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BY THE COMPTROLLER GENERAL  
**Report To The Chairman, Committee On  
 Energy And Commerce  
 House Of Representatives**  
 OF THE UNITED STATES

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**Proposed National Technical Information  
 Service Revolving Fund**

The National Technical Information Service (NTIS) serves as the central Federal Clearinghouse for collecting and disseminating scientific information. To better manage and control its Clearinghouse operations, NTIS is seeking congressional approval to establish a public enterprise revolving fund. Public enterprise revolving funds are used for business conducted primarily with customers outside of the Government.

The public enterprise fund could be an appropriate funding mechanism for the Clearinghouse. To increase congressional oversight of the proposed fund, GAO recommends several revisions to the legislation authorizing the fund.



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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

B-212184

The Honorable John D. Dingell  
Chairman, Committee on Energy  
and Commerce  
House of Representatives

Dear Mr. Chairman:

This report responds to your April 15, 1983, request that we examine selected activities and functions of the Department of Commerce's National Technical Information Service (NTIS). We focused our review on examining NTIS' Clearinghouse operations and on NTIS' need to establish a new revolving fund<sup>1</sup> as proposed by companion bills H.R. 2514 and S. 808.

NTIS, established in 1970, serves as the central Federal Clearinghouse for collecting and disseminating scientific information. The Congress intends that, to the extent feasible, NTIS recover its costs when providing requested Clearinghouse products and services. Since fiscal year 1979, when NTIS began separately accounting for its operations, the Clearinghouse has been largely but not entirely self-supporting. Fees, customer advances (deposits for future orders), and retained earnings are kept in a special fund. NTIS establishes fees and uses the fund to pay Clearinghouse operating costs and to acquire inventory and equipment. We previously informed NTIS (in 1976 and 1979) that it lacked authority to use the fund to purchase equipment.

NTIS is now seeking approval to establish a public enterprise revolving fund with authority to receive appropriations of up to \$5 million for initial working capital. The proposed legislation would permit NTIS to recover all costs (direct and indirect), retain net earnings, and purchase equipment and inventory from the fund. We believe that the Clearinghouse now operates its special fund as a revolving fund and that the proposed legislation, if enacted, would not substantially change Clearinghouse operations and procedures. The legislation will,

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<sup>1</sup>Revolving funds are divided into three categories. Public enterprise revolving funds are used for business conducted primarily with customers outside the Government. Intragovernmental revolving funds are used for business conducted primarily within and between Federal agencies. Trust revolving funds are used when the Government holds receipts in trust at the U.S. Treasury.

however, make explicit NTIS' authority to operate the Clearinghouse under a revolving fund and to purchase equipment from the fund.

A public enterprise revolving fund could be an appropriate funding mechanism for the NTIS Clearinghouse. We do, however, have a major concern with the proposed legislation in that it does not adequately provide for congressional oversight. We believe that controls should be placed on NTIS operations which would assure greater opportunities for congressional oversight. We discuss these controls in more detail later in this letter and in appendix II.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our review were to provide you with

- a description of NTIS' activities, including the types of products and services NTIS sells;
- an explanation of how NTIS establishes fees and obtains revenues from sales and other efforts;
- a description of NTIS' safeguards to ensure that U.S. technology is not revealed to foreign and domestic competitors; and
- NTIS' rationale and our position on the need for NTIS to establish a new revolving fund, including needed controls if a revolving fund is established.

We conducted our work during June and July 1983 at Department of Commerce headquarters in Washington, D.C., and at NTIS headquarters in Springfield, Virginia. At the request of your office, we did not get official agency comments on this report. We did, however, discuss our findings with NTIS officials and included their views in this report. With the exception of not obtaining official agency comments, our review was performed in accordance with generally accepted government auditing standards.

To learn about the types of products and services NTIS sells, we interviewed product managers and reviewed various management reports and product studies. From the NTIS Policies and Procedures Manual, NTIS reports, and interviews with NTIS officials who propose, review, and approve product and service fees, we learned how product and service fees are established. The NTIS Deputy Director and other NTIS officials told us how NTIS safeguards U.S. technology from foreign and domestic competitors.

From NTIS officials and legislative hearings, we obtained NTIS' rationale as to why NTIS needs a public enterprise revolving fund and how money requested for this fund will be spent. We reviewed our established criteria for a public enterprise fund and those of the Office of Management and Budget and compared NTIS operations with those criteria.

NTIS CLEARINGHOUSE PRODUCTS,  
SERVICES, AND FEES

NTIS was established as a separate entity in 1970 by authority of the Act of September 9, 1950 (15 U.S.C. 1151-1157), to serve as a central Clearinghouse for technical information. NTIS is authorized to make available technical information obtained from any source which could benefit industry, businesses, and the general public.

Since fiscal year 1979,<sup>2</sup> at least 80 percent of NTIS funding has come from the sale of its products and services through the NTIS Information Clearinghouse Program. For example, NTIS had total revenues of \$24.2 million in fiscal year 1982 of which \$19.4 million came from Clearinghouse sales. The remaining funds came from appropriations for computer-related equipment and other non-Clearinghouse programs.

At the time of our review, NTIS had over 1.3 million titles in its Clearinghouse inventory; about 70,000 new titles are added yearly. Although full text reports have been and are expected to continue to be the largest Clearinghouse product, NTIS offers other products and services, including subscriptions, bibliographies, and data base services. (See app. I, pp. 1 to 3.)

To the extent feasible, NTIS establishes fees for its products and services so as to be self-sustaining. Product prices are determined by reviewing market potential and production costs (including overhead) and are researched and reviewed before final approval. Although every product is examined, NTIS may adjust any or all product fees based on other factors. (See app. I, pp. 3 to 4.)

NTIS also provides services such as computer searches for specific topics of interest. NTIS negotiates a fee with each

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<sup>2</sup>This was the first year NTIS separately accounted for Clearinghouse operations. Prior to fiscal year 1979, NTIS operated through the National Bureau of Standards revolving fund.

client for these services but generally sets the fee to recover the cost of providing the service. The only other Clearinghouse revenue is from document registration fees which are charged to suppliers to register (enter) documents at the NTIS Clearinghouse. (See app. I, pp. 4 to 5.)

With few exceptions, NTIS' policy is to have unlimited/unclassified distribution of all Clearinghouse products and services. NTIS relies on those agencies originating the information to assure that the material is unclassified and is released from copyright and other restrictions before it is submitted to NTIS. (See app. I, pp. 5 to 6.)

#### NTIS PROPOSED CLEARINGHOUSE REVOLVING FUND

In 1976 we informed NTIS that we could not approve its proposed accounting system design because the proposed system accounted for the unauthorized acquisition of equipment through the special account. We recommended that NTIS purchase equipment through an existing National Bureau of Standards revolving fund. In 1979 the Office of Management and Budget agreed with our position but believed that NTIS needed legal authority to establish a revolving fund. The Department of Commerce has requested such authority which, if enacted, would address our concerns and will make explicit NTIS' authority to operate a public enterprise revolving fund.

The proposed legislation (H.R. 2514 and S. 808) would establish a revolving fund with authority to receive appropriations of up to \$5 million. NTIS would also receive specific authority to retain and use net earnings, use customer advances related to specific requests for work or services, and purchase inventory and equipment through the fund.

NTIS proposes to use a portion of the appropriation as a reserve in the event customer advances must be returned and a portion as initial working capital. NTIS officials want the retained earnings to develop working capital and to acquire inventory and equipment. NTIS officials believe that such action will allow them to increase working capital to better meet Clearinghouse operational needs, particularly in low-cash periods. NTIS officials also believe that because inventory and equipment contribute directly to Clearinghouse revenue, it would be proper to acquire such assets through a revolving fund.

We believe that while the proposed legislation will make explicit NTIS' authority to operate the Clearinghouse from a revolving fund, current operations will not be significantly affected. For example:

- NTIS would be able to retain and use earnings for present and future Clearinghouse activities. NTIS has, however, retained earnings in fiscal years 1980 and 1981.
- NTIS would be permitted to accept, retain, and use customer advances related to specific requests for work or services. NTIS has consistently used these advances as working capital.
- NTIS could purchase inventory and equipment through the fund. In fact, NTIS has used the special account to purchase inventory and equipment.

NTIS OPERATIONS MEET PUBLIC  
ENTERPRISE REVOLVING FUND CRITERIA

Generally, we favor periodic appropriations as the best means of enhancing congressional oversight. However, under certain conditions, a revolving fund may be an appropriate alternative for financing Government operations. We have three criteria that an organization should satisfy for establishing a public enterprise revolving fund: (1) operate under a continuing cycle of operations with most revenue coming from non-Federal sources, (2) be substantially self-sustaining over a period of several years, and (3) demonstrate a continuing need for financial flexibility to meet unforeseen requirements. These criteria are the same as those used by the Office of Management and Budget for determining when a public enterprise revolving fund is appropriate.

The NTIS Clearinghouse meets these criteria. The Clearinghouse:

- Receives about 80 percent of its funding from non-Federal sources and does operate under a continuing cycle of operations. (See app. II, p. 8.)
- Has been substantially self-sustaining since breaking off from the National Bureau of Standards fund in fiscal year 1979, having total net income of about \$1.6 million from fiscal year 1979 through fiscal year 1982. (See app. II, pp. 9 to 11.)
- Has demonstrated a need for flexibility to meet unforeseen financial requirements. (See app. II, p. 11.)

PROPOSED FUND DOES NOT PROVIDE  
FOR ADEQUATE CONGRESSIONAL OVERSIGHT

We believe that the proposed legislation does not adequately provide for congressional oversight over Clearinghouse

Operations. In our opinion, Government operations such as the Clearinghouse should be subject to congressional scrutiny and controls should be placed upon Clearinghouse revolving fund operations. These include

- periodic reauthorization which would require congressional oversight over Clearinghouse operations;
- annual submission of business-type financial statements and budgets to the Congress, including a statement of present and future financial requirements;
- limiting activities to those which have been reported to the Congress in advance; and
- return of net income, after prior-year adjustments, in excess of the amount needed to meet approved activities to the Treasury. (See app. II, p. 11.)

#### RECOMMENDATION TO THE CONGRESS

If the Congress wishes to approve a public enterprise revolving fund to authorize and account for NTIS Clearinghouse operations, we recommend that H.R. 2514 and S. 808 be amended to increase congressional oversight over Clearinghouse operations. Appendix III contains suggested legislative language to provide for periodic reauthorizations, annual congressional submissions, limitations on activities, and return of excess income to the Treasury.

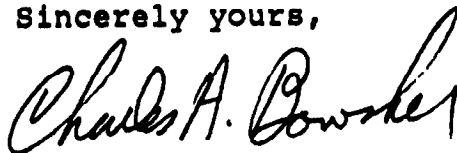
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#### VIEWS OF AGENCY OFFICIALS

Although we did not obtain official agency comments on our report, the Director, NTIS, generally agreed that establishing controls to increase congressional oversight would be appropriate and would not adversely affect Clearinghouse operations.

As arranged with your office, we are restricting distribution of this report for 30 days. After that time we will send copies of the report to the Director of NTIS; the Secretary of Commerce; and other interested persons.

Sincerely yours,



Comptroller General  
of the United States



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ABBREVIATIONS

GAO	General Accounting Office
NTIS	National Technical Information Service
OMB	Office of Management and Budget



OVERVIEW OF NTIS CLEARINGHOUSE  
ACTIVITIES, FEES, AND SAFEGUARDS

NTIS has an important role in collecting and disseminating scientific information. This appendix gives a brief overview of the types of products and services provided by NTIS Clearinghouse to fulfill this role, how its fees for these products and services are determined, and its role in safeguarding U.S. technology.

BACKGROUND

NTIS was established by the Department of Commerce in 1970 under the Act of September 9, 1950 (15 U.S.C. 1151-1157), as a central U.S. clearinghouse for technical information useful to American industry and business. NTIS is directed to perform the following functions in providing technical information:

- Searching for, collecting, classifying, coordinating, integrating, recording, and cataloging scientific, technical, and engineering information from whatever sources--foreign and domestic--that may be available.
- Making such information available to industry and business, State and local governments, other Federal agencies, and the general public.
- Working to remove restrictions on the dissemination of scientific and technical data in cases where considerations of national security permit the release of such data for the benefit of industry and business.

The Information Clearinghouse Program (referred to as the Clearinghouse) was established to specifically sell or lease information services and products. In fiscal year 1982, NTIS Clearinghouse operations had costs of \$19.8 million and revenues of \$19.4 million. The Clearinghouse recovered the \$400,000 difference from retained earnings. Clearinghouse revenues account for more than 80 percent of total funds available to NTIS. As detailed in appendix II, these revenues are deposited into a fund which NTIS treats as a trust revolving fund and uses to finance Clearinghouse operations. Other NTIS programs, such as the Patent Licensing Program, receive appropriated funds and are not part of Clearinghouse operations.

NTIS CLEARINGHOUSE PRODUCTS  
AND SERVICES ARE VARIED

According to NTIS, its basic product is scientific, technical, and engineering information in paper, film, and machine-readable forms. NTIS offers a diversity of federally

sponsored research, development, and engineering reports, as well as foreign reports and other analyses prepared by State and local governments, their contractors or grantees.

Through the Clearinghouse program, NTIS offers a wide variety of information products and services, including the sale of technical reports and of bibliographies, leasing of NTIS and other agencies' data bases, and on-line computer searches.

The NTIS information collection contains more than 1.3 million report titles. All are permanently available for sale, either directly from the 80,000 titles kept in stock or from reproductions of other copies in the collection. Each year, about 70,000 new titles are added to the NTIS collection.

NTIS subdivides its products and services into six major groups: (1) technical reports, (2) bibliographic products, (3) production (primarily distribution) services for other agencies, (4) data base services, (5) subscriptions, and (6) collections (sales of consigned stock or billings for related products and services) for other agencies. These groupings are intended to facilitate the accumulation of costs and revenues.

The technical reports are full text reports available in either paperbound or microfiche form. One example is the Selected Research in Microfiche which includes full text reports of specialized topics of user interest. In fiscal year 1982, the technical reports group generated \$10.8 million in total Clearinghouse costs and \$10.6 million in Clearinghouse revenues.

The bibliographic products are generally paperbound products. They contain bibliographic citations and abstracts or summaries of the full text reports. Some of these products, such as the Government Reports Announcements and Index, serve as promotional tools for other products and services. Another example is the Abstract Newsletter, which highlights information available in 26 broad research areas. Bibliographic products generated costs of about \$3.3 million and revenues of \$2.9 million in fiscal year 1982.

NTIS provides production services--such as the preparation and/or printing of selected items--for other agencies. NTIS provides this service to the National Library of Medicine, the Environmental Protection Agency, and the National Oceanic and Atmospheric Administration. In fiscal year 1982, production services generated about \$2 million in NTIS Clearinghouse costs and \$2 million in revenues.

Data base services provide machine-readable access to specialized scientific and technical information. Products

include catalogs, indexes of data files, and software. Services include on-line access to various Federal data bases; reference and tabulation services; and leasing of data files produced by NTIS and other Federal agencies. Data base services accounted for \$1.9 million in costs and \$2.3 million in revenues in fiscal year 1982.

The subscriptions group includes products which are designed to meet a user's need for information on a specific topic(s). These products consist of standing orders and regular subscriptions. One type of subscription is the NTIS monthly periodical, Tech Notes, which highlights new technical applications. In fiscal year 1982, the subscriptions group accounted for \$1.2 million in costs and \$1.3 million in revenues.

NTIS performs two types of collection services for other agencies. First, on a reimbursable basis, NTIS sells consigned stock provided to it by other agencies. Second, NTIS provides billing and collection services for other agencies which deal in products and services similar to those offered by NTIS. In fiscal year 1982, costs for this service were about \$6,000 and revenues were about \$400,000.

The above amounts for the six major product groups have remained relatively the same since fiscal year 1979. For example, the technical reports group accounted for over half the Clearinghouse costs and revenues in fiscal years 1979 through 1982. According to NTIS' 5-year plan dated April 1982, the technical reports group will continue to be the largest group through fiscal year 1986, accounting for 53 percent of costs and 51 percent of revenues by that time.

#### HOW PRODUCT AND SERVICE FEES ARE ESTABLISHED

NTIS establishes fees for its products and services so that all costs, including overhead (i.e. depreciation, inventory obsolescence, etc.) and those costs common to the production of several products, are recovered. Fees are generally published in domestic and foreign price directories although some products, due to their complex and changing nature, require that NTIS be contacted directly for price quotes. Prices can range from \$1.75 for a single microfiche to as much as \$9,600 for an annual subscription to Nuclear Regulatory Commission docket microfiche.

Some products, which are promotional, are not expected to recoup their full share of costs. Instead, fees for other products are increased accordingly.

### Products

In order to establish the sale or lease price of a product, NTIS follows these steps:

1. Develop a product plan which includes anticipated sales, sales revenues, and proposed fees.
2. Determine specific product costs.
3. Combine product plan, total product costs, and develop a proposed resolution of differences between expected revenues and proposed fees.
4. Review the proposed plan.
5. Approve the plan.

At least once a year, NTIS reviews fees for every product sold or leased. NTIS develops a product plan and identifies product costs to support proposed fees. The product plan includes proposed domestic and foreign fees; the product name; and the product's sales performance over the past 2 years. Each NTIS unit reviews the product plan and determines its respective costs for that product. Based on the product plan and the cost estimates of the various units, the NTIS Budget Division prepares and forwards to the Price Committee a combined plan which includes the product plan, total product costs (including the product's allocated share of overhead), and a proposed resolution of any significant difference between proposed fees and anticipated revenues.

The Price Committee--comprised of line managers from finance, marketing, and production--reviews the proposed plan for adherence to NTIS pricing policy. Based on its review, the Price Committee forwards the proposed product plan to the Executive Steering Committee--which consists of NTIS top managers--for final approval. The Steering Committee decides whether to approve the recommended product fee, to approve a different fee, or not to distribute the product at all. In addition, the Steering Committee may examine and adjust any or all product fees, based on other factors such as inflation or cost reductions.

### Services

Clients and NTIS negotiate contracts to provide specific services on a cost-reimbursable basis. Cost studies are prepared by NTIS financial management to identify all service costs. These costs include printing, computer time, postage, distribution, document processing, labor, and other costs.

Document registration fees

A registration fee is a charge to register a document at NTIS. There is a standard registration fee of \$20 per document if fewer than 10 copies of the document are furnished. This fee reimburses NTIS for entry into the data base and for distribution. If 10 or more copies are provided, registration is free. Whenever a client wants to register a single copy of a document in NTIS' inventory only for archival purposes, a \$10 fee is charged. These documents are not microfiched nor are they included in the NTIS data base. However, if the client desires, NTIS will include an unedited listing of the document title in its bibliographic data (data base or printed) at an additional cost of \$12.50. Before accepting bibliographic data submitted on magnetic tape, NTIS may have to add additional data, in which case an \$8.50 fee is charged. NTIS may adjust any or all of the above registration fees on a case-by-case basis.

NTIS GENERALLY DISTRIBUTES ONLY  
UNCLASSIFIED/UNLIMITED INFORMATION

NTIS considers its technical collection to be unclassified and generally unrestricted. Unless a product or service is specifically restricted, NTIS does not limit a product or service's distribution. Agencies can note any restrictions on a product's release either specifically on the NTIS form accompanying the product or generally through interagency agreements with NTIS.

NTIS is required to respect and preserve the security classification of any scientific or technical material it is responsible for, unless it receives the consent of "competent authority" to remove any dissemination restrictions. NTIS requires submitting agencies to provide it with authorization by an authorized person before accepting copyrighted, previously restricted, or previously classified products.

In fiscal year 1982, NTIS had 445 agreements with other governments, nonprofit colleges/universities, and commercial organizations, of which 139 were foreign. Foreign agreements are the vehicles through which NTIS operates its Foreign Technology Acquisition Program and Agency for International Development Reimbursable Program. Through these respective programs, NTIS acquires and disseminates foreign technology for U.S. citizens and shares U.S. technology with developing countries. For example, under the Acquisition Program, NTIS has agreements with the French Chambers of Commerce and with the Japan Information Center of Science and Technology. NTIS expects the Acquisition Program to become part of the Clearinghouse by fiscal year 1984. According to NTIS officials, the Agency for International Development fully reimburses NTIS for the costs of sharing its information with developing countries.

In addition to the above agreements, NTIS and the Institute of Scientific and Technical Information of China (People's Republic of) can exchange information, personnel, and services as part of a protocol for scientific information.

The major exceptions to NTIS' foreign distribution policy are (1) NTIS' compliance with the Presidential restrictions on exports of high technology to the Soviet Union, Czechoslovakia, and Poland, (2) a mail embargo on sending mail to Viet Nam, Cambodia, Laos, and select overseas postal codes, and (3) a stoppage of all military-related orders to Iran. NTIS acknowledges that third-party agents could readily obtain documents for these parties.



NEED FOR PROPOSED CLEARINGHOUSE REVOLVING FUND

NTIS operates its Clearinghouse activities under a trust revolving fund arrangement whereby customer payments for products and services are deposited in a special account and are available for NTIS expenditure. As discussed in following sections, NTIS officials believe this account limits their ability to develop working capital and to purchase equipment. Accordingly, NTIS is requesting legislative authority to establish a public enterprise revolving fund<sup>1</sup> account to finance Clearinghouse operations.

While current Clearinghouse operations meet our criteria for operating under a public enterprise revolving fund, we are concerned that the proposed legislation does not provide adequate opportunities for congressional oversight over NTIS Clearinghouse operations. If the Congress approves the proposed fund, then we believe that specific controls should be established to enhance congressional oversight over Clearinghouse operations.

WHY A REVOLVING FUND WAS REQUESTED  
AND OUR VIEWS

NTIS, through the Department of Commerce, is authorized to establish a special account in the Department of the Treasury to receive payments from requestors of Clearinghouse work or services. NTIS uses this account to finance Clearinghouse operations, including the purchase of equipment and inventory.

Authority for Clearinghouse operations is provided by §15 U.S.C. 1526 (1976):

"All payments for work or services performed or to be performed under this Act shall be deposited in a separate account or accounts which may be used to pay directly the costs of such work and services, to repay or make advances to appropriations or funds which do or will initially bear all or part of costs, or to refund excess sums when necessary \* \* \*."

In 1976 we reviewed NTIS' proposed accounting system design for Clearinghouse operations and advised NTIS that we could not approve its proposed system because

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<sup>1</sup>By the Office of Management and Budget's definition, NTIS' proposed revolving fund for Clearinghouse operation is a public enterprise fund in that a majority of Clearinghouse receipts come from non-Federal sources.

"[the system] provides for an equipment account to record [equipment] financed from trust fund receipts. We do not feel that we can recommend approval of this feature of the system design since we would be approving a structure to account for apparently unauthorized acquisitions."

We recommended that NTIS account for the purchase of equipment through the NTIS portion of the Working Capital Fund of the National Bureau of Standards.

In 1979 we inquired of the Office of Management and Budget (OMB) why such action had not been taken. OMB replied that it was concerned about the lack of legal authority to establish a separate revolving fund but would not object to the submission of legislation to seek such authority. Accordingly, the Department of Commerce has requested that the Congress provide NTIS with the authority to operate the Clearinghouse program through a public enterprise revolving fund beginning in fiscal year 1984. Such action would address our concerns and make explicit NTIS' authority to operate the Clearinghouse under a public enterprise revolving fund.

The proposed legislation (H.R. 2514 and S. 808) would authorize NTIS to establish a revolving fund with authority to receive appropriations of up to \$5 million to provide initial working capital for the fund and retain earnings (net income) for present and future Clearinghouse activities.<sup>2</sup> The proposed fund will expressly permit NTIS to accumulate retained earnings, to use customer advances, and to acquire inventory and equipment. NTIS proposes to use a portion of the proposed fund as a reserve in the event customer advances must be returned and a portion as initial working capital. NTIS officials believe that, if enacted, the proposed legislation will enable the Clearinghouse to better maintain financial and management control over operations and will allow it to operate in a business-like manner.

While we agree that the proposed legislation will make explicit NTIS' authority to operate the Clearinghouse under a revolving fund, we believe that the legislation will have little effect on NTIS operations. For example:

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<sup>2</sup>This proposed legislation passed the Senate on April 12, 1983, and is now being considered by the House Committee on Energy and Commerce.

--NTIS has retained earnings in fiscal years 1980 and 1981.

--NTIS has consistently used customer advances as working capital.

--NTIS has consistently used the fund to purchase equipment and inventory.

NTIS officials acknowledged that the Clearinghouse operations would not substantially change if the proposed legislation is enacted.

THE NTIS CLEARINGHOUSE MEETS THE CRITERIA  
FOR A PUBLIC ENTERPRISE REVOLVING FUND

Generally, we have taken the position that public enterprise revolving funds often reduce congressional control and oversight of agency programs because these funds typically do not require appropriated funds to continue operation. However, public enterprise revolving funds may be appropriate when (1) a continuing cycle of operations generates receipts primarily from customers outside the Federal Government, (2) the fund is or will likely be substantially self-sustaining, and (3) a substantial need exists for flexibility to meet requirements.

The NTIS Clearinghouse meets these criteria. As discussed in following sections, the Clearinghouse (1) generates most of its receipts from non-Federal sources, (2) is generally self-sustaining, and (3) has a substantial need for the flexibility offered by a revolving fund.

Continuing operation with  
outside receipts

The Clearinghouse clearly meets the criterion of having a continuing cycle of operations generating receipts primarily from non-Federal sources. Total Clearinghouse receipts<sup>3</sup> were \$24 million in fiscal year 1982 with \$19.9 million, about 83 percent, coming from sales of products and services to non-Federal sources. The ratio between Federal and non-Federal sources has remained relatively constant since fiscal year 1980.

Substantially self-sustaining

A "substantially self-sustaining" operation does not need to break even or make a profit every year but should at least

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<sup>3</sup>Fiscal year 1982 Clearinghouse receipts consisted of \$19.4 million in Clearinghouse revenues plus \$4.6 million due primarily to collections by NTIS for other agencies.

break even when all costs, including overhead, are included over a several-year period. For example, over the past 4 years (fiscal years 1979-82), the NTIS Clearinghouse has met this criterion, showing net losses in fiscal years 1979 and 1982 and net income in fiscal years 1980 and 1981 and a cumulative net income of about \$1.8 million.

Clearinghouse Trust Fund: Net Income  
and Losses for FY 1979-82

<u>Fiscal year</u>	<u>Net income/ (loss)</u>	<u>Prior period adjustment</u>	<u>Net after adjustment</u>
1979	\$ (254,669)	\$ (167,146)	\$ (421,815)
1980	1,278,263	(160,200)	1,118,063
1981	1,139,127	0	1,139,127
1982	<u>(376,647)</u>	<u>215,960</u>	<u>(160,687)</u>
Cumulative-- 4 year	<u>\$1,786,074</u>	<u>\$ (111,386)</u>	<u>\$1,674,68</u>

NTIS officials believe that Clearinghouse revenue is dependent on the overall health of the economy and mirrors economic fluctuations. They attributed the yearly variances in net income and loss to (1) price increases implemented in fiscal years 1980 and 1981 when economic conditions were better and (2) declining sales in fiscal year 1982 due to poor economic conditions. Additionally, NTIS reduced marketing efforts in fiscal year 1980, which increased net income in the short run (by reducing expenses) but had an adverse impact on fiscal year 1982 product demand and revenues. Records that would identify reasons for the prior period adjustments in fiscal years 1979 and 1980 could not be retrieved by NTIS from storage before our audit work ended. The \$216,000 adjustment in fiscal year 1982 was due to a U.S. Postal Service refund.

The outlook for self-sustainability in future years remains unclear. NTIS' unit sales figures show declining demand for its major revenue producer--paperbound products. In fiscal year 1982, this product line accounted for about one-third of Clearinghouse revenues. In a January 1983 memorandum to NTIS employees, the Director, NTIS, stated that statistics pointed to continued slow demand and that to maintain a "productive balance between workload and resources," overtime, travel, and equipment acquisition expenses would need to be curtailed and a freeze put on future hiring.

Although paperbound demand is declining, NTIS officials project net income or to break even for all six product groups for fiscal years 1982-86. Actual results, however, for fiscal year 1982 showed a net loss of \$377,000, while the 5-year plan (1982-86) projected a \$2.1 million net income for fiscal year 1982. In its plan, NTIS acknowledges that its projections are generally optimistic.

#### Flexibility to meet requirements

Revolving funds offer agencies an opportunity to meet critical cash needs without seeking additional appropriations. For example, a government agency may need to meet unanticipated demands in order to provide a continuing service to its customers. This is the case with NTIS. Having the flexibility to adequately meet changing Clearinghouse expenses, which vary according to customer demand, could allow NTIS to operate in an efficient and effective manner.

#### CONTROLS OVER THE PROPOSED REVOLVING FUND

If the Congress chooses to authorize a revolving fund for the NTIS Clearinghouse, appropriate measures could be taken to allow congressional oversight and control over Clearinghouse operations. These measures should include

- periodic reauthorization which would require periodic congressional oversight over Clearinghouse operations;
- annual submissions of business-type financial statements and budgets to the Congress, including a statement of present and future financial requirements;
- limitations on activities to those which have been reported to the Congress in advance; and
- return of net income, after prior-year adjustments, to the Treasury in excess of the amount needed to meet approved activities.

The proposed legislation provides for none of these measures. Appendix III provides language that, if adapted, would make these controls applicable to Clearinghouse revolving fund operations.

PROPOSED AMENDMENTS TO S. 808

S. 808 (H.R. 2514) amends the Act of September 9, 1950 (15 U.S.C. §§ 1151 et seq.) by adding a new section 8 to that act to establish a Technical Information Clearinghouse Fund. The following amendments to S. 808 (H.R. 2514), as passed by the Senate, would provide the additional limitations to the Technical Information Clearinghouse Fund that are recommended by this report. The new material is underlined.

(1) Page 3, amend section 8 (c)(1), beginning at line 3, to read as follows:

"(c)(1) The Fund shall be available to the Secretary for the payment of all costs of conducting Clearinghouse activities that have been included in the annual budget estimates required by subsection (d) and subject to such limitation as may be prescribed by any applicable appropriation act. These costs shall include the payment of any financial obligations related to Clearinghouse activities which were undertaken by the Secretary prior to the establishment of the Fund or which are subsequently transferred to the Fund by law or in conjunction with any reorganization authorized by law."

(2) Page 3, add the following new section 8(d) at line 19 and re-letter present subsections (d), (e), and (f) as subsections (e), (f), and (g) respectively:

"(d) An adequate system of accounts for the Fund shall be maintained on the accrual method, and the financial reports prepared on the basis of the accounts. The Secretary shall prepare and submit an annual business-type budget program for the operations under this Fund, including a financial statement, to the Director of the Office of Management and Budget and to the Congress, in connection with the submission of Department budget estimates."

(3) Page 3, amend section 8(f), beginning at line 21, to read as follows [subsection (e) in S. 808 as passed by the Senate]:

"(f) At the close of each fiscal year, the Secretary shall transfer to the general fund of the Treasury any amount in the Fund

that exceeds any present and reasonable future requirements of the Fund. A statement of the present and future requirements of the Fund shall be included in the budget program and statement required by subsection (d)."

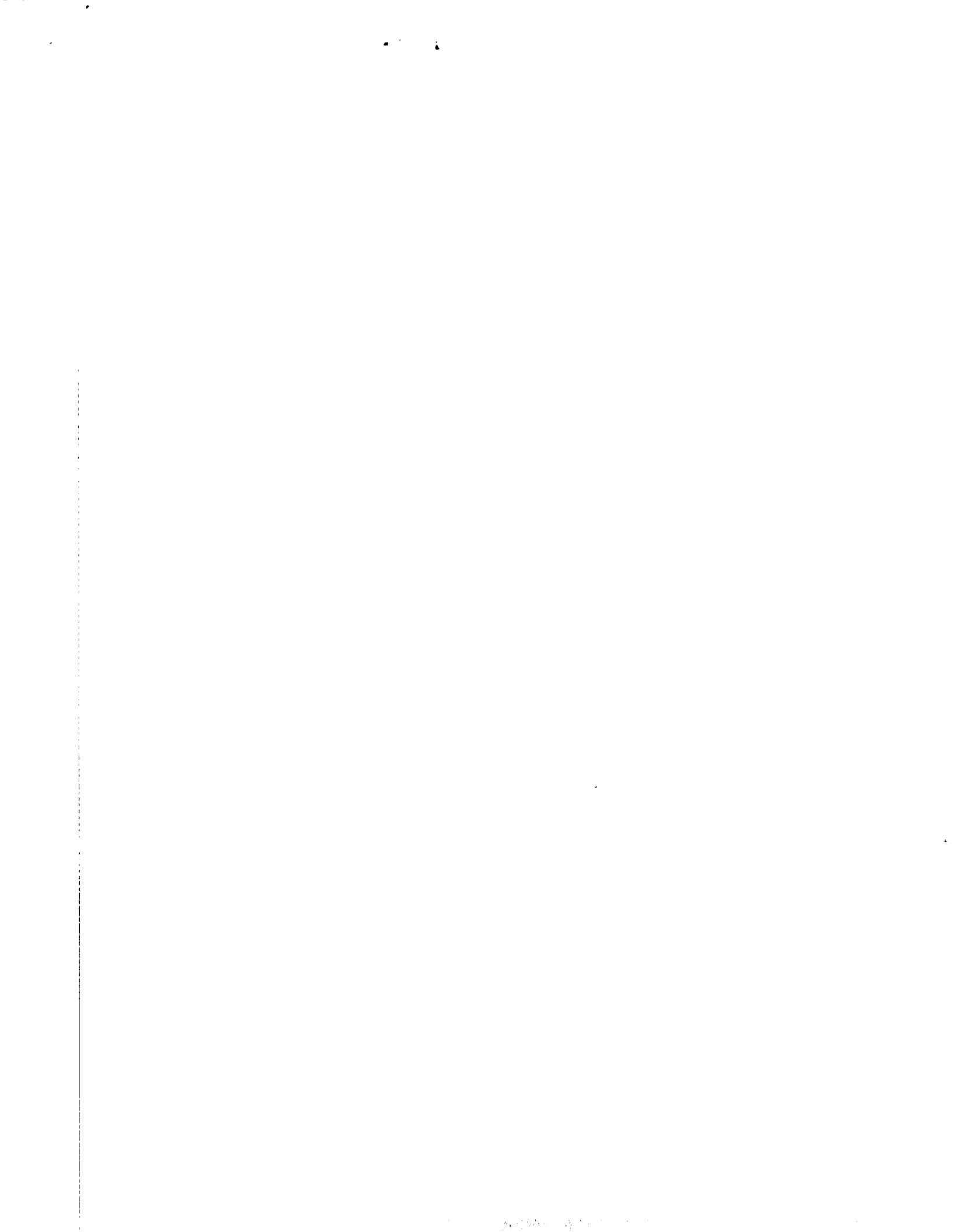
(4) Page 4, add the following new section 8(h) after subsection (g) [subsection (f) in S. 808 as passed by the Senate]:

"(h) No deposits to, or payments of costs shall be made from the Fund after September 30, 198 [3-4 years after approval]."

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