	114	18	-
Department of State	1	-	-	-	2	-	-	-
Department of the Army	49	117	-	-	39	-	-	-
National Mediation Board	-	-	-	-	1	-	-	-
Tax Court of the United States	-	-	-	-	3	-	-	-
Smithsonian Institution	1	-	-	-	1	-	1	2
Veterans Administration	22	-	-	-	-	-	-	-
Defense Civil Preparedness Agency/Federal Emergency Management Agency <sup>e</sup>	1,136	910	-	-	-	-	-	-
ACTION	11	24	-	-	-	-	1	-
General Services Administration	4	-	-	-	-	1	-	-

## APPENDIX I

## APPENDIX I

<u>Federal department/agency</u>	<u>FY 1976<sup>a</sup></u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
----- (000 omitted) -----								
National Science Foundation	\$73,336	\$42,916	\$31,826	\$35,797	\$22,995	\$16,587	\$15,624	\$11,211
Department of the Air Force	69	47	-	-	5	-	81	-
National Labor Relations Board	-	-	-	-	-	-	-	12
Environmental Protection Agency	-	-	1,250	84	-	-	-	4
Department of Transportation	6	197	-	15	-	-	4	-
Agency for International Development--other foreign programs	-	-	-	138	335	17	124	318
Small Business Administration	-	-	-	-	-	-	1	-
Department of Health, Education, and Welfare/Department of Health and Human Services	8	25	-	-	5	130	-	-
Foreign Claims Settlement Commission of the United States	24	-	-	-	2	-	-	-
National Aeronautics and Space Administration	1,101	477	-	-	8	1	-	2
Community Services Administration <sup>f</sup>	-	5,041	-	42	76	71	-	-
Department of Housing and Urban Development	185	370	-	-	-	-	-	-

APPENDIX I

APPENDIX I

<u>Federal department/agency</u>	<u>FY 1976<sup>a</sup></u>	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>FY 1982</u>	<u>FY 1983</u>
----- (000 omitted) -----								
Energy, Research and Development Administration/ Department of Energy	\$ 1,030	\$ 2,711	\$ -	\$ -	\$ 321	\$ 195	\$ 551	\$ 85
Department of Defense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>141</u>	<u>-</u>	<u>1</u>
Total	\$243,058	\$370,806	\$97,299	\$52,197	\$47,533	\$42,739	\$51,168	\$44,726
	=====	=====	=====	=====	=====	=====	=====	=====

<sup>a</sup>The amount of excess personal property transferred to grantees during the transition quarter (July, August, and September 1976) which changed the closing of the fiscal year from June 30 to September 30 was not included in either the fiscal year 1976 or fiscal year 1977 total.

<sup>b</sup>Including organizations who are furnished excess personal property under the cooperative forest fire control program. Under Public Law 94-519 these organizations are exempt from the requirement that the sponsoring federal agencies pay to the Treasury 25 percent of the acquisition cost of excess personal property transferred to their eligible grantees.

<sup>c</sup>The Agriculture and Food Act of 1981 (Public Law 97-98, approved December 22, 1981) amended section 202(d)(2) of the Federal Property and Administrative Services Act of 1949 by adding a fifth exemption to the requirement that the sponsoring federal agencies pay to the Treasury 25 percent of the acquisition cost of excess personal property transferred to their eligible grantees. Section 1443 of this act allows the Secretary of Agriculture to furnish excess personal property to any state or county extension service, state experimental station, or other institution engaged in cooperative agricultural extension work or cooperative agricultural research work; however, title to this property is retained by the federal government.

<sup>d</sup>Most of the Law Enforcement Assistance Administration programs were terminated on April 15, 1982; however the "Sting," Treatment Alternatives to Street Crime, Organized Crime Intelligence, and Public Safety Officers' Benefits programs were transferred to the Office of Justice Assistance, Research and Statistics.

<sup>e</sup>The Defense Civil Preparedness Agency became part of the Federal Emergency Management Agency on July 15, 1979.

<sup>f</sup>The Community Services Administration closed on September 30, 1981.

STATUS OF STATE AGENCIES' PLANS OF  
OPERATION AND EXTERNAL AUDITS  
(as of February 29, 1984)

<u>State</u>	<u>Type and date plan was accepted</u>		<u>Date of acceptable external audit report<sup>1</sup></u>		
	<u>Temporary</u>	<u>Permanent</u>	<u>First</u>	<u>Second</u>	<u>Third</u>
Alabama	10/17/77		4/80	3/82	
Alaska	10/25/77		3/80	6/83	
Arizona	10/17/77	5/10/82	12/81		
Arkansas	10/17/77		9/79	11/81	
California	10/21/77	11/24/82	11/81		
Colorado	10/17/77	11/29/83	1/79	1/82	
Connecticut	10/17/77		6/79	6/81	
Delaware	10/17/77		11/81		
District of Columbia	10/02/78		11/82		
Florida	10/17/77	9/14/83	11/81	10/82	12/83
Georgia	10/17/77	11/23/83	10/79	8/81	9/83
Guam	10/20/77		11/78	10/80	11/81
Hawaii	10/17/77		5/80	9/83	
Idaho	10/17/77		6/82		
Illinois	10/17/77		9/78	8/80	6/82
Indiana	11/11/77		10/79	7/82	
Iowa	10/17/77		12/78	10/80	
Kansas	10/17/77		6/80	10/82	
Kentucky	10/17/77		9/80	4/81	6/83
Louisiana	10/17/77		5/80	3/81	
Maine	11/18/77		8/80	11/82	
Maryland	10/17/77		6/80	8/82	
Massachusetts	10/17/77		2/80	3/81	8/83
Michigan	10/17/77	9/09/82	1/80	5/82	
Minnesota	10/17/77		3/79	11/80	
Mississippi	10/17/77		10/79		

<sup>1</sup>Prior to acceptance, each external audit report is reviewed by GSA to determine if the State Agency was operating in general conformance with the state plan of operation.

State	Type and date plan was accepted		Date of acceptable external audit report <sup>1</sup>		
	Temporary	Permanent	First	Second	Third
Missouri	10/17/77		11/79	4/82	
Montana	10/17/77		9/79	6/81	
Nebraska	12/29/77		8/79	6/81	
Nevada	10/17/77		12/79	10/81	
New Hampshire	10/25/77		4/81	8/83	
New Jersey	2/21/78		12/80	6/82	
New Mexico	10/17/77		10/80	11/82	
New York	10/17/77		7/80	1/83	
North Carolina	10/17/77		9/78	2/81	3/83
North Dakota	10/17/77		2/81	11/83	
Northern Mariana Islands	4/13/82				
Ohio	10/17/77		11/79	2/83	
Oklahoma		10/17/77	3/80		
Oregon	10/26/77		9/83		
Pennsylvania	10/17/77		4/81		
Puerto Rico	10/17/77		6/79	5/83	
Rhode Island	1/10/78		8/79	4/81	6/83
South Carolina	10/17/77	4/03/81	6/80	9/83	
South Dakota	10/17/77	2/08/78	9/81	9/83	
Tennessee	10/17/77	7/23/81	10/80	4/83	
Texas <sup>2</sup>	10/17/77		8/79	7/80	6/81
Utah	10/17/77		5/79	7/80	10/83
Vermont	10/26/77		4/80	10/82	
Virginia	10/17/77		10/80	8/82	
Virgin Islands	1/05/78		7/80	8/82	
Washington	10/17/77		9/83		
West Virginia	10/20/77	2/02/84	12/80	9/83	
Wisconsin	10/17/77	11/10/77	11/79	2/84	
Wyoming	10/17/77	2/29/84	2/81	4/83	

<sup>2</sup>A fourth external audit of the Texas State Agency for Surplus Property was accepted by GSA on May 27, 1982.



General  
Services  
Administration

Washington, DC 20405

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JUL 6 1984

Honorable Charles A. Bowsher  
Comptroller General of the United States  
U.S. General Accounting Office  
Washington, DC 20548

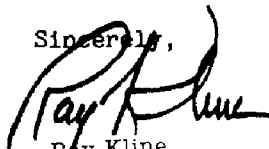
Dear Mr. Bowsher:

Thank you for the opportunity to review your June 1984 draft report entitled "GAO's Third Biennial Report on the Transfer of Excess and Surplus Federal Personal Property to Nonfederal Organizations," GAO assignment code 943540.

We concur with the recommendation that we clarify for all executive agencies the information on Federal personal property to be reported to GSA in compliance with section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended. A Federal Property Management Regulations Bulletin will be issued to implement the recommendation.

We also enclose some additional comments and request that they be considered and appropriate changes made in the report prior to its final issuance.

Sincerely,



Ray Kline  
Acting Administrator

Enclosure



GSA COMMENTS ON GAO DRAFT REPORT  
"THIRD BIENNIAL REPORT ON THE TRANSFER OF  
EXCESS AND SURPLUS FEDERAL PERSONAL PROPERTY  
TO NONFEDERAL ORGANIZATIONS," JUNE 1984

UTILIZATION PROGRAM

Discrepancies in Records of  
Excess Property Transfers

We believe GAO's draft report does not accurately portray the purposes of GSA's manual and computer generated reports on reimbursable transfers to project grantees and, therefore, overstates the significance of discrepancies between the two reports. Both of these reports are source data from which GSA ultimately prepares an accurate report of reimbursable transfers to grantees. The manual report provides the names of the project grantees and serves as a check for the transactions recorded on the computer report prior to compilation of a final report. In those instances where a discrepancy occurs, the appropriate GSA region is contacted to reconcile the difference. The errors could be on the manual or the automated report. In either event, the net result of reconciliation is to provide an accurate report. The evaluation process deals with unofficial source statistics and should not be construed as being indicative of the several hundred thousand transactions recorded in the automated system. Of the \$601.6 million transferred during fiscal year 1983, only \$274,795 involved reimbursable transfers to grantees. Consideration should be given to revising or even deleting the discussion of this matter in GAO's final report.

In addition, GAO's draft report appears to link the accuracy of the reimbursable transfers report with the report required by section 202(e) of the Property Act. It should be clarified that these are two completely different reports. GSA's reimbursable report deals strictly with excess transfers, while Federal agencies reporting under section 202(e) include excess as well as other property "furnished in any manner whatsoever" to non-Federal recipients.

DONATION PROGRAM

States' Permanent Plans of Operation

GAO's draft report accurately reflects the problem of getting States to submit legislatively developed permanent plans of operation which has confronted GSA since the effective date of Public Law 94-519. As noted in the report, GSA initiated nearly 2½ years ago a program to enforce the requirement for submission of permanent plans. This program has met with considerable success, and currently 24 permanent plans have been accepted by GSA and 6 additional plans are in the process of being accepted, which brings the total to 30. It is anticipated that most States will have submitted their permanent plans by June 30, 1984, the established deadline for submission. There is every evidence that the few States which may fail to meet this deadline are making sincere efforts to complete their plans at the earliest possible time.

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(NOTE: The reference at the top of page 26 in the GAO report regarding the GSA letter which informed the Governors of 44 States of the deadline for submission of permanent plans should be changed to indicate that 41 Governors were sent the letter. The Governors of Colorado, Utah, and Wyoming were not included in the addressees pending GSA receipt of status of their plans.) (See GAO note.)

#### External Audits

GAO's draft report makes an assessment of past audit activities which is technically correct, i.e., each State agency should have had three external audits during the past 6½ years. Looking at the audit requirement from a broader perspective, we note that the 2-year audit cycle was established by GSA. The frequency of audits was initially challenged by some States as a negotiable program function based on the privileges of the Federal/State program partnership which is the intent of Public Law 94-519. This caused some irregularity in the performance of early external audits. The matter has now been resolved and the 2-year audit cycle has been firmly established. Currently, all State agencies are completing their external audits in a timely and satisfactory manner and action has been taken to maintain a close GSA overview of the future conduct of this aspect of State agency activity.

GAO note: Page references in this paragraph have been changed to correspond with pagination in the final report.

Documentation provided during the review indicated that the August 30, 1983, letters were sent to the governors of 44 states without permanent plans. However, based on these comments, the final report has been revised to indicate that the August 30, 1983, letters were sent to the governors of the 41 states.



**State of New Jersey**

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IRWIN I. KIMMELMAN  
Attorney General

COLONEL C. L. PAGANO  
Superintendent

July 17, 1984

Mr. William J. Anderson, Director  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

Subject: Draft of GAO's Third Biennial Report to Congress on  
Implementation of Public Law 94-519

Thank you for this opportunity to comment on subject report which includes sections applicable to the audit work performed at the New Jersey State Agency for Surplus Property by Mr. John Elliott of your staff.

I am happy to find the report states that the NJSASP was operating in compliance with its State Plan of Operations, and there were no deficiencies. I accept this as a tribute to the fine people I have working for me at the Distribution Center who perform the day-to-day tasks required for compliance with the State Plan. A Plan is only as good as those who implement it.

The Personal Property Donations Program established pursuant to the Federal Property and Administrative Services Act of 1949, as amended over the years and by Public Law 94-519, is one of the most significant programs of benefit to the general public. It is a rewarding experience to those who labor in the program at the operating level to see valued property continued in use for public benefit by those donee agencies which could not otherwise acquire such property because of budget limitations. The program is a credit to members of Congress who have exercised overview of this program since its inception, and who have contributed to its improvements over the years. The partnership of State and Federal Government in administration of this program is one of the finest examples of cooperation and team work one will find among similarly sponsored programs.

Leadership exhibited by the General Services Administration acting in close contact with Officers of the National Association of State Agencies for Surplus Property (NASASP), and with representatives of the Defense Property Disposal Services and Defense Logistics Agency, have contributed immeasurably to the success of this program.

Sincerely,

Patrick C. Sharpe, Chief, NJSASP  
NJ Office of Emergency Management

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COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF GENERAL SERVICES  
HARRISBURG

WALTER BARAN  
SECRETARY

June 11, 1984

Mr. Clair A. Hoffman  
United States General Accounting  
Office Representative  
Room 414  
Crystal Mall Building No. 4  
Washington, D.C. 20406

Dear Mr. Hoffman:

As I reported to you during our recent telephone conversation, I have reviewed the draft copy of the GAO's Third Biennial Report and have found all information concerning our program to be correct and accurate. I am in complete agreement with the report as it is written.

For your information, the following is the current status on our reported discrepancies:

Permanent State Plan - A permanent state plan has been finalized, approved by the Governor's Office, tentatively approved by GSA, and is currently in the Legislature for consideration. I am hopeful that the Legislature will approve the plan prior to June 30, 1984 in order to enable us to meet the mandatory deadline.

External Audit - An external audit of the Federal Surplus Property Program was completed during December 1983 by Gerard E. Smith and Associates, Inc., of New Bedford, Mass. The audit covered the period from January 1, 1981 through November 30, 1983. The audit report, with an indication of our corrective action taken or planned, was forwarded to the GSA Region 3 office on February 16, 1984.

Compliance Utilization Reviews - As stated in the report, utilization and compliance reviews have not been accomplished as required by the temporary state plan. Research of the requirement revealed that physical review of all compliance items is unrealistic and beyond our capabilities of accomplishment. As a result, the requirement has been changed, in our permanent state plan, to a minimum of 15% of the items must be physically reviewed and the balance may be reviewed by correspondence. To insure reviews on all compliance items, we are automating the data and will receive automatic reports as required to initiate review and insure timely completion of required actions. Our Customer Support Section has been made responsible for insuring adequate and appropriate action.

2221 Forster Street, P.O. Box 1365, Harrisburg, Pennsylvania 17105  
Telephone No. (717) 787-5940

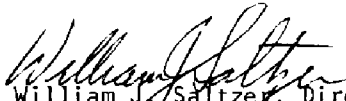
Mr. Clair A. Hoffman

June 11, 1984

I am returning the draft copy in the interests of maintaining confidentiality. I can also assure you that no copies have been made in this office.

If I can be of any assistance to you with the report, or any other area, please don't hesitate to call on me.

Sincerely,

  
William J. Saltzer, Director  
Bureau of Supplies and Surplus Operations

WJS:dg

Enclosure



Department of Energy  
Washington, D.C. 20585

JUL - 6 1984

Mr. J. Dexter Peach  
Director, Resources, Community and  
Economic Development Division  
U. S. General Accounting Office  
Washington, DC 20548

Dear Mr. Peach:

The Department of Energy (DOE) appreciates the opportunity to review and comment on the GAO draft report entitled "GAO's Third Biennial Report on the Transfer of Excess and Surplus Federal Personal Property to Nonfederal Organizations." DOE supports your recommendation that the General Services Administration (GSA) should clarify the reporting requirements required by Section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended. We are concerned, however, that certain statements in the draft report might be misinterpreted with respect to the intent of Congress in its enactment of Public Law 94-519, which revised the Federal Property and Administrative Services Act of 1949.

Public Law 94-519 was drafted as a result of a report entitled "Recommendations of the Ad Hoc Interagency Study Group on Utilization of Excess Federal Property." This report specifically recommended that "Federal excess personal property be transferred to Federal agencies only for their direct use, for use by their cost-reimbursable contractors, or for the other uses specified in Section 109(f) of the Act. This would eliminate Federal agencies acquiring excess property for their grantees." This committee was rightfully concerned that the practice of providing excess property to grantees would diminish the opportunity for Federal activities to utilize excess property. This practice also diminishes availability of desirable surplus personal property for the donation program.

Neither the House nor Senate reports on the draft legislation (H. R. 14451) addressed furnishing personal property to contractors. During hearings before the then Senate Committee on Government Operations, GAO's Director of Logistics and Communications Division testified that the proposed legislation was designed to restrict the practice of providing excess personal property to grantees. In testimony before a House Subcommittee of the Committee on Government Operations, GSA's Deputy Assistant Commissioner for the Office of Personal Property Disposal identified the distinction between cost-reimbursement contractors and grantees. The House and Senate reports and hearings on this legislation were clearly concerned with the practice of providing excess property to grantees and with its impact on the Federal utilization and donation programs. The stated intent of Congress was to establish an orderly, efficient, and fair system for distributing, by donation, Federal surplus

personal property to public or nonprofit institutions for uses of a public character, and the regular reporting to Congress of enough information to enable Congress to properly perform its oversight function in relation to this type of Federal assistance.

In contrast to the above, Appendix II of the draft GAO report states that all excess personal property and other personal property not technically excess, but transferred in any manner whatsoever to any nonfederal organization, should be reported. This GAO interpretation of Section 202(e) appears to exceed the intent of Congress in its enactment of the legislation. (See GAO note.)

As examples of property which was not reported, on pages 15 and 16 of the report, GAO reported that DOE had failed to report (1) loaned equipment, (2) excess property furnished to our contractors who operate the DOE-owned facilities, and (3) used DOE-owned property furnished under the Used Energy-Related Laboratory Equipment Grants Program. As discussed below, these three examples clearly are not within the coverage of Public Law 94-519 and should either be deleted from the GAO report or a statement should be included to recognize that there are several instances where providing personal property to contractors or nonprofit organizations is in the best interests of the Government and falls outside the coverage of Public Law 94-519. (See GAO note.)

With respect to the first example, loans of equipment, the DOE Property Management Regulations provide for temporary loans of equipment to other DOE offices and contractors, other Federal agencies, and other organizations for official purposes in order to fill short-term needs. The Federal Property Management Regulations' reporting instructions rightfully do not include loaned property. The House and Senate reports on this legislation do not address loaned property except for loans to grantees. The principal reason for the drafting and passage of this legislation was to curtail the practice of loaning excess property to grantees. However, the DOE loans are not to grantees and they do not involve excess property. By including this finding about loaned equipment, without clarifying remarks, GAO implies that all loans to nonfederal recipients should be reported to GSA. In our judgment, this exceeds the original intent of the legislation.

Concerning excess property furnished to our contractors, DOE representatives met with GSA officials, including their legal counsel, prior to submitting the first report required by the provisions of Section 202(e) of the Federal Property and Administrative Services Act of 1949, as amended. The two agencies reached a verbal agreement that this reporting requirement was not applicable to this Department's contractors operating DOE-owned facilities. This determination was based on the fact that these contractors perform only Government work at these facilities, their accounting system is integrated with the DOE financial system, and they are authorized to act as an agent for this Department.

Furnishing of excess property to cost-reimbursement contractors is encouraged as a first source of supply by the Federal Acquisition Regulation and Federal Property Management Regulations, precludes new acquisitions, and thus saves the Government money. When excess property is furnished to contractors, title to the property remains with the Government and the property is managed and controlled by the contractor in accordance with Federal regulations. In light

of the legislative history and the difference in character and substance between a grant and cost-reimbursement contract, the value to GSA or Congress of information on personal property furnished or loaned to contractors appears questionable.

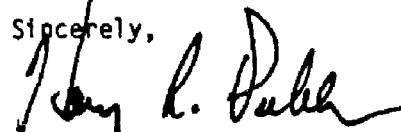
In the final example, the DOE-owned laboratory equipment transferred under the Used Energy-Related Laboratory Equipment Grants Program is not considered reportable property in terms of Public Law 94-519, since it is still being utilized for DOE's programmatic energy research purposes, as established by statute, to further the mutual interest of both DOE and the organization concerned. Property transferred under this program is limited to used DOE-owned property and does not include property excessed by other Federal agencies. Therefore, we believe that this property does not meet the criteria for being reported under the existing Federal Property Management Regulations' reporting instructions or the intent of the legislation.

In light of the Administration's efforts to reduce paperwork and reporting requirements in which this Department has a viable program, we are very concerned that GAO's findings, as presented in Appendix II of the report, will be interpreted by GSA as a requirement to expand the reporting requirements established by Public Law 94-519. Therefore, DOE believes that the GAO findings relative to this Department, which are contained in Appendix II of the draft report, should either be deleted or clarified based on the comments provided herein. Further, DOE would welcome the opportunity to assist GSA in clarifying this reporting requirement to bring it within the scope and intent of the legislation. (See GAO note.)

Comments of an editorial nature have been provided directly to members of the GAO audit staff. DOE appreciates the opportunity to comment on this draft report and trusts that GAO will consider these comments in preparing the final report.

Sincerely,

for



Martha Hesse Dolan  
Assistant Secretary  
Management and Administration

GAO note: Page references in this appendix have been changed to correspond with pagination in the final report. Information that appeared in appendix II of the draft report now appears in chapter 2 of the final report.





## U.S. Department of Justice

July 3, 1984

Mr. William J. Anderson  
Director  
General Government Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Anderson:

This letter responds to your request to the Attorney General for the comments of the Department of Justice (Department) on your draft report entitled "GAO's Third Biennial Report on the Transfer of Excess and Surplus Federal Personal Property to Nonfederal Organizations."

In this report, the General Accounting Office (GAO) evaluates the actions taken by federal agencies to comply with the requirements of Public Law 94-519 concerning the transfer of excess and surplus personal property to nonfederal organizations. With respect to the recommendation addressed to the Administrator of the General Services Administration (GSA), we defer comment to that organization.

On page 18 of the report, GAO points out that the United States Marshals Service transferred excess personal property to State and local governments during fiscal years 1982 and 1983 under intergovernmental service agreements as an incentive for temporarily incarcerating federal prisoners, but the amount transferred was not included in the Department's annual reports to GSA. We agree with GAO that transfer of the excess personal property should have been reported to GSA, and in the future the Department will comply with the reporting requirements of Public Law 94-519. (See GAO note.)

We appreciate the opportunity to comment on the report while it is in draft form.

Sincerely,

A handwritten signature in cursive script that reads "Kevin D. Rooney".

Kevin D. Rooney  
Assistant Attorney General  
for Administration

GAO note: The page reference in this paragraph has been changed to correspond with pagination in the final report.



National Aeronautics and  
Space Administration

Washington D.C.  
20546

JUL 2 1984

Reply to Attn of NIP

Mr. Frank C. Conahan  
Director  
National Security and International  
Affairs Division  
United States General Accounting Office  
Washington, DC 20548

Dear Mr. Conahan:

Thank you for the opportunity to comment on the GAO draft report entitled, "Third Biennial Report on the Transfer of Excess and Surplus Personal Property to Nonfederal Organizations."

Minor corrections to the report were discussed previously with members of your staff. Specific agency comments which require special attention are provided in the enclosure to this letter.

Sincerely,

A handwritten signature in cursive script, appearing to read "John W. Boyd".

John W. Boyd  
Associate Administrator  
for Management

Enclosure

NASA COMMENTS ON GAO DRAFT REPORT ENTITLED,  
 "THIRD BIENNIAL REPORT ON THE TRANSFER OF EXCESS AND SURPLUS  
 FEDERAL PERSONAL PROPERTY TO NONFEDERAL ORGANIZATIONS"

NASA believes there has been an overly broad interpretation of the law concerning the contents of the required annual report required by FPMR 101-43.4701(c). Since enactment of Public Law 94-519, Federal agencies have had difficulty in determining precisely what property is to be reported. NASA was concerned about this problem from the beginning and in February 1977 met with the General Services Administration (GSA) to seek clarification on the reporting requirement. At that time, NASA was instructed by GSA to interpret the reporting requirement as best we could. Therefore, since 1978 NASA has reported property under the following interpretations which we believe are consistent with the intent of PL 94-519:

- o Obtained from excess means property acquired from excess schedules of the GSA or other Federal agencies.
- o Personal Property Determined To Be No Longer Required For The Purpose Of The Appropriation From Which It Was Purchased means property which has been turned in by user organizations to the installation property disposal office for screening as excess and subsequently made available to a non-Federal activity for work sponsored under an appropriation different from that which it was acquired (e.g., property acquired with R&D funds which was subsequently made available to a contractor or grantee working on an R&PM funded effort).

The law interchanges the use of the terms "transfer" and "furnish." There are parts in the beginning of the law that refer to "transfer" but later in the law terminology switches to "furnish" in what appear to be references to the same concept. Throughout the Federal Government, however, there is a long-standing distinction between "transfer" and "furnish." Under a transfer, title, as well as the property, passes to the gaining organization; title to property furnished remains with the furnishing organization (see Federal Acquisition Regulation (FAR) 52.245-2 (c) and 52.245-5(c)). We note that the draft GAO audit consistently uses the term "transfer" in lieu of "furnish" (e.g., Appendix II, page 48, first paragraph references "transferred" in any manner whatsoever; the law reads "furnished in any manner whatsoever"). NASA determined and still believes that unless property was transferred (i.e., title passed) to a non-Federal organization, it is not to be reported. NASA has not attempted to report property loaned or furnished to a contractor or a grantee where the Agency retains title. This approach is consistent with our General Counsel's opinion in 1977 that such property need not be included in the annual report. (See GAO note.)

It is our belief that the intent of Congress is to report on property transferred, where title passes, to non-Federal agencies and is not concerned under PL 94-519 with loaned equipment, or GFP provided for in the FAR since title does not pass from the Government.

GAO note: We differentiate between the terms "transferred" and "furnished" on page 1 of the final report and further comment on these terms on page 19. Information that appeared in appendix II of the draft report now appears in chapter 2 of the final report.

LOCATIONS VISITEDFEDERAL DEPARTMENTS/AGENCIES

## Department of Agriculture:

## Science and Education:

Cooperative State Research Service  
Extension Service

## Natural Resources and Environment:

Forest Service and  
cooperators under the  
cooperative forest fire  
control program

## Department of Energy

## Department of the Interior:

Bureau of Indian Affairs

## Department of Justice:

Office of Justice Assistance,  
Research and Statistics  
United States Marshals Service

## Department of Labor:

Employment and Training Administration

## General Services Administration:

## Federal Supply and Services:

Central Office  
Region 3, Philadelphia, Pennsylvania  
National Capital Region, Washington, D.C.

## National Aeronautics and Space Administration

## National Science Foundation

STATE AGENCIES FOR SURPLUS PROPERTY

New Jersey State Agency for  
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Pennsylvania Bureau of Supplies  
and Surplus Operations

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