REPORT TO THE CONGRESS

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

Summary Of Open GAO Recommendations For Legislative Action

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COMPTROLLER GENERAL OF THE UNITED STATES
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To the President of the Senate and the Speaker of the House of Representatives CWO 000101

This is our annual summary of open GAO recommendations for legislative action.

This report is submitted, each calendar year, to the chairmen and ranking minority members of the cognizant committees to assist with their oversight responsibilities in the areas covered by the recommendations.

Following each recommendation is a reference to the GAO report in which the recommendation appears. We have also provided a guide indicating specific pages of interest to individual committees. If you wish, we would also be glad to discuss the reports and recommendations with you and your staff. For your ready reference, a directory of divisional representatives to contact is included.

Comptroller General
of the United States

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CONGRESSIONAL COMMITTEES TO WHICH OPEN LEGISLATIVE RECOMMENDATIONS WERE REFERRED

GAO DIRECTORY

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MANPOWER AND WELFARE DIVISION

NEED FOR IMPROVEMENTS IN TREATMENT OF CHRONIC KIDNEY FAILURE

Since July 1, 1973, the Government's Medicare program has been responsible for paying for chronic kidney disease treatment for persons under 65. Because the program's eligibility requirements (42 U.S.C. 426(f)) discriminated against patients who had transplants which failed after 12 months, we recommended specific legislative language to remedy that situation.

In this regard the waiting period for patients is derived from 42 U.S.C. 426(F), which states:

> "Medicare eligibility on the basis of chronic kidney failure shall begin with the third month in which a course of renal dialysis is initiated and would end with the twelfth month after the month in which the person has renal transplant or such course of dialysis is terminated."

We believe the waiting period problem could be alleviated by replacing the period at the end of this section with a semicolon and adding the following language after the semicolon:

> "except that Medicare eligibility will resume immediately for a person required to institute a course of renal dialysis due to renal transplant failure occurring subsequent to the twelve-month period following the month of the transplant."

More patients are treated by dialysis than by transplants. Dialysis can be performed at a center or, more cheaply, at the patient's home. We recommended that legislation be considered to encourage greater use of home dialysis. (Report to the Congress: "Treatment of Chronic Kidney Failure: Dialysis, Transplant, Costs, and the Need for More Vigorous Efforts," MWD-75-53, June 24, 1975)

These recommendations are for consideration by the following committees:

Senate: Finance
House: Ways and Means

LACK OF AUTHORITY LIMITS CONSUMER PROTECTION

The Food and Drug Administration (FDA), Department of Health, Education, and Welfare, is responsible for enforcing the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301), which was enacted to protect American consumers from harmful and potentially harmful commercial products. However, the authority provided FDA to enforce this law is inadequate.

To carry out the intent of the law, FDA must be able to identify and remove products suspected or known to be defective from the market. Once products suspected or known to be defective are on the market, FDA's methods of removing them--seizures and voluntary recalls--often are not effective.

Accordingly, we suggested that the Congress amend the Federal Food, Drug, and Cosmetic Act to provide FDA with authority to require firms to recall these products. (Report to the Congress: "Lack of Authority Limits Consumer Protection: Problems in Identifying and Removing from the Market Products Which Violate the Law," B-164031(2), Sept. 14, 1972) MWD

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare
House: Interstate and Foreign Commerce

FOOD LABELING: GOALS, SHORTCOMINGS, AND PROPOSED CHANGES

Present Federal packaging and labeling laws prescribe labeling requirements to prevent deception and provide that packages and their labels should enable consumers to (1) obtain accurate information on the quantity of the contents and (2) make value comparisons. Although most food products comply with Federal packaging and labeling laws and regulations, legislative changes are needed to give consumers more usable information on food packages and their labels, so they can compare and select those products best suited to their needs or wants.

We recommend that the Congress consider amending the Fair Packaging and Labeling Act (15 U.S.C. 1451) or the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301) to (1) require full disclosure of all ingredients on packaged food products, (2) authorize FDA to require food labels to specifically identify spices, flavorings, and colorings, and (3) establish a uniform open dating system for perishable and semi-perishable foods. We also recommended that the Congress consider enacting legislation to establish a unit pricing program, including guidelines for the design and maintenance of unit pricing information and education of consumers about its use and benefits. (Report to the Congress: "Food Labeling: Goals, Shortcomings, and Proposed Changes," MWD-75-19, Jan. 29, 1975)

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare
House: Interstate and Foreign Commerce

PUBLIC HAZARDS FROM UNSATISFACTORY MEDICAL DIAGNOSTIC PRODUCTS

Because the Food and Drug Administration's regulation of in vitro diagnostic products has not been effective, unreliable in vitro diagnostics are being sold in the United States and exported to foreign countries. HEW's Center for Disease Control estimates that 25 percent of all diagnostic test results are unreliable. In addition, not all biological in vitro diagnostic products are regulated in the same way, because legislation concerning their regulation is not clear.

We recommended that the Congress provide FDA with a clear legislative mandate to regulate in vitro dianostic products, including the authority to:

--Require mandatory registration of all manufacturers.

--Require periodic inspections of in vitro diagnostic manufacturers.

--Obtain access to manufacturer's quality control, complaint, and other relevant records needed to determine compliance with the Federal Food, Drug, and Cosmetic Act.

--Detain products suspected of being violative.

--Require firms to recall all violative products under FDA's responsibility.

--Prevent export of in vitro diagnostic products not meeting U.S. standards.

We also recommended that the Congress clarify its intention regarding whether diagnostic products of biological origin should be controlled under the Federal Food, Drug, and Cosmetic Act (21 U.S.C. 301) or whether such products should be licensed in accordance with the Public Health Service Act (42 U.S.C. 262). (Report to the Congress: "Public Hazards from Unsatisfacotry Medical Diagnostic Products," MWD-75-52, Apr. 30, 1975)

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare
House: Interstate and Foreign Commerce

PROTECTION FOR AMERICAN LABOR FROM ALIENS ENTERING THE COUNTRY

A Provision of the Immigration and Nationality Act (8 U.S.C. 1101) allows the Secretary of Labor to bar issuance of a visa to an alien seeking permanent employment when such immigration would adversely affect the American labor market. This provision is known as the labor certification program. It appears that the program has had little effect, because a large number of aliens entering this country--many of whom enter the labor force--are not required to obtain a certificate.

We recommended that the Congress, if it decides added protection from alien workers is needed, consider amending the Immigration and Nationality Act to remove the labor certification exemptions from certain categories of aliens. Our suggested changes are as follows:

--Section 212(a)(14) of the act should be amended to require a labor certification as a prerequisite for admitting aliens who seek admission as (1) special immigrants defined in section 101(A)(27)(A)(Western Hemisphere aliens), other than parents spouses, and children of U.S. citizens, and (2) preference immigrants described in section 203(a)(1) through (6) and nonpreference immigrants described in section 203(a)(8) (Eastern Hemisphere aliens).

--Section 101(a)(15) of the act should be amended so that (1) aliens seeking to enter as temporary workers, including those of distinguished merit and ability, are subject to a labor certification review by the Department of Labor and (2) other aliens, such as students, who are temporarily visiting and can secure permission from the immigration and nationalization service to work, are subject to a Department of Labor certification review. (Report to the House Committee on the Judiciary: "Administration of the Alien Labor Certification Program should be Strengthened," MWD-75-2, May 16, 1975)

This recommendation is for consideration by the following committees:

Senate: Judiciary
House: Judiciary

HOW TO IMPROVE ADMINISTRATION OF THE FEDERAL EMPLOYEES' COMPENSATION BENEFITS PROGRAM

The Department of Labor uses an Employees' Compensation Fund to pay disability benefits due under the Federal Employee's Compensation Act (5 U.S.C. 8101) on behalf of various Government agencies, instrumentalities, and other organizations (hereinafter referred to as agencies). Each agency, however, must reimburse the fund through labor for benefit payments made. Certain agencies not wholly dependent on annual appropriations from the Congress are required by law to pay an additional amount for their fair share of the administrative costs.

Administrative costs could be reduced if agenices receiving appropriated funds were not required by the act to reimburse the fund for benefit payments made. In addition, because they are not specifically enumerated in the law, certain agencies not wholly dependent upon annual appropriations were not billed for their fair share of the fund's administrative costs.

We recommended that Labor propose legislation to the Congress to have agencies which should be required by law to pay but which cannot now be legally billed for their fair share of administrative costs be specifically enumerated in the act.

We suggested that the Congress consider amending the Federal Employee's Compensation Act to (1) make the fair-share surcharge for administrative costs relating to Employees' Compensation Fund payments applicable to agencies, identified by Labor, which make payments from revolving or other funds not wholly dependent on annual appropriations, even though these agencies are not enumerated in the law as mixed-ownership Government corporations, as defined by 31 U.S.C. 856, or are not required to submit budgets pursuant to 31 U.S.C. 841-869 (in considering the amendment, the Congress should determine whether it would be appropriate to bill a fair-share surcharge of the fund's administrative costs to agencies whose activities are financed from special tax revenues, such as the Federal Old-Age and Survivors Insurance Trust Fund activities of the Department of Health, Education, and Welfare) and (2) strengthen or eliminate the chargeback process for agencies dependent on appropriated funds. (Report to the Congress: "How to Improve Administration of the Federal Employees' Compensation Benefits Program," MWD-75-23, Mar. 13, 1975)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

NEED FOR DISCLOSING OVERLAPPING FINANCIAL INTERESTS

Hospital advisory boards provide for the control and use of hospitals' physical and financial resources and may assist in and influence the decisionmaking process. If board members or employees have overlapping financial interests in firms serving the hospital, self-serving arrangements could result.

We recommended that the Congress consider amending the Social Security Act to require hospitals, as a condition for participating in Medicare, Medicaid, and Maternal and Child Health and Crippled Children's Services, to make publicly available information disclosing (1) overlapping financial interests of board members and key employees, including a statement of the extent of competition involved in acquiring goods and services, and (2) the hospitals' arrangements with hospital-based specialists. Such a provision should also be considered for inclusion in any national health insurance program legislation. (Report to the Congress: "A Proposal for Disclosure of Contractual and Financial Arrangements Between Hospitals and Members of Their Governing Boards and Hospitals and Their Medical Specialists," MWD-75-73, Apr. 30 1975)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means

AUTHORITY TO DESIGNATE INTERMEDIARIES FOR MEDICARE INSTITUTIONAL PROVIDERS

The Social Security Act permits part A providers to select their intermediaries. As a result, no intermediary has an exclusive territory, as do the carriers who handle part B Medicare benefits. Having only a few providers in a State increases the intermediaries' costs, which are reimbursed by the Government. We recommended that legislation be initiated to amend section 1816 of the Social Security Act to authorize the Secretary, HEW, to redesignate an intermediary when the small numbers of providers served by the intermediary in an area impedes efficient administration. (Report to the House Committee on Ways and Means: "Performance of the Social Security Administration Compared with That of Private Fiscal Intermediaries in Dealing with Institutional Providers of Medicare Services," MWD-76-7, Sept. 30, 1975)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means

CONTRACTS OF THE FEDERAL EMPLOYEES HEALTH BENEFITS CARRIERS ARE IN CONFLICT WITH SOME STATE HEALTH INSURANCE REQUIREMENTS

Some doubt and confusion exists on the part of Federal health insurance carriers and the States regarding the applicability of State requirements to Federal health insurance contracts. We recommended that the Subcommittee on Retirement and Employee Benefits, House Committee on Post Office and Civil Service, consider legislation to clarify whether State requirements can alter contracts of Federal Employees Program carriers. (Report to the Subcommittee on Retirement and Employee Benefits: "Conflicts Between State Health Insurance Requirements and Contracts of the Federal Employees Health Benefits Carriers," MWD 76-29, Oct. 17, 1975)

This matter was discussed during oversight hearings on the Federal Employees Health Benefits Program during October 1975 by the House Committee on Post Office and Civil Service.

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

COORDINATION OF BENEFITS FOR FEDERAL EMPLOYEES COVERED BY BOTH THE FEDERAL EMPLOYEES HEALTH BENEFITS PROGRAM AND THE MEDICARE PROGRAM

Section 210 of Public Law 92-603 (42 U.S.C 1395y) required the Civil Service Commission to provide to Federal employees, by January 1, 1976, health insurance plans which would supplement Medicare benefits.

The Civil Service Commission and the Department of Health, Education, and Welfare submitted to the Congress a proposal for a new option under the Federal employees program which they believed met the intent of the law. We suggested two alternatives to their proposal, both of which would require legislation to repeal section 210 of Public Law 92-603. (Report to the House Committee on Post Office and Civil Service: "Proposed Coordination Between the Medicare and the Federal Employees Health Benefits Programs," MWD-75-99, Aug. 4, 1975)

The Congress has not acted on the agencies' proposal for a new Federal employees program option to supplement Medicare benefits. Rather, legislation has been introduced to repeal section 210, and action was expected by January 1, 1976.

This recommendation is for consideration by the following committees:

Senate:	Finance, Post Office and Civil Service
House:	Post Office and Civil Service Ways and Means

THE OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION LACKS INSPECTION RESPONSIBILITY OVER FEDERAL WORKPLACES

The Occupational Safety and Health Act of 1970 (29 U.S.C. 651) requires each Federal agency to establish and maintain an effective and comprehensive occupational safety and health program consistent with standards set forth by the Secretary of Labor.

As authorized by the act, the Occupational and Health Administration (OSHA) enforces compliance with occupational safety and health standards in the private sector by inspecting workplaces and assessing monetary penalties in cases of noncompliance. OSHA does not have the same authority to enforce compliance in the Federal sector. Under terms of Executive Order 11807 (issued Sept. 28, 1974), OSHA may inspect Federal workplaces only if requested by the responsible agencies. Monetary penalties are not authorized for violations noted during such inspections.

In a GAO report entitled "More Concerted Effort Needed by the Federal Government on Occupational Safety and Health Programs for Federal Employees' (B-163375, MWD, Mar. 15, 1973) we reported a lack of consistency and overall direction in the Federal agencies' practices for implementing their occupational safety and health programs. We recommended to the Chairman, Senate Committee on Labor and Public Welfare, that the Committee consider amending the act to bring Federal workplaces under OSHA's inspection responsibility.

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

CRITERIA USED IN AWARDING GUARANTEED STUDENT LOANS MAY EXCLUDE CERTAIN STUDENTS

A review to determine whether criteria other than individual student need were being used in the award of student financial assistance under programs administered by the Office of Education, Department of Health, Education, and Welfare, showed that certain State guaranty agencies and lenders had policies which excluded students because, among other things, they were over a certain age or were in a certain class (freshman, sophomore) in school. We suggested that the Special Subcommittee on Education, House Committee on Education and Labor, might wish to evaluate the appropriateness of State guaranty agencies' and lending institutions' using their own criteria in deciding who receives a Guaranteed Student Loan, especially those criteria excluding students because of age or class in school. (Report to the Special Subcommittee on Education, House Committee on Education and Labor: "Administration of the Office of Education's Student Financial Aid Program," B-164031(1), MWD, Apr. 4, 1974)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

STUDENTS MAY BORROW MORE THAN THEY CAN REPAY

The Office of Education, Department of Health, Education, and Welfare, administers the Guaranteed Student Loan program and the National Defense Student Loan Program. These programs assist students attending colleges, universities, and vocational schools. There are statutory limits for loan amounts under each but no overall limit on the amount that a student may borrow from both programs.

Of the students we surveyed, 13 percent obtained loans under both programs for the same academic year, and some borrowed more in a school year than the maximum amount allowable under either program. In doing this, students can incur large financial liabilities which are difficult to repay and which can add to the existing nationwide problem of defaulted student loans. Office of Education statistics for the Guaranteed Student Loan program showed that, as of June 30, 1971, the Governement had paid claims totaling $17.6 million for defaulted loans. Statistics for the National Defense Student Loan program showed that outstanding loans totaling $22.2 million were delinquent from 4 months to more than 5 years.

Accordingly, we suggested that the Congress consider establishing an overall limit on the amount a student may borrow when participating in more than one loan program. (Report to the Congress: "Need for Improved Coordination of Federally Assisted Student Aid Programs in Institutions of Higher Education," B-164031(1), MWD, Aug. 2, 1974)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

CHANGES NEEDED IN LEGISLATION AUTHORIZING PROGRAMS FOR ADULT EDUCATION

The Office of Education, Department of Health, Education, and Welfare, administers the Federal programs in adult eucation. The allotment formula provided for in the Adult Education Act of 1966, as amended (20 U.S.C. 1201), does not give special emphasis to instruction below the secondary level, although the act provides that such emphasis be given. Therefore, the formula does not recognize the higher priority and higher costs of reaching adults at the lower grade levels.

Also, although many adults with high school diplomas are functioning below the eighth grade level, the Adult Education Act excludes people who have high school diplomas or their equivalent from the program.

Accordingly, we suggested that the Congress consider amending the Adult Education Act to (1) revise the allotment formula to recognize the higher priority and higher costs of reaching adults with less than 8 years of school and (2) allow adults with high school diplomas to participate in the adult basic education program, if they are functioning below that level. (Report to the Congress: "The Adult Basic Education Program: Progress in Reducing Illiteracy and Improvements Needed," MWD-75-61, June 4, 1975)

These recommendations are for the consideration by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

CHANGES NEEDED IN LEGISLATION AUTHORIZING PROGRAMS FOR THE EDUCATION OF THE HANDICAPPED

The Office of Education and the Social and Rehabilitation Service, Department of Health, Education, and Welfare, administer most of the Federal programs for educating and training the handicapped. Federal funds for these purposes are not allocated on the basis of priorities established for meeting the greatest educational needs.

In addition, a large portion of the Federal funds is allocated to States according to fixed formulas containing factors which may actually result in inequities in the opportunities available to the handicapped. Such factors include (1) population and per capita income, which may not always accurately reflect a true index of need, and (2) age ranges which are inconsistent with the intended target population.

The Education Amendments of 1974 (Public Law 93-280) amended part B of the Education of the Handicapped Act to require that, starting with fiscal year 1976, funds be made available to States only after they submit an amendment to the required State plan which shows in detail the policies and procedures which the State will undertake to insure the education of all handicapped children and to insure that all handicapped children in the State in need of special education are identified and evaluated. Other programs for educating and training the handicapped do not contain a similar requirement.

Accordingly, we suggested that the Congress consider (1) amending titles I and III of the Elementary and Secondary Education Act, part B of the Vocational Education Act, and title I, part b of the Rehabilitation Act of 1973--which earmarks funds for the handicapped--in a manner similar to the amendments to part B of the Education of the Handicapped Act and (2) eliminating those formula allocation factors in the legislation which may result in unequal opportunities for the handicapped. (Report to the Congress: "Federal Programs for Education of the Handicapped: Issues and Problems," MWD-74-162, Dec. 5, 1974)

At the time the report was issued, the Rehabilitation Act of 1973 was administered by the Social and Rehabilitation Service. In February 1975, the Rehabilitation Services Administration, which administered the act, was transferred to the Office of Human Development, Department of Health, Education and Welfare.

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

CHANGES NEEDED IN LEGISLATION AUTHORIZING PROGRAMS FOR VOCATIONAL EDUCATION

The Office of Education, Department of Health, Education, and Welfare, administers the Federal program in vocational education. Although in most States the major portion of Federal assistance is directed to the local level, large amounts of Federal funds have been retained at the State level for administrative purposes. State and local vocational education plans reflect compliance rather than planning.

Federal funds have been distributed by the States in a variety of ways, many of which do not necessarily (1) result in funds being targeted to geographical areas of need or (2) provide for the programmatic initiatives called for by the Vocational Education Act of 1963, as amended (20 U.S.C. 1241). States and local agencies have not always considered the range of existing training resources which could provide expanded training options to more people.

Changing manpower requirements need to be better addressed in many secondary and postsecondary occupational programs supported by Federal funds. Other factors which affect the relevancy of existing vocational programs include:

1. Work experience often has not been an integral component of the vocational curriculum.

2. Responsibility for job placement assistance has not been routinely assumed by schools.

3. Followup on graduates and employers has been marginal or nonexistent.

Accordingly, we suggested that the Congress consider amending the Vocational Education Act by (1) setting a limit, as provided in other Federal education legislation, on the amount of Federal funds that can be retained at the State level, so that more funds can be made available for direct services to program participants at the local level, (2) requiring States to use a portion of whatever Federal funds are retained at the State level to improve the planning process, (3) requiring that Federal funds be used primarily to develop and improve programs and extend vocational opportunities by limiting the amount of Federal funds that can be used to maintain existing activities, (4) adopting one of several options with regard to providing programs and services for the disadvantaged and handicapped if the Congress believes these two groups should receive priority attention

in the use of Federal funds, (5) requiring the Secretaries of HEW and the Department of Labor to establish a planning process which would relate vocational education to the State Postsecondary Commissions authorized by the Education Amendments of 1972 and the Comprehensive Employment and Training Act of 1973, to insure that education and manpower efforts will be synchronized for students at all levels--secondary, postsecondary, and adult, (6) establishing a set-aside requirement for cooperative arrangements to expand vocational offerings and strengthen programs through use of other public training facilities or nonpublic training resources (e.g., movement of secondary students to postsecondary facilities), (7) establishing a legislative policy that Federal funds will not be used for construction except when there is adequate justification, after thorough consideration of alternatives, that additional facilities are needed, (8) requiring that Federal vocational funds directed to local education agencies for programs be used for those skill areas for which existing or anticipated job opportunities, whether local, regional, or national, can be demonstrated, (9) requiring that work experience be an integral part of part B programs to the extent feasible, and (10) requiring that schools take responsibility for job placement assistance and followup in federally supported vocational education programs. (Report to the Congress: "What is the Role of Federal Assistance for Vocational Education?" MWD-75-31, Dec. 31, 1974)

These recommendations are for consideration by the following committees:

Senate: Labor and Public Welfare
House: Education and Labor

RESOURCES AND ECONOMIC
DEVELOPMENT DIVISION

NEED TO REVISE THE INTEREST RATE CRITERIA FOR DETERMINING THE COSTS OF FINANCING WATER RESOURCES PROJECTS

The Federal costs of financing small reclamation loans and multipurpose water resources projects, including authorized projects not yet under construction, have been understated because, under existing statutory criteria, the rates used to compute (1) interest costs capitalized as part of the Government's investment in these projects and (2) interest on the unpaid balances of the Government's investment in the projects were lower than the rates Treasury paid to finance construction of the projects.

Our review of five multipurpose projects, constructed in the southwestern United States--three by the Bureau of Reclamation and two by the Corps of Engineers--at a recorded cost of about $170 million showed that the Government's investment in the municipal and industrial water supply features of those projects was understated by about $5 million because the rates used to compute interest costs during construction, based on criteria prescribed in the Water Supply Act of 1958, were lower than the rates the Treasury paid to finance construction.

As a result, investment in the projects (which includes a factor for interest during construction) will be about $80 million less than the interest the Government will pay on the funds Treasury borrowed to finance construction of the projects.

We recommended that the Congress amend existing legislation to provide that:

--Interest during construction, to be capitalized as part of the Government's investment in water resources projects, be computed at a rate prescribed annually by the Secretary of the Treasury and based on the average market yield--during the year in which the investment is made--on the outstanding marketable obligations which most represent the Treasury's cost of borrowing to finance construction of the projects.

--The interest to be paid to the Treasury annually on the Government's unrepaid investment in water resources projects be based on a composite of the average market yields used in computing the capitalized interest costs.

--The interest on unrepaid small reclamation loans be charged at the rate prescribed by the Secretary of the Treasury for the year in which the loan is made.

("Legislation Needed to Revise the Interest Rate Criteria for Determining the Financing Costs of Water Resources Projects," B-167712, RED, Aug. 11, 1972)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs
House: Interior and Insular Affairs

NEED FOR REEVALUATION OF ACREAGE LIMITATION ON IRRIGATION BENEFITS

The Reclamation Act of 1902 limits to 160 acres the land on which any one owner is entitled to receive irrigation benefits from a federally subsidized water resources project. Objectives of the limitation are to break up large, private landholdings; spread the benefits of the irrigation program to the maximum number of people; and promote the family-size farm as a desirable form of rural life.

Our review of the Central Valley project, the largest project administered by the Bureau of Reclamation, Department of the Interior, showed that the 160-acre limitation had not resulted in preventing (1) large landowners and farm operators from benefiting under the program and (2) landowners and farm operators from retaining or acquiring large landholdings. These beneficiaries were receiving project water on large landholdings by leasing eligible land from the individual owners and retaining or controlling eligible land through establishment of corporations, partnerships, and trusts.

The impact of modern technology and techniques on farming raises a question as to the practicability or limiting the use of water from Bureau water resources projects to a landowner's 160 acres of irrigable land.

We recommended that the Congress reevaluate the appropriateness of the 160-acre limitation. If it is still considered appropriate to encourage the establishment of family-size farms, the Congress should enact legislation which would preclude large landowners and farm operators from benefiting under the subsidized irrigation program by controlling numerous 160-acre tracts through corporations, partnerships, or trusts and/or by leasing 160-acre tracts.

If the limitation is considered no longer appropriate, the Congress should enact legislation which would (1) reestablish the area of a family-size farm that shall be eligible to receive Federal project water at subsidized rates, (2) preclude large landowners and farm operators from benefiting under the program, and (3) require the payment of the full cost of water provided to larger areas. ("The Congress Should Reevaluate the 160-Acre Limitation on Land Eligible to Receive Water From Federal Water Resources Projects," B-125045 RED, Nov. 30, 1972)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs
Select Committee on Small Business

House: Interior and Insular Affairs

ACQUISITION OF LAND FOR NATIONAL RECREATION AREAS CONTAINING IMPROVED PROPERTIES

In enacting legislation authorizing the establishment of national recreation areas, the Congress frequently has to define boundaries before such important facts as the cost of various tracts of land are known. We therefore recommended that the Congress, in enacting such legislation, provide the Secretary of the Interior with guidelines for changing established boundaries when the acquisition of high-cost properties on or near the boundaries is involved.

We recommended also that the Congress require the Secretary to analyze the location and estimated cost of high-cost properties bordering those authorized recreation areas for which additional funds are needed and to justify the desirability of acquiring such properties. ("Problems in Land Acquisitions for National Recreation Areas," B-164844, RED, Apr. 29, 1970)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Interior and Insular Affairs
House:	Appropriations
	Interior and Insular Affairs

LEASING OF FEDERAL LANDS FOR DEVELOPMENT OF OIL AND GAS RESOURCES

The Department of the Interior has granted most of the leases for developing oil and gas resources on Federal lands noncompetitively and, in many cases, at prices less than their indicated fair market value because the law requires that lands outside the boundaries of a known geological structure of a producing oilfield or gasfield be leased noncompetitively. Also, the statutory right of lessees to sublease in units as small as 40 acres apparently has impeded rather than induced the development of oil and gas resources.

We suggested that the Congress consider amending the Mineral Leasing Act to (1) require that oil and gas leases on all Federal lands be awarded competitively, unless otherwise justified, and (2) increase the minimum acreage limitation applicable to the assignment of the leases. ("Opportunity for Benefits Through Increased Use of Competitive Bidding to Award Oil and Gas Leases on Federal Lands," B-118678, RED, Mar. 17, 1970)

This recommendation is for consideration by the following committees:

Senate: Interior and Insular Affairs
House: Interior and Insular Affairs

RESEARCH NEEDED TO MEET THE 1983 AND 1985 NATIONAL GOALS TO CLEAN UP THE NATION'S WATERS

Section 101(a) of the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251), established the goals of (1) eliminating the discharge of pollutants into navigable waters by 1985 and (2) achieving water quality sufficient for protecting aquatic life and for recreation by 1983. Attaining these goals will require an ambitious research and demonstration program within a relatively short period of time.

The 1972 amendments also established a commission (the National Commission on Water Qaulity) to study the technological aspects of achieving the effluent limitations and goals set forth for 1983, as well as all aspects of the economic, social, and environmental effects of achieving or not achieving these limitations and goals. As required by section 315(e) of the act, the National Commission on Water Quality was to have reported these matters to the Congress by October 1975. The Commission expects that it will now be at least March 1976 before it will be able to report to the Congress.

We recommended that, if the Congress finds it necessary as a result of the Commission's study to reassess and revise legislative goals, the Congress determine the direction of Federal research programs--in terms of priorities and funding levels--to meet the revised goals. ("Research and Demonstration Programs to Achieve Water Quality Goals: What the Federal Government Needs to Do," RED-74-306, Jan. 16, 1974)

This recommendation is for consideration by the following committees:

Senate: Public Works
House: Public Works and Transportation
Science and Technology

NEED FOR GAO TO HAVE ACCESS TO RECORDS OF BOARDS OF TRADE AND OTHERS SUBJECT TO ANY PROVISION OF THE COMMODITY FUTURES TRADING COMMISSION ACT

In a February 13, 1974, letter to the Chairman, House Committee on Agriculture; in testimony before the Senate Committee on Agriculture and Forestry on May 20, 1974; and in a letter to Senator Dick Clark on July 30, 1974, we recommended that the Comptroller General be given access to the same records as the Commodity Futures Trading Commission to insure an effective evaluation.

Most of the Commission's functions would involve reviewing records of exchanges, brokerage firms, and others subject to the Commodity Futures Trading Commission Act of 1974. For GAO to determine how well the Commission is performing its various functions, it must have access to the same records as the Commission. For our previous review, access to exchange records was granted voluntarily after negotiations with the Department of Agriculture, the Department of Justice, and the exchanges. We have no assurance that such voluntary access will be granted by the exchanges again unless access is provided under the Commodity Futures Trading Commission Act.RED

This recommendation is for consideration by the following committees:

Senate:	Agriculture and Forestry
	Government Operations
House:	Agriculture
	Government Operations

INCREASED EMPHASIS NEEDED ON REFORESTATION AND TIMBER STAND IMPROVEMENT BACKLOG ON NATIONAL FOREST LAND

The growing demand for lumber and the increasing pressure to use productive timberland for other multiple-use purposes added to the need for the Forest Service to accelerate reforestation and timber stand improvement work on the estimated 18-million acre backlog of national forest land needing such work. We presented for consideration by the Congress several alternatives for increasing funds to accelerate reforestation and timber stand improvement. One of these was to increase regular appropriations from general funds of the Treasury.

For fiscal years 1975 and 1976, the Congress appropriated $50 million and $60.7 million, respectively, for reforestation and timber stand improvement. This was $15 million and $15.8 million more, respectively, than the amounts requested in the administration's budgets. In October 1974, the Forest Service advised the Congress as to the additional amounts needed to liquidate its reforestation backlog over a 10-year period. ("More Intensive Reforestation and Timber Stand Improvement Programs Could Help Meet Timber Demand," RED-74-195, Feb. 14, 1974.)

This recommendation is for consideration by the following committees:

Senate:	Agriculture and Forestry
	Appropriations
	Interior and Insular Affairs
House:	Agriculture
	Appropriations
	Interior and Insular Affairs

USE OF LEVERAGED LEASES FOR PURCHASE OF EQUIPMENT

The National Railroad Passenger Corporation (AMTRAK) finances new rolling stock through federally guaranteed leveraged lease transactions in which the equipment is purchased under a conditional sale agreement and then sold and leased back from a trustee who obtains title to the equipment.

Although leveraged leases help keep AMTRAK's financing costs down because the implicit financing costs for leveraged leases are less than the cost of direct borrowings to purchase the equipment outright, there are other consequences from an overall Federal Government standpoint--such as lost tax revenue--that have an important bearing on the total financial ramifications of these transactions. We suggested that the Subcommittee on Transportation, House Committee on Appropriations, consider whether leveraged leases were an acceptable method of financing AMTRAK rolling stock. (Report to the Chairman, Subcommittee on Transportation Appropriations, House Committee on Appropriations: "Information on Loan Guarantee Programs Under the Rail Passenger Service Act and the Regional Rail Reorganization Act," RED-75-329, Feb. 26, 1975)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Commerce
House:	Appropriations
	Interstate and Foreign Commence

THE FEDERAL CRIME INSURANCE PROGRAM: HOW IT CAN BE MADE MORE EFFECTIVE

Shortcomings in HUD's administration of this crime insurance program have hindered the program's progress; the program cannot effectively achieve its objectives.

We recommended that the Congress consider requiring HUD to

--increase the commissions of agents and brokers enough to provide incentives to actively sell Federal crime insurance;

--train interested individuals, particularly inner-city residents, to sell Federal crime insurance.

--increase its promotion efforts through paid advertising, promotional campaigns in each program State, and the services of local community groups;

--direct servicing companies to encourage agents and brokers, particularly minority agents and brokers, to concentrate their selling efforts in the high-crime, inner-city areas;

--Reevaluate its protective device requirements with respect to the type and number of protective devices, with a view toward reducing their costs, particularly for the small businessmen, so that the program's objectives can be better achieved, and

--make more in-depth reviews of the need for the program in States where Federal crime insurance is not available. This would include information on rates, coverages, protective device requirements, commissions, and views of agents, insurance associations, and businessmen.

(Report to the Congress: "The Federal Crime Insurance Program: How It Can Be Made More Effective," RED-75-333, Apr. 11, 1975)

This recommendation is for consideration by the following committees:

Senate: Appropriations
Banking, Housing, and Urban Affairs
House: Appropriations
Banking, Currency, and Housing

OBSERVATIONS ON THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

The experimental housing allowance program being conducted by HUD was authorized by the Congress to demonstrate the feasibility of providing low-income families with housing allowances to help them rent housing of their choice in existing standard housing units. Because the impact of a direct cash assistance program was unknown and because of the great cost involved, we recommended that the Congress, in considering future legislation authorizing a national housing allowance program, consider the benefit that could be derived from waiting until the experimental program is complete and more information is available on the program's impact.

Because the sites selected for the experimental program were near average or above in terms of both housing quality and vacancy rates, we recommended that the Congress require HUD to provide assurances that the results achieved are representative of what might occur at locations which have low housing quality and low vacancy rates and which are representative of many urban metropolitan areas. (Report to the Congress: "Observations on Housing Allowances and the Experimental Housing Allowance Program," RED-74-192, Mar. 28, 1974)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Banking, Housing, and Urban Affairs
House:	Appropriations
	Banking, Currency, and Housing

CERTAIN TYPES OF NEW COMMUNITY PROJECTS ARE NOT BEING DEVELOPED

New community projects were not being undertaken in central cities, smaller towns, and rural areas because unique problems in these areas increased project costs and risks of the developers.

We recommended that the Congress, if it wishes to encourage development of the wide range of new community projects contemplated by the legislation, change the legislation to provide additional financial and tax incentives. (Report to the Congress: "Getting the New Communities Program Started: Progress and Problems," RED-75-284, Nov. 15, 1974)

This recommendation is for consideration by the following committees:

Senate:	Appropriations, Banking, Finance Housing, and Urban Affairs
House:	Appropriations, Banking, Currency, and Housing, Ways and Means

IMPROVEMENTS NEEDED IN 1872 MINING LAW

We recommended that the Congress enact legislation covering future exploration and development of all minerals presently subject to provisions of the Mining Law of 1872. This legislation would

--establish an exploration permit system covering public lands and require individuals interested in prospecting for minerals to obtain a permit,

--establish a leasing system for extracting minerals from public lands,

--require that, to preserve valid existing rights (1) mining claims be recorded with the Department of the Interior within a reasonable period of time after legislation is enacted and (2) evidence of a discovery of valuable minerals be furnished before claims are recorded, and

--authorize the Secretary of the Interior to grant life tenancy permits to individuals now living on invalid claims if he determines that their eviction from the land would cause them undue personal hardship.

We recommended also that the Congress consider including in the legislation a number of provisions designed to provide incentives for diligent mineral exploration and development, sound environmental considerations, and a fair return to the public on the disposition of its natural resources. ("Modernization of 1872 Mining Law Needed to Encourage Domestic Mineral Production, Protect the Environment, and Improve Public Land Management," RED-74-246, July 25, 1974)

These recommendations are for consideration by the following committees:

Senate: Interior and Insular Affairs
House: Interior and Insular Affairs

NEED TO EXTEND DEADLINE FOR PERMIT APPLICANT'S IMMUNITY FROM LEGAL ACTION

Section 402(k) of the Federal Water Pollution Control Act, as amended (33 U.S.C. 1251), provides that dischargers of pollutants into the Nation's waters who have submitted applications for, but have not received discharge permits by December 31, 1974, are no longer immune from either governmental or citizen legal actions, even though EPA or States with EPA-approved permit programs were unable to promptly process the permit applications. We recommended that this section of the act be changed so that dischargers would not be legally liable in those instances when EPA or the States were unable to complete the permit application process by December 31, 1974. (Report to the Subcommittee on Environmental Pollution, Committee on Public Works: "Implementation of Federal Water Pollution Control Act Amendments of 1972 Is Slow," RED-75-291, Dec. 20, 1974)

This recommendation is for consideration by the following committees:

Senate: Public Works
House: Public Works and Transportation

PRESENT STATUS AND PROBLEMS TO BE RESOLVED IN FEDERAL COAL RESEARCH

We recommended that the Congress consider

--the Federal incentives that may be needed to overcome the many problems which may delay the transition from the research phase to the commercial production phase for various coal conversion processes,

--the Federal action and funding needed to overcome the present problems delaying the increase in the Nation's coal supply with respect to (1) improving mine technology, (2) increasing manpower, (3) creating new transportation systems, (4) resolving environmental considerations, and (5) providing incentives to attract private inventment, and

--the need for providing assurance to the coal industry that technological breakthroughs in other potential energy-producing sources will not result in a drastic diminution of the role of coal in energy production, as occurred after 1947 when oil and natural gas became highly competitive.

("Federal Coal Research--Status and Problems to be Resolved," RED-75-322, Feb. 18, 1975)

The recommendations are for consideration by the following committees:

Senate: Government Operations
House: Government Operations

NEED TO OBTAIN END-USE AND ECONOMIC IMPACT INFORMATION TO EVALUATE THE EFFECTIVENESS OF NATURAL GAS CURTAILMENT POLICY

The Federal Power Commission's jurisdiction extends only to interstate pipeline companies, not to intrastate pipeline or distributing companies. Therefore, it lacks the authority to obtain the necessary information to evaluate the effectiveness of its natural gas curtailment policy.

FPC has recognized the need for end-use and economic impact information but, so far, has been unsuccessful in obtaining the needed information by indirect means. The Commission, with the Federal Energy Administration, is attempting to obtain the needed information.

Because of the Commission's past unsuccessful efforts, we were not sure that its current effort would be successful. We therefore recommended that the Commission report to the Congress on the results of the coordinated effort. We recommended also that, if the desired results are not obtained or if the Commission finds the mechanism too cumbersome, the Commission seek legislative revisions to the Natural Gas Act to extend the Commission's authority to obtain information on (1) natural gas sales by intrastate pipelines and distributing companies and (2) the end use of the gas by ultimate consumers who purchase the gas from interstate and intrastate pipeline and distributing companies. (Report to Congressman Pierre S. du Pont: "Need for the Federal Power Commission to Evaluate the Effectiveness of the Natural Gas Curtailment Policy," RED-76-18, Sept. 19, 1975)

This recommendation is for consideration by the following committees:

Senate: Commerce
House: Interstate and Foreign Commerce

GOVERNMENT ASSISTANCE TO PRIVATE URANIUM ENRICHMENT GROUPS

The following matters, for consideration by the Joint Committee on Atomic Energy, would require legislative action.

--Establish a Government corporation with self-financing authority to manage the Government's uranium enrichment facilities.

--Develop legislation with provisions similar to those in the proposed Nuclear Fuel Assurance Act (S.2035) authorizing ERDA to enter into cooperative agreements with private enrichers using advanced technologies. (Report to the Joint Committee on Atomic Energy: "Evaluation of the Administration's Proposal for Government Assistance to Private Uranium Enrichment Groups," RED-76-36, Oct. 31, 1975)

This recommendation is for consideration by the following committee:

Joint: Atomic Energy

NEED TO ESTABLISH UNIFORM, OBJECTIVE CRITERIA FOR DESIGNATED HEALTH PERSONNEL SHORTAGE AREAS

Existing Federal and State health personnel programs had no impact on the shortages of physicians and dentists in a 12-county rural area of South Dakota. As a first step toward helping to provide medical and other health personnel to areas needing them, shortage areas and their needs must be identified. To do this, uniform, objective criteria should be developed for the various health personnel programs designed to have an impact on shortage areas, to provide an integrated identification and designation system.

We recommended that, in working toward the solution of rural health care delivery problems, the Secretary of Health, Education, and Welfare initiate action, including development of necessary legislation, to establish uniform, objective criteria for designating health personnel shortage areas to be used for programs designed to deploy health personnel to such areas. (Report to the Congress: "National Rural Development Efforts and the Impact of Federal Programs On A 12-county Rural Area in South Dakota," RED-75-288, Jan. 8, 1975)

This recommendation is for consideration by the following committees:

Senate: Labor and Public Welfare
House: Interstate and Foreign Commerce

NEED TO ELIMINATE SMALL COST-SHARE INCREASES UNDER THE RURAL ENVIRONMENTAL CONSERVATION PROGRAM

A 1938 amendment to the Soil Conservation and Domestic Allotment Act requires that, if a farmer receives cost shares totaling less than $200 a year for carrying out conservation practices on a farm under the Rural Environmental Conservation Program (formerly the Rural Environmental Assistance Program), he be paid an additional nominal amount. The program is administered by the Agricultural Stabilization and Conservation Service, Department of Agriculture. The intent of this provision was to provide greater financial assistance to operators of small farms.

The nominal payments--which range from 40 cents to $14 each and total about $7 million annually--do not further the objectives of the program and are an administrative burden. The funds could be used to enable thousands of additional farmers to participate in the program. We therefore recommended that the Congress amend section (8e) of the Soil Conservation and Domestic Allotment Act (16 U.S.C. 590h(e)) to eliminate the provision for cost-share increases. (Report to the Congress: "Greater Conservation Benefits Could Be Attained Under the Rural Environmental Assistance Program," B-114833, Feb. 16, 1972) RED

This recommendation is for consideration by the following committees:

Senate:	Appropriations, Agriculture and Forestry
House:	Agriculture Appropriations

MORE USABLE DEAD OR DAMAGED TREES SHOULD BE SALVAGED TO HELP MEET TIMBER DEMAND

To help minimize avoidable waste of usable timber, we suggested to the Department of Agriculture in April 1973 that the Forest Service develop and submit to the Congress a legislative proposal to (1) increase the dollar limit on the value of salvage timber that can be sold without advertisement or (2) establish a provision specifying the volume of salvage timber that can be sold without advertisement if competitive bidding is not appropriate.

The Forest Service subsequently drafted a bill to increase its authority under the Organic Administration Act of June 4, 1897, as amended (16 U.S.C. 476), to make both regular and salvage timber sales up to $10,000 in appraised value without advertising. The bill (House bill 8509) was introduced in the House on June 7, 1973, and referred to the Committee on Agriculture for further consideration. No action was taken on the bill and it expired at the end of the 93d Congress. In our October 1973 report on timber salvage, we said that favorable action on such a bill would enable the Forest Service to promptly salvage more usable dead or damaged trees and thus help meet the Nation's timber demand. (Report to the Congress: "More Usable Dead or Damaged Trees Should be Salvaged to Help Meet Timber Demand," B-125053, Oct. 5, 1973) RED

This recommendation is for consideration by the following committees:

Senate: Agriculture and Forestry
House: Agriculture

NEED FOR UNIFORMITY IN FEDERAL DISASTER ASSISTANCE PROGRAMS

Greater uniformity is needed in Federal disaster assistance programs. Because of differences between the disaster loan programs of the Small Business Administration (SBA) and Farmer Home Administration (FHA), victims sustaining similar damages from the same disaster receive different amounts of assistance, depending on the agency to which they apply.

We recommended that congressional committees consider the desirability of providing for uniformity between SBA and FHA disaster loan programs and for more permanence and stability in legislative benefits to insure more consistent and equitable treatment of disaster victims. ("Information on Federal Disaster Relief Programs," GGD-74-11, Nov. 5, 1973)

This recommendation is for consideration by the following committees:

Senate:	Agriculture, Public Works
	Select Committee on Small Business
House:	Agriculture, Public Works and Transportation, Small Business

NEED FOR IMPROVED COORDINATION OF FEDERAL DISASTER ASSISTANCE PROGRAM

Although the Office of Emergency Preparedness (now the Federal Disaster Assistance Administration) is responsible for coordinating overall Federal disaster relief, review of this area disclosed little coordination of the several programs involving large Federal expenditures.

We recommended that congressional committees consider the desirability of assigning to one agency the responsibilities now assigned to the Federal Disaster Assistance Administration, the Federal Highway Administration, and the Department of Health, Education, and Welfare. ("Information on Federal Disaster Relief Programs," GGD-74-11, Nov 5, 1973)

This recommendation is for consideration by the following committees:

Senate: Public Works
House: Public Works and Transportation

ESTABLISHING A NETWORK OF ENVIRONMENTAL DATA SYSTEMS

The Chairman, Subcommittee on Fisheries and Wildlife Committee on Merchant Marine and Fisheries, requested an examination into environmental data collection activities of the Federal agencies.

We found that most of the enviornmental data collected was useful for the specific purpose it was acquired but had only marginal utility beyond its original use, and that introducing data into an information system without regard to its utility could be costly.

We recommended to the Subcommittee that, before a nationwide network of interconnected environmental data systems is established, the environmental problems to be solved be defined and the analysis tools needed to assist in solving the problems be determined. We also recommended that the central organization to be established be responsible for establishing and maintaining an environmental data directory. (Report to the Subcommittee on Fisheries and Wildlife Conservation and the Environment, House Committee on Merchant Marine and Fisheries: "Federal Environmental Data Systems," Red-75-281, Nov. 22, 1974)

This recommendation is for consideration by the following committees:

Senate: Commerce
House: Merchant Marine and Fisheries

GENERAL GOVERNMENT DIVISION

EFFORTS TO IMPROVE MANAGEMENT OF DOMESTIC FISHERIES

Domestic fisheries management, primarily the responsibility of the States, has historically been uncoordinated and ineffective. This has resulted in excess harvesting capacity in some fisheries and depletion of certain species.

The Congress should consider enacting legislation which would provide the Secretary of Commerce with the authority to impose management measures in fisheries under domestic jurisdiction in the event that such measures are not implemented by the States in a timely manner.

The Congress should also consider amending the Fish and Wildlife Act of 1956, as amended (16 U.S.C. 742c), to establish priorities for use of the Fisheries Loan Fund, including encouraging the transfer of vessels from fisheries having excess harvesting capacity. We suggest that a new subparagraph be added to 16 U.S.C. 742c(b) as follows:

> "(11) No financial assistance shall be extended to this section unless the applicant agrees that the assistance will not be used for operations in a fishery which the Secretary has determined in a rule-making proceeding to have excess harvesting capacity."

("Action is Needed Now to Protect Our Fishery Resources," GGD-76-34, Feb. ,1976)

This recommendation is for consideration by the following committees:

Senate: Commerce
House: Merchant Marine and Fisheries

REQUIRING THAT FULL INFORMATION ON FEDERAL FINANCIAL DOMESTIC ASSISTANCE BE FURNISHED TO STATE AND LOCAL GOVERNMENTS

Title II of the Intergovernmental Cooperation Act of 1968 requires that the States be notified of the purpose and amounts of grants-in-aid they and their political subdivisions have received. However, the definition of the term "grants-in-aid" specifically excludes such forms of Federal finance assistance as loans and research and development grants and contracts. Providing States and their political subdivisions with full information would facilitate their analysis of how Federal assistance affects their areas of responsibility. We, therefore, recommended that the Congress amend the Intergovernmental Cooperation Act of 1968 by substituting the term "Federal financial assistance," a broader term, for "grants-in-aid" in title II, section 201 of the act. (Report to the Congress: States Need, But Are Not Getting, Full Information On Federal Financial Assistance Received," GGD-75-55, Mar. 4, 1975)

The recommendations are for consideration by the following committees:

Senate: Government Operations
House: Government Operations

SIMPLIFYING THE CURRENT SYSTEM FOR DELIVERING FEDERAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Substantial problems occur when State and local governments attempt to identify, obtain, and use Federal assistance. These problems, from an intergovernmental perspective, are attributable to the proliferation of Federal programs (975) and fragmentation of Federal agencies' (52) responsibilities. We therefore recommended that the Congress consider consolidating programs serving similar objectives into broader purpose programs and placing responsibility for programs serving similar goals within the same Federal agency. We further recommended that the Congress, to relieve the time pressure on its deliberations and to eliminate funding uncertainties resulting from delays in the passage of authorization and appropriation bills, consider greater use of both advanced and forward funding and authorizations and appropriations for longer than 1 fiscal year. (Report to the Congress: "Fundamental Changes Are Needed In Federal Assistance To State And Local Governments," GGD-75-75, Aug. 19, 1975)

These recommendations are for consideration by the following committees:

Senate:	Appropriations
	Government Operations
House:	Appropriations
	Government Operations

EXPANSION OF ADJUSTED TAX DEFINITION FOR REVENUE SHARING ALLOCATION PURPOSES

Adjusted taxes, along with population and per capita income data, are used in a formula to allocate revenue sharing funds. Adjusted taxes are the total taxes of a local government, as determined by the Census Bureau, excluding taxes for schools and other education purposes.

Because adjusted taxes are an incomplete measure of local governments' fiscal efforts, we recommended to the Congress that profit transfers and payments in lieu of taxes from publicly owned utilities, sanitation service charges collected by governments, and taxes levied by special districts be included as part of adjusted taxes when allocating revenue sharing funds. (Report to the Congress: "Adjusted Taxes: An Incomplete and Inaccurate Measure for Revenue Sharing Allocations," GGD-76-12, Oct. 28, 1975)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Government Operations

OPPORTUNITY FOR IMPROVED PUBLIC AWARENESS OF STATE AND LOCAL GOVERNMENT OPERATIONS

The State and Local Fiscal Assistance Act of 1972 requires each State and local government that receives revenue sharing funds to report periodically to the public--through publication in a local newspaper--its planned and actual uses of the funds. We found that these reports can be misleading.

Budgetary decisions are usually made on the basis of total available resources, of which revenue sharing is a part. When funds from different sources are commingled for budgeting purposes, it is impossible to identify the effect of any part of the funds on the total program.

Revenue sharing has become a part of State and local governments' budget processes. It is difficult, if not impossible, for State or local officials, especially those from governments with large and complex budgets, to isolate the actual fiscal impact of funds received from any one source, including revenue sharing.

We recommended that the Congress abolish the present reporting system and require instead that a government receiving revenue sharing be required to provide the public with year to year comparative financial data on the sources and uses of all of its funds, showing its overall plan and results of operations. As a minimum this information should be shown for the prior, current, and budget year for each major program or activity.

The fundamental objective in preparing and publishing the report would not be completely met unless citizens had adequate opportunity to express their views. Accordingly, we also recommended that each recipient government provide notice and opportunity for its residents to voice their recommendations and views on the proposed expenditures in a public hearing or in such manner as the Secretary of the Treasury may authorize. (Report to the Congress: "Revenue Sharing: An Opportunity for Improved Public Awareness of State and Local Government Operations," GGD-76-2, Sep. 9, 1975)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Government Operations

NEED TO REVISE FEES FOR SERVICES PROVIDED BY U.S. MARSHALS

U.S. marshals' statutory fees for serving processes for private litigants were about $470,000 less than the amount necessary to recover costs incurred during fiscal year 1968.

We recommended that the Department of Justice consider proposing to the Congress legislation (1) authorizing administrative adjustment of marshals' fees or (2) revising the fees, which are presently prescribed by law. Although the Department stated, in April 1969, that it was considering proposing such legislation, it had not proposed such legislation as of December 31, 1975. (Report to the Congress: "Need to Revise Fees for Services Provided by the Immigration and Naturalization Service and U.S. Marshals," GGD-70-69, Oct. 7, 1969)

This recommendation is for consideration by the following committees:

Senate: Appropriations, Judiciary
House: Appropriations, Judiciary

NEED TO REDUCE PUBLIC EXPENDITURES FOR NEWLY ARRIVED IMMIGRANTS AND CORRECT INEQUITY IN CURRENT IMMIGRATION LAW

Large expenditures of Federal and State tax money have been made to support immigrants and their families within 5 years after they enter the country. In some cases an unavoidable event (accident, illness) has occurred after entry, causing a need for public assistance. We recommended that, if the Congress wishes to reduce the likelihood of newly arrived immigrants receiving public assistance, it amend the Immigration and Nationality Act to:

--Define "public charge" as public expenditures directly supporting immigrants unable to earn an adequate living, irrespective of whether the immigrants are legally liable to repay the public support. Or, make immigrant entry conditional upon the immigrant demonstrating self-sufficiency in the United States for a specified time before permanent-resident status is granted. The Congress, in considering the above, should clarify whether partial support for the general welfare of low-income persons should be defined within the meaning of public charge (8 U.S.C. 1101(a)(41)).

--Make the affidavit of support a legally enforceable financial obligation (U.S.C. 1183).

Immigration laws and regulations reward some violators of immigration laws by giving them greater opportunity to obtain legal immigrant status. These aliens gain the qualifications necessary to become immigrants during illegal stays in the United States or while in violation of immigration laws during legal residence.

We recommended that, if the Congress wishes to eliminate the preferential treatment accorded to aliens who acquire qualifications for entitlement to immigrant status while in violation of immigration laws, it should enact legislation to:

--Impose a mandatory waiting period before allowing aliens to immigrate who acquired the basis for immigrant status while in violation of immigration laws.

--Remove the labor certification exemptions now accorded to Western Hemisphere immigrants who are parents of a child, under the age of 21,

born in the United States (8 U.S.C. 1182 (a)(14)).

(Report to the Congress: "Need to Reduce Public Expenditures for Newly Arrived Immigrants and Correct Inequity in the Current Immigration Law," GGD-75-107, July 15, 1975)

This recommendation is for consideration by the following committees:

Senate: Appropriations, Judiciary
House: Appropriations, Judiciary

NEED FOR SANCTIONS TO DISCOURAGE HIRING OF ILLEGAL ALIENS

No Federal law prohibits employers from hiring aliens who are in the United States in violation of the Immigration and Nationality Act. Because jobs lure illegal aliens and employers repeatedly hire illegal aliens, a law is needed to discourage such employment.

We recommended that the Congress consider passing legislation to make it unlawful to hire illegal aliens. (Report to the Congress: "More Needs to be Done to Reduce the Numbers and Adverse Impact of Illegal Aliens in the United States," GGD-74-73, July 31, 1973)

This recommendation is for consideration by the following committees.

Senate: Judiciary
House: Judiciary

NEED TO ELIMINATE PREFERENTIAL TREATMENT INVOLVING PROSPECTIVE IMMIGRANTS

Foreign student status has become a method for many aliens to gain entry into the United States for acquiring, on a preferential basis, permanent resident status under other provisions of the Immigration and Nationality Act. Many foreign students obtain the grounds for permanent resident status while in violation of their student status.

We recommended that the Congress impose a mandatory waiting period for foreign students before allowing them to acquire immigrant status if grounds for such status were acquired while in an illegal status. (Report to the Congress: "Better Controls Needed to Prevent Foreign Students from Violating the Conditions of Their Entry and Stay While in the United States," GGD-75-9, Feb. 4, 1975)

This recommendation is for consideration by the following committees:

Senate: Judiciary
House: Judiciary

SCOPE OF AUTHORITY OF U.S. MAGISTRATES

District courts may assign U.S. magistrates duties which are not inconsistent with the Constitution and laws of the United States. Determining what is or is not inconsistent with such laws frequently raises questions which have been referred to the U.S. Courts of Appeals. However, because of conflicting decisions, these courts have not provided the needed clarification.

By increasing the magistrates' criminal jurisdiction to include all misdemeanors, the district judges' workloads could be reduced, thereby allowing the judges to spend more time on felony and civil matters.

We recommended that the Congress further define magistrates' authority and consider amending the Federal Magistrates Act (28 U.S.C. 636(A)) to expand the trial jurisdiction of magistrates to include most misdemeanors. (Report to the Congress: "The U.S. Magistrates: How Their Services Have Assisted Administration of Several District Courts; More Improvements Needed," GGD-74-104, Sept. 19, 1974)

These recommendations are for consideration by the following committees:

Senate: Judiciary
House: Judiciary

NEED TO CLARIFY INMATE RELEASE GRATUITY AUTHORITY

Gratuities for inmates upon their discharge from imprisonment or release on parole are authorized under 18 U.S.C. 4281. Under Bureau of Prisons policy, inmates transferred to Bureau-operated community treatment centers are not eligible for a gratuity, whereas inmates transferred to a community treatment center operated under contract to the Bureau are eligible for a gratuity. Since eligibility for a gratuity requires discharge from imprisonment or release through parole, we recommended that the Subcommittee initiate legislation to amend the law if it wished inmates transferred to community treatment centers to be eligible to receive gratuities. (Report to the Subcommittee on Courts, Civil Liberties, and the Administration of Justice, House Committee on the Judiciary: "Use of Statutory Authority for Providing Inmate Release Funds," GGD-75-3, Aug. 16, 1974)

This recommendation is for consideration by the following committees:

Senate: Judiciary
House: Judiciary

NEED TO CLARIFY LEGISLATION REGARDING THE CLOSING OF SMALL POST OFFICES

The Postal Reorganization Act (39 U.S.C. 101(b)) provides, in part, that no small post office shall be closed solely for operating at a deficit, it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities. The Postal Service has applied this provision restrictively by requiring strict criteria to be met before a post office can be closed. This restrictive requirement has precluded the Postal Service from realizing savings of about $100 million by closing all small post offices where service is expected to be as good after the change as it was before.

We recommend that the Congress consider clarifying section 101(b) of the Postal Reorganization Act to read as follows:

> "The Postal Service shall maintain effective and regular postal services to rural areas, communities, and small towns where post offices are not self-sustaining. No small post office shall be closed for operating at a deficit unless the quality of mail service is maintained; it being the specific intent of the Congress that effective postal services be insured to residents of both urban and rural communities."

The Subcommittees on Postal Service and Postal Facilities, Mail and Labor Management, House Committee on Post Office and Civil Service, held joint hearings on our report on September 23 and 24 and October 8, 1975. (Report to the Congress: "$100 Million Could Be Saved Annually in Postal Operations in Rural America Without Affecting the Quality of Service," GGD-75-87, June 4, 1975)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

NEED TO MODERNIZE CHARGES FOR SERVICES TO SPECIAL BENEFICIARIES

The U.S. Customs Service provides 13 services for which it is reimbursed a fixed fee established by statute. All of these fees were established before 1936, including 10 established in the 1790s. Opportunities for collecting some of these fees no longer exist, and fixed fees charged for others do not cover the costs of the services.

We recommended that the Secretary of the Treasury propose legislation to have statutory fees transferred to the administrative jurisdiction of the Secretary. Such a law would permit the Secretary to (1) raise the fees to a level which would recover all costs, (2) combine fees to eliminate certain administrative work, and (3) eliminate outdated user charges. (Report to the Secretary of the Treasury: "Services for Special Beneficiaries: Costs Not Being Recovered, GGD-75-72, Mar. 10, 1975)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means

NEED FOR UNIFORMITY IN PREMIUM PAY PROVISIONS

The premium pay laws and regulations of the four Federal agencies performing inspection services at U.S. ports-of-entry--U.S. Customs Service, Immigration and Naturalization Service, Public Health Service, and Animal and Plant Health Inspection Service--contain different provisions for compensating inspectors and obtaining reimbursement from parties-in-interest (airlines, shipowners, etc.). As a result, there are substantial differences in (1) the number of hours for which inspectors of different agencies working about the same number of hours are paid and (2) the inspections and the amounts for which parties-in-interest reimburse the Government for the same service.

We recommended that the Congress enact one premium pay law to apply to the four agencies for services at U.S. ports-of-entry. We also recommended that the Congress enact legislation establishing a uniform policy on the charges to be made to the parties-in-interest for inspections at U.S. ports-of-entry. (Report to the Congress: "Premium Pay for Federal Inspectors at U.S. Ports-of-Entry," GGD-74-91, Feb. 14, 1975)

This recommendation is for consideration by the following committees:

Senate:	Commerce
	Post Office and Civil Service
House:	Interstate and Foreign Commerce
	Post Office and Civil Service

DUTY PAYMENTS DELAYED ON LEAD AND ZINC IMPORTED INTO BOND WAREHOUSES

The Tariff Act of 1930 permits the payment of duties on imported metal to be deferred until a metal enters domestic commerce or until 3 years elapse, whichever happens first. The act also provides that any lead and zinc in a company's inventory may be considered as imported metal not entered into commerce and may be used as a basis for deferring duty payments.

Our review showed that continuous delays were occurring in the payment of duties on imported lead and zinc because (1) some companies did not reduce the quantity of their lead and zinc inventories by the statutory wastage deduction used to compute the metal content subject to duty at the time of importation and (2) two companies included the lead and zinc content of slag piles in their inventories. Including wastage and slag metal in inventories results in continuous delays in payment of duties because such wastage and slag is used as a basis for deferring duty payments on new imports of lead and zinc. Our reviews also showed that the liabilities for duty payments were transferred from one company to another solely to delay payment of duties.

We recommended to the House Committee on Ways and Means and the Senate Committee on Finance that consideration be given to amending the Tariff Act of 1930 to (1) prohibit wastage metal in lead and zinc from being included in inventories used as a basis for deferring duty payments, (2) prohibit the use of lead and zinc contained in slag piles as a basis for deferring duty payments, and (3) delete the provision permitting transfer of liability for duty payments from one company to another without a transfer of the metal. (Report to the House Ways and Means Committee and the Senate Committee on Finance: "Duty Delayed on Lead and Zinc Imported Into Bonded Warehouses," GGD-73-8, Jan. 18, 1973)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means

INCOME TAX SHOULD BE WITHHELD FROM WAGES OF AGRICULTURAL EMPLOYEES

The Internal Revenue Code does not require Federal income tax to be withheld from wages of agricultural employees. Withholding may occur on a voluntary basis when both the agricultural employer and employee agree. Employees not using withholding are required by law to file a declaration of estimated income tax and make quarterly payments if their estimated tax and income are over certain amounts. Limited use of voluntary withholding or estimated tax declaration has lead to tax delinquency difficulties for agricultural employees and collection problems for the Internal Revenue Service.

We recommended that the Joint Committee on Internal Revenue Taxation initiate legislation to revise chapter 24 of the Internal Revenue Code of 1954, as amended, to include remuneration received as agricultural wages in the Federal income tax withholding system. (Report to the Joint Committee on Internal Revenue Taxation: "Mandatory Tax Withholding Recommended for Agricultural Employees," GGD-75-53, Mar. 26, 1975)

The House Ways and Means Committee held hearings during 1975 on tax reform. The hearings included discussion of the Code's withholding tax provisions and withholding from agricultural employees. A September 1975 "committee print" prepared by the Joint Committee for use by the Ways and Means Committee presents our findings and recommendation. The committee print states that the legislative proposal of the Chairman of the Joint Committee is the same as our recommendation. Because of the press of time and the priority of other legislative proposals, the Committee, in September 1975, deferred the withholding subject until a later session.

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means
Joint: Internal Revenue Taxation

TAX LIABILITIES OF HIGH-INCOME INDIVIDUALS DISCHARGED THROUGH BANKRUPTCY

Taxpayers with high incomes have avoided the Internal Revenue Service's efforts to collect taxes by taking advantage of the Bankruptcy Act (11 U.S.C. 1). Section 17 of the Bankruptcy Act (11 U.S.C. 35) provides for the discharge in bankruptcy of debts for taxes which became legally due and owing more than 3 years preceding bankruptcy. IRS and the courts have determined that the 3-year period starts on the due date for filing a return rather than on the date of a subsequent assessment. This substantially reduces the time that IRS has to collect the taxes.

To make the Bankruptcy Act's creditor preference for Federal, State, and local governments more meaningful, we recommended that the Joint Committee on Internal Revenue Taxation initiate legislation to amend section 17 of the Bankruptcy Act (II U.S.C. 35) to exclude from discharge through bankruptcy taxes assessed within 3 years before a bankruptcy petition is filed. (Report to the Joint Committee on Internal Revenue Taxation: "Collection of Taxpayers' Delinquent Accounts by the Internal Revenue Service," GGD-74-1, Aug. 9, 1973)

This recommendation is for consideration by the following committees:

Senate:	Finance
	Judiciary
House:	Judiciary
	Ways and Means
Joint:	Internal Revenue Taxation

SELF-EMPLOYED RECEIVE SOCIAL SECURITY CREDIT ALTHOUGH TAX IS NOT PAID

The Internal Revenue Service reports to the Social Security Administration the amount self-employed persons designate on their income tax returns as self-employment income, even though such persons may not have paid the applicable self-employment social security tax. We recommended that legislation be initiated to amend section 205(c) of the Social Security Act (42 U.S.C. 405 (c)) to prohibit a person from receiving credits toward social security benefits if he has not paid the required tax on self-employment income. (Report to the Joint Committee on Internal Revenue Taxation: "Collection of Taxpayers' Delinquent Accounts by the Internal Revenue Service," GGD-74-1, Aug. 9, 1973)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means
Joint: Internal Revenue Taxation

TERMINATION ASSESSMENT JUDICIAL REMEDIES RECOMMENDED

If IRS finds that the collection of income taxes is in jeopardy, it is authorized to (1) terminate a taxpayer's taxable period, (2) demand immediate payment of the tax determined to be due for the taxable period, (3) immediately levy upon all of the taxpayer's property if payment is not immediately received, and (4) sell the property seized. Under a normal assessment and collection of taxes, the taxpayer is allowed a considerable amount of time from the final notice up to the appeal in the court.

At present, the law is not clear on the judicial remedies available to taxpayers who have been subject to termination assessments. Two cases currently are pending before the Supreme Court (United States v. Hall and Laing v. United States) in which a taxpayer's right to deficiency notice and U.S. Tax Court review is at issue. (A notice of deficiency has to be issued before the Tax Court will review the tax determination.)

We recommended that the Congress amend the Internal Revenue Code to provide that, if a taxpayer's taxable period has been terminated and payment of the tax for the taxable period demanded under section 6851(a), the Secretary or his delegate shall mail to the taxpayer a notice of the tax due within 60 days after termination of the taxable period and that such notice shall constitute a determination of a tax deficiency for purposes of petitioning the Tax Court for a redetermination of a deficiency. (Draft report to the Joint Committee on Internal Revenue Taxation: "Use of Jeopardy and Termination Assessments by the Internal Revenue Service," GGD-76-14, Sept. 19, 1975)

A September 1975 "committee print" prepared by the Joint Committee for use by the Ways and Means Committee presents our findings and recommendation. The committee print states that the legislative proposal of the Chairman of the Joint Committee is the same as our recommendation. Provisions for Tax Court review of section 6851 termination assessments are included in the tax reform bill introduced on November 6, 1975 (H.R. 10612).

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means
Joint: Internal Revenue Taxation

JEOPARDY ASSESSMENT APPEAL RIGHTS RECOMMENDED

A taxpayer who has been jeopardy assessed under section 6862 of the Internal Revenue Code does not have the right of timely appeal to the courts of his tax deficiency. IRS may determine that a deficiency exists and immediately assess, send a notice for demand and payment, and levy upon all the taxpayer's property, whenever it has reason to believe that the assessment or collection of the deficiency would be jeopardized by delay. The appeal rights for a taxpayer who has been jeopardy assessed under section 6862 begins after he pays the tax deficiency and files for a refund with IRS. The taxpayer must wait 6 months--unless IRS denies the claim sooner--and then either the Federal district court or U.S. Court of Claims will consider a refund action on behalf of the taxpayer.

We recommended that the Congress amend the Internal Revenue Code to provide that, if a jeopardy assessment is made under section 6862(a), the taxpayer shall have a more timely right to judicial review than is currently provided under the Internal Revenue Code and that seized property shall not be disposed of until the judicial review process is completed. (Draft report to the Joint Committee on Internal Revenue Taxation: "Use of Jeopardy and Termination Assessments by the Internal Revenue Service," GGD-76-14, Sept. 19, 1975)

A September 1975 "committee print" prepared by the Joint Committee for use by the Ways and Means Committee presents our findings and recommendation. The committee print states that the legislative proposal of the Chairman of the Joint Committee is the same as our recommendation. Provisions for Tax Court review of section 6862 jeopardy assessments are included in the tax reform bill introduced on November 6, 1975 (H.R. 10612).

This recommendation is for consideration by the following committees:

Senate:	Finance
House:	Ways and Means
Joint:	Internal Revenue Taxation

PROPOSED CHANGES IN ESTATE TAXATION

Gifts made before a person's death and thereafter determined by the Internal Revenue Service to have been made to avoid estate taxes sometimes result in tax benefits unintended by the law and sometimes in tax burdens.

The Internal Revenue Code permits an executor to value, for tax purposes, an estate as of the date of death or as of 6 months thereafter. Use of the latter date is called the alternate valuation method. When estate property increases in value after death, use of this method can produce tax benefits unintended by the law.

We recommended that the Congress initiate legislation to amend sections 2012 and 2035(a) of the Internal Revenue Code to achieve a full reversal of transactions involving gifts deemed to have been made in contemplation of death and to amend section 2032 to limit use of the alternate valuation method to its intended purpose. (Report to the Joint Committee on Internal Revenue Taxation: "Proposed Changes In Estate Taxation," GGD-76-1, Oct. 20, 1975)

The Ways and Means Committee plans to hold hearings on estate and gift taxation during calendar year 1976. We anticipate that our recommendations will be considered during those hearings.

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means
Joint: Internal Revenue Taxation

NEED FOR A UNIFORM METHOD OF PAYING INTEREST ON GOVERNMENT TRUST FUNDS

Large sums are invested for the major trust funds in Government securities at varying interest rates. The bases for assigning the interest rates and the interest rates assigned are not the same and result in inequities.

We recommended that the Congress consider enacting one law to provide that the major trust funds not be invested in specific Government securities but instead be paid interest on the trust fund balances used for nontrust purposes. The rate assigned to each fund should be the same and in line with the cost of borrowing by Treasury from the public. (Report to the Congress: "Need for a Uniform Method for Paying Interest on Government Trust Funds," GGD-75-34, Jan. 10, 1975)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means

REFUND OF DUTY ON EXPORTS FINANCED BY AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAMS

In accordance with the provisions of section 313 of the Tariff Act of 1930 (19 U.S.C. 1313), the Bureau of Customs, Department of the Treasury, makes refunds of duty payments (drawback) on exports of items manufactured from (1) imported material on which duty was paid or (2) similar domestically produced material substituted for imported material on which duty was paid. Drawback payments are designed to encourage exports by placing U.S. exporters in a favorable position to compete with foreign commerce.

Drawback payments were being made for products exported under programs of the Agency for International Development (AID) even though these products did not compete with foreign products. AID foreign assistance agreements generally include provisions that virtually preclude foreign competition. We believe that payment of drawback on exports under AID programs is not necessary to encourage foreign commerce and that products exported under AID programs should be ineligible for drawback payments. The Bureau of Customs advised us that the Tariff Act provided no basis for denying drawback payments when products are exported under AID programs.

We recommended to the Chairman, Senate Committee on Finance, and the House Committee on Ways and Means that consideration be given to amending section 313 of the Tariff Act of 1930 to prohibit drawback payments for products exported under AID programs. (Reports to the House Ways and Means Committee and the Senate Committee on Finance." Payment of Drawback on AID Financed Exports," GGD-73-68, June 25, 1973)

This recommendation is for consideration by the following committees:

Senate: Finance
House: Ways and Means

FEDERAL PERSONNEL AND COMPENSATION DIVISION

PHYSICAL EXAMINATION REQUIREMENT FOR FLEET RESERVISTS

Upon completion of 20 years service, regular Navy and regular Marine Corps enlisted personnel may, at their request, be transferred to the Fleet Reserve or Fleet Marine Corps Reserve. Although these persons technically are reservists, essentially they are retired.

Section 206 of the Naval Reserve Act (10 U.S.C. 6485(b)) requires that members of the Fleet Reserve or Fleet Marine Corps Reserve be physically examined at least once every 4 years. Similar statutory requirements have not been imposed on retired enlisted personnel of the Army and Air Force.

The Navy had previously sought repeal of this legislative requirement inasmuch as the program did not insure that reservists would be physically fit if an emergency arose. The legislation was not considered during the 92d Congress.

We recommended that the Department of Defense consider resubmitting this legislation for consideration by the Congress. DOD subsequently forwarded proposed legislation to the 93d Congress which was not acted upon. The proposal has once again been submitted to the 94th Congress. (Report to the Secretary of Defense: "Military Disability Retirements," FPCD-73-25, Mar. 19, 1973)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Armed Services
House:	Appropriations
	Armed Services

MILITARY REENLISTMENT INCENTIVES

Military enlisted personnel who wish to extend their terms of service must reenlist for specified periods. Interviews of enlisted personnel assigned to 14 military installations and 7 ships indicated that fewer personnel would separate when their terms of service expired if they did not have to commit themselves for a specified period of additional service.

We recommended that the Secretary of Defense consider proposing legislation which would allow enlisted personnel to reenlist for unspecified periods. (Report to the Congress: "Military Retention Incentives; Effectiveness and Administration," FPCD-75-67, July 5, 1974)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Armed Services
House:	Appropriations
	Armed Services

FEDERAL RETIREMENT SYSTEMS

The Federal Government operates 10 retirement systems covering approximately 5.9 million civilian and military personnel. No uniform practices or principles exist for financing these Federal retirement systems. Some are on a contributory basis, others are noncontributory. Some provide for fully funding benefits as they accrue; some provide for partial funding; and others are completely unfunded.

Lacking a coherent, coordinated Federal retirement policy, programs have evolved and developed in a piecemeal fashion, resulting in duplicate and inconsistent benefits. In addition, the Congress does not receive complete or consistently developed current and projected financial information on these retirement systems.

We recommended that the Congress hold hearings leading to development of legislation which would establish (1) an overall Federal retirement policy providing objectives and principles to guide future development and improvement of Government retirement systems and (2) a centralized mechanism for monitoring the development, interrelationship, and cost of retirement programs and for improving the reporting of financial data. In November 1975, the Subcommittee on Retirement and Employee Benefits of the House Post Office and Civil Service Committee held oversight hearings on the funding, adjustment of annuities, and disability retirement provisions of the civil service retirement system. (Report to the Congress: "Federal Retirement Systems--Key Issues, Financial Data, and Benefit Provisions," FPCD-74-93, July 30, 1974)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Armed Services
	District of Columbia
	Foreign Relations
	Judiciary
	Post Office and Civil Service
	Public Works
House:	Appropriations
	Armed Services
	District of Columbia
	Foreign Affairs
	Judiciary
	Post Office and Civil Service
	Public Works and Transportation

LEGAL LIMITATIONS IN FLEXIBLE WORK SCHEDULES

Many companies, local governments, and other organizations have adopted an altered workweek, using either flexible or compressed work schedules which have benefited both employers and employees. For most Federal employees, however, the workweek is legally limited to a 5-day, 8-hours a day, 40-hours a week schedule.

Various forms of altered schedules could be applied to selected Federal organizations with resulting benefits to the Government, the employee, and the public. There is a need for basic data identifying those work schedules which will contribute most to efficient agency operations.

As a means of determining altered schedules' applicability to Federal employees, we recommended that the Civil Service Commission seek legislation to amend paragraphs 6101 and 6102 of title 5, United States Code, and section 7(a)(1) of the Fair Labor Standards Act, as amended, to permit controlled experimentation of flexible and compressed work schedules. The Commission agreed with our recommendation and is sponsoring H.R. 9043, which, if enacted, will enable the implementation of GAO's other recommendations. The Subcommittee on Manpower and Civil Service, House Post Office and Civil Service Committee, held hearings on this bill and a similar bill (H.R. 6350) during September and October 1975. (Report to the Congress: "Legal Limitations on Flexible and Compressed Work Schedules for Federal Employees," FPCD-75-92, Oct. 21, 1974)

This recommendation is for consideration by the following committees:

Senate:	Labor and Public Welfare
	Post Office and Civil Service
House:	Education and Labor
	Post Office and Civil Service

SELECTION OF APPLICANTS FOR FEDERAL EMPLOYMENT

When a Federal agency does not fill a position vacancy through promotion or reassignment from within, it requests the Civil Service Commission to provide a list of names of those eligible for appointment. According to law (5 U.S.C. 3318), the agency must select from the three eligibles on the register who have the highest scores.

Practical limitations in the art of personnel testing and measurement restrict the degree of accuracy attainable and prevent applicant examinations from being perfectly reliable or valid. As a result, the examining process cannot accurately rate and rank comparably qualified applicants in exact order of competence.

The Commission registers often include many applicants with the same, or nearly the same, score. In cases of identical scores, names are usually placed on the register, including the top three positions, in alphabetical order or by other means which do not relate to the applicants' job qualifications.

In our opinion, the requirement of selection from the top three eligibles is unrealistically rigid. We recommended that the Congress amend the requirement, allowing the Commission to prescribe alternative selection procedures similar to those discussed in our report. (Report to the Congress: "Improvements Needed in Examining and Selecting Applicants for Federal Employment," FPCD-74-57, July 22, 1974)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

RESTORATION TO GRADE OF EMPLOYEES DEMOTED DURING REDUCTION-IN-FORCE

Some general schedule employees demoted without loss of pay because of displacement from their competitive levels have received pay increases when they were restored to previously held grades. However, employees who continued in their competitive levels without interruption did not receive these unearned pay increases.

The law (5 U.S.C. 5337(a)) provides, under certain conditions, that a general schedule employee is entitled to retain his current rate of pay for 2 years after demotion. 5 U.S.C. 5334(b) provides that, if an employee who is promoted or transferred to a position in a higher grade is receiving basic pay at a rate saved to him under section 5337 on reduction in grade, he is entitled to either (1) basic pay at a rate two steps above the rate which he would be receiving if salary retention did not apply or (2) his existing rate of basic pay, if that rate is higher.

We recommended that the Congress consider amending 5 U.S.C. 5334(b) to provide that an employee demoted without loss of pay be entitled, upon restoration to his previously held grade, only to the rate of pay he would have received had he not been demoted. (Report to the Congress: "Implementation and Impact of Reductions in Civilian Employment, Fiscal Year 1972," FPCD-74-46, July 2, 1974)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

APPORTIONMENT REQUIREMENT FOR FEDERAL SERVICE APPOINTMENTS

The Civil Service Act requires that appointments to competitive civil service positions in the departmental service in Washington, D.C., be apportioned on the basis of population among the States, territories, and the District of Columbia.

We reported that, because of exemptions to and waivers of the requirement, the effect of the apportionment requirement had been minimal. We concluded that the requirement had outlived its usefulness. Accordingly, we recommended that the Congress act favorably upon legislation that had been proposed to eliminate the requirement of 5 U.S.C. 3306. No action was taken on that bill. In the 94th Congress, H.R. 6195 was introduced and hearings were held in June 1975, but it has not yet cleared the committee. (Report to the Congress: "Proposed Elimination of the Apportionment Requirement for Appointments in the Departmental Service in the District of Columbia," FPCD-74-44, Nov. 30, 1973)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

ELIMINATING THE INCENTIVE FOR ACCUMULATING MILITARY LEAVE

Unlike officers, enlisted personnel may redeem leave for cash at the end of each enlistment; this encourages leave accumulation. As a result, the Government incurs large expenditures for unused leave and the enlisted members do not get the benefits of a vacation.

We recommended to the Secretary of Defense the early submission to the Congress of a legislative proposal which would limit the payment for unused leave to 60 days during a service member's career. Passage of such legislation would eliminate repetitive payments, equalize treatment of officers and enlisted personnel, and eliminate the incentive to accumulate leave for cash redemption.

The Department of Defense concurred in our recommendation and is supporting H.R. 9573, which was reported out of committee for action by the House of Representatives in November. (Report to the Congress: "Need to Eliminate Incentive for Accumulating Military Leave," FPCD-75-139, Mar. 20, 1975)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Armed Services
House:	Appropriations
	Armed Services

VARYING THE AMOUNTS OF CERTAIN RESERVISTS' TRAINING TIME BY SKILL AND READINESS REQUIREMENTS

The military services require 99 percent of their reservists to attend forty-eight 4-hour drill sessions and to spend 2 weeks on active duty each year, although needed readiness and skill difficulty vary widely among units and members. On the average, reservists spend about 50 percent of their drill time and 61 percent of their active duty time training in their official military job. Remaining time is devoted to other jobs or general military training or spent idle. GAO estimated that, in fiscal year 1974, reservists' time devoted to other than official jobs or spent idle cost the services about $1.2 billion.

We recommended that the Congress amend the existing laws to permit varying the training schedules of the Air National Guard and Army National Guard according to the required kinds and degrees of training. In September 1975, GAO testified in support of H.R. 8328 before the Subcommittee on Military Personnel, House Armed Services Committee. This bill, which would implement GAO's recommendation, is now pending in the full committee. (Report to the Congress: "Need to Improve Efficiency of Reserve Training," FPCD-75-134, June 26, 1975)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Armed Services
House:	Appropriations
	Armed Services

COMPARABILITY POLICY NEEDED FOR BOTH PAY AND BENEFITS OF FEDERAL CIVILIAN EMPLOYEES

There is a need for a comparability policy for both pay and benefits of Federal civilian employees in order to provide equity for the Government employee with his private sector counterpart and to enable the Government to be a fair competitor in the labor market. Various laws establish the principle that pay rates for Federal employees shall be comparable to those in the private sector. There is no standard or method for assessing the adequacy of Federal employee benefit programs, however. Benefits are considered and adjusted by law on a piecemeal basis. Since the pay comparability processes do not recognize the benefit element of compensation, the processes do not meet the purposes for which the comparability principle was adopted.

We recommended that CSC, in coordination with OMB, (1) develop a policy of total compensation comparability for determining Federal employees' pay and benefits, and (2) propose legislation to establish the objectives, standards, criteria, and processes for achieving total compensation comparability. CSC has told us that it is awaiting the report of the President's Panel on Federal Compensation and the President's recommendations before submitting a legislative proposal for implementation of a total compensation comparability system for Federal employees. (Report to the Congress: "Need for a Comparability Policy for Both Pay and Benefits of Federal Civilian Employees," FPCD-75-62, July 1, 1975)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

PROBLEMS IN IMPLEMENTING THE INTERGOVERNMENTAL PERSONNEL ACT OF 1970

We reported to the Chairman, Civil Service Commission, on progress and problems in implementing the Intergovernmental Personnel Act of 1970 (IPA). One of the sections of IPA provides for temporary assignment of employees between Federal and State or local governments.

One of the principal problems encountered in carrying out the program has been the difficulty in attracting State and local government employees for detail to Federal positions where their Federal counterparts received higher salaries or were located in areas where the cost of living was higher.

Our report stated that, if the Congress were to act favorably on amendments to the act, as proposed by the Commission, allowing the supplementing of the salaries of State and local government employees, this problem should be largely overcome. The legislation has passed in the House (H.R. 4415) but has yet to be acted on by the Senate. (Report to the Chairman, Civil Service Commission: "Progress and Problems of Implementing the Intergovernmental Personnel Act of 1970," FPCD-75-85, Mar. 7, 1975)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

FUNDAMENTAL CHANGES NEEDED IN FEDERAL WHITE-COLLAR PAY SYSTEMS

The Classification Act of 1949, as amended (5 U.S.C. 5101), is the principal authority for classifying about 1.3 million of the 3 million Federal civilian employees. The 1.3 million employees are in 22 broad occupational groups containing about 430 specific occupations. The act established 18 grades, or levels of work, into which all positions under its coverage are to be placed. The law also contains an associated pay structure, the general schedule. Excluding the United States Postal Service, about 140,000 other white-collar employees in 100 agencies are under special pay plans.

We reported to the Congress that legislation is needed to change Federal white-collar pay systems. The present pay schedules are ill-equipped to serve the needs of the work force. They fail to recognize that the labor market consists of distinctive major groupings which have different pay treatments. Separate systems should be designed around more logical groupings of occupations and pay rates based on the geographic pay patterns of the labor market in which each group competes. Also, individual differences in employee proficiency and performance should be properly recognized in the method of progressing through the pay range of a grade. (Report to the Congress: "Federal White-Collar Pay Systems Need Fundamental Changes," FPCD-76-9, Oct. 30, 1975)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

PAY DETERMINATION PROCESS FOR FEDERAL BLUE-COLLAR EMPLOYEES NEEDS IMPROVEMENTS

Legislation approved in 1972 (5 U.S.C. 5341 et. seq.) established the Federal wage system and enacted into law the principles, policies, and processes which previously had been handled administratively. The law provides that pay rates for Federal blue-collar employees be fixed and adjusted from time to time, by administrative action, in accordance with local prevailing rates.

The legislative pay principle of comparability is not being attained, we reported to the Congress, because the application of certain other legislative provisions results in substantially higher pay rates for Federal blue-collar employees than the rates of their private sector counterparts in the same localities. These other legislative provisions include (1) broadening the pay range at each nonsupervisory grade to 16 percent with five equal steps, in contrast to which most private sector employees are paid under single-rate pay schedules, (2) under certain conditions private sector wage rates used in setting Federal rates may be based on private rates of other localities, and (3) Federal night differentials are based on a percentage of employees' scheduled wage rates.

Our report suggested that the Congress reconsider these legislative provisions and, also, consider allowing pay rates of State and local governments to be included in the comparability process to insure that wage data is sufficiently representative.

Administration-supported legislation to repeal the provision allowing the use of private sector wages from other localities (H.R. 8149) was introduced in June 1975 and referred to the House Post Office and Civil Service Committee. (Report to the Congress: "Improving the Pay Determination Process for Federal Blue-Collar Employees," FPCD-75-122, June 3, 1975)

This recommendation is for consideration by the following committees:

Senate: Post Office and Civil Service
House: Post Office and Civil Service

ACCESSIBILITY OF PUBLIC BUILDINGS TO THE PHYSICALLY HANDICAPPED

The accessibility of public buildings to millions of handicapped Americans is essential if they are to have the same rights and opportunities as the able bodied in conducting business, obtaining Government services, or seeking employment outside their home.

Enactment of the Architectural Barriers Act in 1968 was a significant step toward insuring the accessibility of public buildings to the physically handicapped. However, the act has not achieved all the desired effects, primarily because its provisions amount to a delegation of authority, rather than a mandate, inasmuch as the taking of implementing action is discretionary with the Government agencies named in the act.

We recommended that the Congress amend the act to (1) impose a clear statutory mandate on the named agencies to take all required actions to carry out the intent of the law, (2) enlarge the coverage of the types of buildings and facilities subject to the law, (3) require agencies to insure compliance with prescribed standards, and (4) remove the present exemption of the Postal Service from coverage under the law.

During October 1975, oversight hearings were held by the Subcommittee on Investigations and Review, House Committee on Public Works and Transportation. A number of bills (H.R. 10385, 10704, and 10733) were introduced in October and November 1975 which would bring the Postal Service under the 1968 act. (Report to the Congress: "Further Action Needed to Make All Public Buildings Accessible to the Physically Handicapped," FPCD-75-166, July 15, 1975)

This recommendation is for consideration by the following committees:

Senate:	Labor and Public Welfare
	Post Office and Civil Service
	Public Works
House:	Post Office and Civil Service
	Public Works and Transportation

PROCUREMENT AND SYSTEMS

ACQUISITION DIVISION

INCREASE SCOPE OF REVIEW BY RENEGOTIATION BOARD AND PROVIDE FOR PENALTIES FOR CONTRACTORS' NONCOMPLIANCE WITH REGULATIONS

From its inception through June 30, 1972, the Renegotiation Board made excessive profit determinations of over $1.1 billion before deductions of credits for Federal income and excess profit taxes. Because of continued congressional interest to eliminate excessive profits on national defense-related sales, we reviewed the operations and activities of the Renegotiation Board.

We found that, without cost and profit data on exempted items, the Board was unable to determine the extent to which a contractor had excluded sales of standard commercial articles and services with high profits while including such sales with low profits in its report on renegotiable sales.

We found also that, during fiscal year 1972, 85 of the 178 (48 percent) refund determinations made by the Board involved delinquent filings, some of which were late almost 5 years. Since the Renegotiation Act does not provide a penalty for late filing, the Board has no legal means to encourage contractors to file on time.

The Board has also been faced with the problem of obtaining accurate and complete information to make its analyses. The Board has no practical means of requiring contractors to provide timely and necessary information. Although the act provides for an assessment of a penalty when the contractor refuses to furnish adequate data, the Board must prove that the contractor's refusal was willful.

We recommended that the Congress:

1. Require the Board to obtain and analyze profit and cost data on sales of standard commercial articles and services to determine whether significant amounts of excessive profits are escaping renegotiation.

2. Amend the Renegotiation Act to provide penalties for failure to file on time. The penalty could be patterned after that of the Internal Revenue Service; that is, the Board could charge interest on the excessive profits for the period the filing was late or, if no excessive profit determination was made, could charge a fixed amount.

3. Revise the penalty provision to hold contractors responsible for furnishing all data required by the

Board and to have the contractors show reasonable cause why they did not furnish the data. (Report to the Congress: "The Operations and Activities of the Renegotiation Board." B-163520, May 9, 1973).

During hearings in March 1974 by the Senate and House Appropriations Committees, the Chairman of the Board was questioned on actions taken on our report. In addition, the House Ways and Means Committee directed an extensive review of the renegotiation process by the staffs of the Joint Committee on Internal Revenue Taxation and the Renegotiation Board. The study was to include an analysis of the recommendations of the Commission on Government Procurement, a report of the House Government Operations Committee (Brooks Report), and our report.

The Joint Committee on Internal Revenue Taxation has released its full report and recommendations on the renegotiation process to the House Committee on Ways and Means, the Senate Finance Committee, and the House Banking Subcommittee on General Oversight and Renegotiation. This Subcommittee assumed legislative responsibility for renegotiation from the House Ways and Means Committee and has been conducting extensive hearings. It is responsible for H. R. 9534, which proposes a revision and extension of the Renegotiation Act of 1951, expiring December 31, 1975.

The Comptroller General has expressed strong support for this proposed legislation which included a number of the recommendations we presented in our report on May 9, 1973 (B-163520).

These recommendations are for consideration by the following committees:

Senate: Finance
House: Banking, Subcommittee on General Oversight and Renegotiation

CONGRESSIONAL NEED FOR SPECIFIC INFORMATION TO EVALUATE LONG-TERM LEASING OF COMMERCIAL-TYPE CAPITAL EQUIPMENT (e.g., TANKERS)

The Navy entered into a long-term (20-year) leasing arrangement on June 20, 1972, by having private interests obtain the funds to finance the construction of nine tankers with the Navy's guarantee that it would lease them. The leasing costs will be paid out of operation and maintenance appropriations, which are normally used to finance day-to-day costs of operating and maintaining the military establishment. Procurement funds are the appropriations used to finance the acquisition of capital equipment, such as ships and aircraft.

By leasing instead of purchasing, the Navy used operations and maintenance funds and is not required to obtain specific congressional authorization and approval. As a result, the Congress was not formally advised of the details of a transaction that commits $313 million in future appropriated funds. The magnitude of the funds involved in this transaction clearly warrants congressional input to the decisionmaking process. Navy officials agreed that the manner in which the Congress was informed of this could be improved.

Since the Navy's build and charter program is similar to Government programs for leasing buildings, the Congress should evaluate the need for legislation similar to Public Law 92-313 of June 16, 1972.

This law amended the Public Buildings Act of 1959 to require congressional approval of all leases greater than $500,000 a year. It also requires that a prospectus containing details of the transaction be provided to the Congress. Similar legislation may be appropriate for long-term leasing of such assets as ships.

Because the build and charter program can be considered as setting a precedent (the Navy is considering acquiring other types of vessels, such as dry-cargo ships, in this manner), legislation could be an effective tool to insure congressional oversight of future long-term leasing programs. (Report to the Congress: "Build and Charter Program for Nine Tanker Ships," B-174839, Aug. 15, 1973)

In accordance with our recommendation, the Department of Defense has drafted build and charter legislation and has submitted it to the Office of Management and Budget. As of November 25, 1975, proposed legislation had not been submitted for consideration by the Congress.

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Armed Services
	Government Operations
House	Appropriations
	Armed Services
	Government Operations

DOD CAN REDUCE THE ADMINISTRATIVE COSTS OF ITS NEGOTIATED PROCUREMENTS

The Department of Defense spent $35 billion under negotiated contracts in fiscal year 1972 for millions of different goods and services. To identify opportunities for improvement in procurement methods, we examined DOD's policies and practices for buying parts and components by negotiation. To gain further insight into this complex subject, we inquired into how business firms bought parts and components similar to those DOD bought.

We concluded that DOD could reduce the administrative costs of its negotiated procurements without sacrificing adequate competition, reasonable prices, or the nonprocurement goals of the Congress. Because DOD's buying system is tied to legislation, certain administrative costs to buy cannot be reduced without congressional action.

We recommended that the Congress enact legislation:

--Authorizing agencies to solicit proposals from a competitive, rather than the maximum, number of sources.

--Repealing the requirement that contracting officers prepare determinations and findings for certain procurements.

A bill that would satisfy the intent of these recommendations was introduced in September 1975 and has been referred to the Senate Committee on Government Operations. This bill, S.2309, was introduced in response to recommendations made by the Commission on Government Procurement and endorsed by the newly created Office of Federal Procurement Policy. (Report to the Congress: "Ways for the Department of Defense to Reduce Its Administrative Costs of Awarding Negotiated Contracts," B-168450, Sept. 17, 1973)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Government Operations
House:	Appropriations
	Government Operations

INDUSTRIAL FUNDING FOR GENERAL SERVICES ADMINISTRATION'S FEDERAL SUPPLY SERVICE

The Federal Supply Service of the General Services Administration (GSA) was created to give the Government an efficient and economical system for the procurement and supply of goods and services. We examined into the effectiveness of GSA's role in Federal procurement.

We noted that GSA's sales to civil agencies during fiscal year 1973 amounted to $1.7 billion, or only about 27 percent of the $6.2 billion spent by the agencies for goods and services during the year. We noted also that, by buying through GSA rather than directly from commercial sources, civil agencies presumably saved about $391 million. However, we found that an additional $300 million savings could have been realized by civil agencies had they used GSA more extensively. We found also that no measure currently exists to evaluate the overall cost effectiveness of GSA as a supplier of goods and services.

We believe that GSA needs to do a much better job of fulfilling its procurement leadership responsibilities by obtaining knowledge about its customers (their needs and buying practices), and by monitoring agency procurement practices to insure compliance with GSA buying policies and regulations. Accordingly, we made several recommendations aimed at improving GSA's operations of the Federal Supply Service, including a recommendation for the formulation of legislation calling for the development of an industrial funding concept for GSA procurement and supply operations. (Report to the Congress: "Management of Federal Supply Service Procurement Programs Can Be Improved," PSAD-75-32, Dec. 31, 1974)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Government Operations
House:	Appropriations
	Government Operations

GOVERNMENT SUPPORT OF THE SHIPBUILDING INDUSTRIAL BASE

The Government has sought to insure an adequate shipbuilding industry through several types of direct and indirect assistance. The three major direct sources have been (1) Navy construction, (2) merchant ships built through the Maritime Administration's construction subsidy program, and (3) unsubsidized merchant ships for use in domestic trade built under the Jones Act. We studied the effectiveness of the principal Government program to maintain a shipbuilding industrial base and assessed the merchant ship construction subsidy program.

Our report pointed out that the Maritime Administration does not now have authority to approve, in appropriate circumstances, subsidized construction of ships in U.S. yards for non-U.S.-flag operation and subsidized U.S.-flag operation for foreign-built ships. Such authority would permit modifications to be promptly made to achieve the Nation's changing merchant fleet and shipbuilding capability needs most effectively and economically. Without such authority, the Maritime Administration is limited in its ability to, among other things, provide desirable market stability for U.S. yards by leveling temporary peaks and valleys in U.S. shipbuilding activity.

We recommended that the Congress consider giving the Maritime Administration authority of this nature to provide it with greater flexibility in administering merchant marine support programs. (Report to the Congress: "Government Support of the Shipbuilding Industrial Base," PSAD-75-44, Feb. 12, 1975)

On September 10, 1975, we testified before the House Subcommittee on Merchant Marine, which was holding merchant marine oversight hearings, to present its views as contained in the February 12, 1975, report. As of November 25, 1975, these hearings were still underway, and action had not yet been taken on our recommendations.

This recommendation is for consideration by the following committees:

Senate: Commerce
House: Merchant Marine and Fisheries, Subcommittee on Merchant Marine

NEED FOR CLARIFYING FEDERAL POLICY FOR SUPPORTING CONTRACTORS' INDEPENDENT RESEARCH AND DEVELOPMENT

We recommended that, if financial support for contractors' independent research and development is to be continued, the Congress clarify the policy for such support by establishing guidelines setting forth (1) the purposes for which the Government supports independent research and development costs, (2) the appropriate amount of this financial support, and (3) the degree of control to be exercised by the Government over contractors' supported programs.

We support a policy which recommends that independent research and development expenditures (1) be recognized as being in the Nation's best interest, (2) be recognized as a necessary cost of doing business, and (3) receive uniform treatment, Government-wide. The policy should further provide for (1) retaining DOD's procedures for use of advance agreements and a formula for reasonableness, (2) the Government's having access to contractors' commercial records when needed to determine that costs are allowable, (3) not precluding the use of direct contracting arrangements, and (4) allowable projects having a potential relationship to an agency function or operation.

An interagency committee has suggested adopting the Armed Services Procurement Regulation policies and procedures as a standard for the executive branch, with the relevancy requirement broadened to the Government's interest. We stated that, if the Congress establishes a uniform, Government-wide policy similar to that of the Armed Services Procurement Regulation, it will have to consider the desirability of a test of relevancy to the Government's interest.

Also, if the Congress establishes a uniform, Government-wide policy of reimbursing such costs, we recommended that legislation provide for (1) having the Government present one face to industry; that is, one advance agreement, a joint technical review, a single overhead rate, etc., and (2) including in advance agreements patents and technical data provisions granting the Government royalty-free licenses and data rights, based on a scale of the agencies' cost participation.

We testified at joint hearings on our report held in September 1975 by the Subcommittee on Research and Development, Senate Committee on Armed Services, and the Subcommittee on Priorities and Economy in Government, Joint Economic Committee. As a result of the hearings we were asked to submit additional information for the record. No action has been taken on our recommendations. (Report to the Subcommittee on Research and Development, Senate Committee on Armed

Services, and the Subcommittee on Priorities and Economy in Government, Joint Economic Committee: "Contractors' Independent Research and Development Program--Issues and Alternatives," PSAD-75-82, June 5, 1975)

These recommendations are for consideration by the following committees:

Senate:	Appropriations
	Armed Services
	Government Operations
House:	Appropriations
	Armed Services
Joint:	Economic

LOGISTICS AND COMMUNICATIONS DIVISION

EXCESS GOVERNMENT PROPERTIES TRADED FOR PUBLIC BUILDINGS AND SITES

We reported to the Congress that, under competitive bidding, the Government would have more assurance that the General Services Administration (GSA) was receiving the highest value for excess property than it has under negotiated exchanges based on appraised fair market value.

Appraised values do not sufficiently assure that GSA is receiving the highest value obtainable, because participation in an exchange is limited to one individual. We reported that, in some cases, former Government property was sold, shortly after an exchange, at prices much higher than the appraised value at which it had been exchanged.

To assure that GSA will receive the highest value for excess Government property, we recommended that the Congress further amend the Federal Property and Administrative Services Act of 1949 to permit GSA to offer such property at competitive bid and to deposit the cash proceeds into a building fund to be used, subject to annual appropriation acts, for acquiring public building sites. We also recommended that the Congress eliminate certain provisions of the Public Buildings Act of 1959, as amended, authorizing exchanges. In addition, we suggested a means whereby the Congress could still retain oversight of transactions if it did not want to go so far as to adopt our recommendations in their entirety. (Report to the Congress: "Changes in Law Recommended to Enable GSA To Be More Effective in Selling Excess Properties and in Acquiring Public Building Sites," LCD-74-302, Feb. 15, 1974; report to the House Committee on Government Operations: "Acquisition of a Building in Laguna Niguel, California, in Exchange for Government-owned Properties," LCD-75-314, Mar. 3, 1975)

These recommendations are for consideration by the following committees:

Senate:	Appropriations
	Government Operations
	Public Works
House:	Appropriations
	Government Operations
	Public Works

We have provided the Chairman, House Committee on Government Operations, with two legislative proposals. One, dated March 13, 1975, would carry out the suggestions made in our February 15, 1974, report, including eliminating exchange authority in the Public Buildings Act of 1959. The other,

dated July 28, 1975, would eliminate GSA exchange authority in both the Federal Property and Administrative Services Act of 1949 and the Public Buildings Act of 1959.

During the October 7, 1975, hearings on acquiring the Laguna Niguel building by exchange, before the Subcommittee on Legislation and National Security of the House Committee on Government Operations, the recommendations contained in our February 15, 1975, report were discussed.

DESIRABILITY OF INCREASING PAYMENT BONDS ON CONSTRUCTION CONTRACTS

The Miller Act (40 U.S.C. 270a etc.) requires a payment bond on construction contracts--50 percent on contracts not exceeding $1 million, 40 percent on contracts exceeding $1 million but not more than $5 million, and $2.5 million on contracts over $5 million. Regardless of the amount of the contract, Government agencies require payment bonds for the stipulated amounts and performance bonds for 100 percent of the contract. Performance and payment bonds are generally sold as a package, and the surety industry has structured the rates so that premiums for the package are usually based on the contract amounts. Representatives of the surety industry told us that surety rates would not increase because:

1. Federal construction projects represent only 10 percent of the industries' premium income.

2. With the current rate structure based on total construction costs, the Federal Government is already paying for a 100-percent payment bond.

3. Most State and local government laws, as well as private industry policy, currently permit 100-percent payment bonds.

We recommended that the Miller Act be amended to permit the Government to require construction contractors to furnish 100-percent payment bonds. (Report to the Congress: "Use of Surety Bonds in Federal Construction Should Be Improved," LCD-74-319, Jan. 17, 1975)

This recommendation is for consideration by the following committees:

Senate: Judiciary
House: Judiciary

PRICING POLICY FOR PUBLICATIONS SOLD TO THE PUBLIC BY THE GOVERNMENT PRINTING OFFICE

The law governing the prices of publications for sale to the public (44 U.S.C. 1708) has remained essentially unchanged since 1932. It provides that the selling prices be based on the cost as determined by the Public Printer, plus 50 percent. Over the years, the Public Printers have defined cost, as used in section 1708, differently. We suggested that legislation be initiated to amend section 1708 to more clearly define cost and to clarify the intent of the 50-percent factor which has not been applied to the current definition of costs. (Report to the Joint Committee on Printing: "Pricing of Publications Sold to the Public," LCD-75-405, Nov. 19, 1974)

This recommendation is for consideration by the following committees:

Senate: Appropriations
House: Appropriations
Joint: Joint Committee on Printing

MULTIYEAR LEASING OF AUTOMATIC DATA PROCESSING EQUIPMENT SHOULD RESULT IN SIGNIFICANT SAVINGS

Use of firm-term multiyear leases is essential if the Government is to make maximum use of the limited funds for acquiring automatic data processing equipment.

Use of the ADP Fund for this purpose would not disturb agencies' traditional financial patterns. GSA would enter into multiyear leases and obligate the ADP fund for 1-year periods. Agencies would, in turn, lease the equipment from GSA and reimburse the ADP fund from their 1-year funds but still receive the multiyear leasing discounts.

We recommended legislation authorizing the General Services Administration (GSA), through the ADP fund, to contract on a multiyear basis without the necessity of obligating the total anticipated payments at the time of entering into the leases. (Report to the Congress: "Multiyear Leasing and Government-wide Purchasing of Automatic Data Processing Equipment Should Result in Significant Savings," B-115369, Apr. 30, 1971) LCD

In the 93d Congress, Senate bill 2785 provided the authority we recommended.[1] The bill was the subject of hearings in March 1974 by the Ad Hoc Subcommittee on Federal Procurement of the Senate Committee on Government Operations. It was passed by the Senate but no action was taken by the House.

Senate bill 1260 was introduced in the 94th Congress with the same language. It was passed by the Senate and referred to the House Committee on Government Operations. Congressional control is retained since the bill provides that the unfunded portion of the Government's obligation under the multiyear leases shall not exceed the amount specified in the annual appropriation act.

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[1]The proposed legislation would add the subject authority as an amendment to section 111 of the Federal Property and Administrative Services Act of 1949 (40 U.S.C. 759). Section 111 is also referred to as Public Law 89-306, the Brooks law.

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Government Operations
House:	Appropriations
	Government Operations

FURTHER SAVINGS POSSIBLE IN PROCURING THE GOVERNMENT'S AUTOMATIC DATA PROCESSING EQUIPMENT.

Public Law 89-306 (Brooks law) directs the General Services Administration to coordinate and provide for the economic and efficient procurement of the Government's general-purpose automatic data processing (ADP) equipment. The law's two basic concepts are:

--Central procurement by a "single purchaser."

--Full use of the Automatic Data Processing Fund for all acquisitions of computer equipment.

Ten years have passed since the law was enacted, but it has not been fully implemented because OMB does not believe the law requires central procurement by a "single purchaser" and full use of the fund. Legislative history, however, clearly shows that both concepts are considered essential. Experience during the 10-year period shows that procurements made directly by agencies might have been at less cost had GSA procured the equipment; therefore, the savings intended by the law are not being fully realized.

We recommended that the Congress require the Director, Office of Management and Budget, and the Administrator of General Services to (1) prepare and submit a financial plan to accomplish the major objectives of Public Law 89-306 (including alternative ways of capitalizing the fund) and (2) advise it periodically of progress or problems in accomplishing the plan.

We have not proposed legislative changes since the Congress and its committees have other options for obtaining the actions we recommended. (Report to the Congress: "Further Actions Needed to Centralize Procurement of Automatic Data Processing Equipment to Comply with Objectives of Public Law 89-306," LCD-74-115, Oct. 1, 1975)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Government Operations
House:	Appropriations
	Government Operations

USE OF APPROPRIATED FUNDS TO PAY FOR THE TRANSPORTATION OF ARMED FORCES EXCHANGE GOODS

During fiscal years 1966-72, the Department of Defense (DOD) paid more than $400 million of congressional appropriations for transportation of Army, Air Force, Navy, and Marine Corps exchange cargo between the continental United States and points overseas and between overseas points. About $320 million of this amount was used to procure transportation specifically for exchange goods.

Statutes governing the Army and Air Force permit appropriated funds to be used for transportation costs of exchange cargo when it is carried in public transportation not required for other purposes. Although there is no legislative history defining the term "public transportation," a reasonable interpretation would mean those conveyances owned, leased, or chartered by the Government where the Government is already obligated to pay for the space whether it is used or not.

The Army and Air Force have interpreted the statutes more broadly. Their regulations provide for use of space in all conveyances owned, leased, or chartered by the Government, regardless of whether that space is required for DOD cargo. The regulations also permit the use of space on commercial facilities for which the Government would not have to pay if the exchange cargo were not shipped.

There are no similar statutes governing the Navy and Marine Corps, but they have issued regulations similar to those of the Army and Air Force.

The regulations of the military services are more permissive than the statutory provisions. However, in view of the statute's history, the length of time the regulations have been in effect, and congressional awareness that some appropriated funds are being used for transportation of exchange goods, we cannot say the regulations or payments made pursuant thereto were invalid or illegal.

We therefore recommended that the Congress consider whether it is appropriate for the Government to continue funding the cost of transporting exchange goods by using space on transportation facilities which are not owned by the Government or for which the Government is not otherwise obligated to pay. ("Should Appropriated Funds Be Used for Transportation Procured Specifically for Armed Forces Exchange Goods?" B-169972, Aug. 6, 1973) LCD

Our report was published, in toto, in the House Committee on Appropriations hearings on DOD's fiscal year 1975 budget. Also, a synopsis of our report was included in a summary of conclusions and recommendations on DOD operations (B-106190, PSAD-75-36). This summary was furnished to the Chairmen of the House and Senate Appropriations Committees on February 3, 1975.

To date, however, the Congress has not expressed an opinion on the appropriateness of continued funding of transportation costs of exchange cargo.

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Armed Services
	Government Operations
House:	Appropriations
	Armed Services
	Government Operations

USE OF GOVERNMENT-OWNED PASSENGER SEDANS

At the request of the Ad Hoc Subcommittee on Government Vehicle Use, Senate Committee on Appropriations, we reviewed the management of Government-owned passenger sedans.

One of our findings concerned an excessive number of military and civilian positions authorized transportation between their homes and work. The authorization was based on the agency head's interpretation of the applicable law.

In a report to the Subcommittee, we stated that it might wish to consider the need for restatement of congressional policy to clarify the types of positions and situations where home-to-work transportation is authorized. ("How Passenger Sedans in the Federal Government Are Used and Managed," LCD-74-224, Sept. 6, 1974)

Although this recommendation was for consideration by the Ad Hoc Subcommittee, the Subcommittee has since been disbanded. However, Senator Proxmire, a member of that Subcommittee, has introduced a bill to limit the number of individuals authorized home-to-work transportation.

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Government Operations
House:	Appropriations
	Government Operations

INTERNATIONAL DIVISION

NEED FOR A UNIFORM BENEFITS AND ALLOWANCES SYSTEM FOR GOVERNMENT CIVILIAN EMPLOYEES OVERSEAS

We found innumerable differences in types and amounts of allowances available and paid to U.S. civilian employees overseas in different agencies and within the same departments. There are four benefit and allowance systems for these civilians involving different legislative authority, agency regulations, and discretionary decisions by agency officials at varying levels.

We recommended to the Office of Management and Budget several options for dealing with this problem and that it should seek authorizing legislation as needed. We did not, however, make recommendations pertaining to specific statutes. (Report to the Congress: "Fundamental Changes Needed to Achieve a Uniform Government-Wide Overseas Benefits and Allowances System for U.S. Employees," ID-74-67, Sept. 9, 1974)

Depending on the option selected, this recommendation is for consideration by the following committees:

Senate:	Foreign Relations
	Post Office and Civil Service
House:	International Relations
	Post Office and Civil Service

FUNDING OF PRESIDENTIAL GIFTS AND GRANTS

We received a request from a subcommittee chairman for information on the legal authority for, and other information relating to, President Nixon's gift of a helicopter to President Anwar Sadat of Egypt and for information on any other gifts or transfers of U.S. Government property resulting from a June 1974 visit to several Middle East and European countries. In addition to the subcommittee chairman's request, several other Members of Congress made similar inquiries.

In our report to the subcommittee chairman, we concluded that, under provisions of the Foreign Assistance Act of 1961, as amended, President Nixon had the legislative authority to give the helicopter to the Arab Republic of Egypt and to grant $10 million of U.S.-owned excess Egyptian currency to an Egyptian charity. However, we stressed that, although the helicopter gift under the act's contingency fund provision was legal, the gift was apparently contrary to the intention of the sponsor of that provision. Modifications in the language of an amendment to the act made the intent of the Congress less clear regarding the purposes for which the contingency fund may be used. We suggested that, if the Congress wished to prohibit or restrict these actions in the future, it should amend the language in the act to better clarify legislative intent. ("Funding of Presidential Gifts and Grants to Middle East Countries," ID-75-20, Oct. 31, 1974)

This recommendation is for consideration by the following committees:

Senate: Appropriations
Foreign Relations
House: Appropriations
International Relations

PROPOSALS TO STRENGTHEN THE FOREIGN GIFTS AND DECORATIONS ACT OF 1966

The Foreign Gifts and Decorations Act of 1966, Public Law 89-673, and implementing regulations prescribe rules for accepting certain gifts and decorations from foreign governments by U.S. personnel. The Chief of Protocol, Department of State, has been delegated the responsibility for administering the provisions of the act.

We found that deficiencies in the act and its implementing regulations limit the effectiveness of the law.

We recommended that the Secretary of State develop clear procedures for the recording, control, and custody of gifts subject to reporting under the act.

To implement our recommendation we proposed a draft of a revised statute to amend and improve the law. The draft has been introduced in the Senate as Senate bill 1370 and referred to the Committee on Foreign Relations. (Report to the Senate Committee on Foreign Relations: "Proposals to Strengthen the Foreign Gifts and Decorations Act of 1966," ID-75-51, Mar. 26, 1975)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Foreign Relations
	Select Committee on Standards and Conduct
House:	Appropriations
	International Relations
	Standards of Official Conduct

EXTENT OF NONREIMBURSED COST INCURRED BY NAVY CONCERNING SHIP TRANSFERS TO FOREIGN COUNTRIES

The United States has transferred 3,900 ships and crafts of various description to 56 countries in the past 25 years as part of its military assistance program. Public Law 92-270, approved April 6, 1972, was the most recent ship loan legislation at the time of this review. This law requires that all expenses--including those involved in outfitting, repairing, and logistically supporting loaned ships--be paid by the recipient country or from military assistance program funds. However, the Department of Defense excludes repairs and overhauls from its definition of costs associated with such transfers. In hearings on Public Law 92-270, DOD officials assured the House Armed Services Committee that all transfer expenses, including those related to overhauls, would be paid by the recipient countries or the military assistance program.

We found that the Department of the Navy was not reimbursed for about $13.2 million, most of which was spent to overhaul and repair the vessels authorized for loan under Public Law 92-270. The Navy also provided about $5 million in equipment, outfitting, and service concerning ship transfers for which it was not reimbursed. We recommended that the Congress consider amending the Foreign Assistance Act to require annual presentation documents submitted to the Congress to show all U.S. costs of overhaul, equipment, supplies, and services associated with ship transfers, regardless of the authority for the transfer or the source of funding. We believe that this legislation could be included as an addition to section 634 of the Foreign Assistance Act (22 U.S.C. 2394). (Report to the Congress: "How Ship Transfers to Other Countries Are Financed," ID-74-49, June 25, 1974)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Armed Services
	Foreign Relations
House:	Appropriations
	Armed Services
	International Relations

IDENTIFICATION OF ALL NATO COSTS IN ANNUAL SECURITY ASSISTANCE PROGRAM PRESENTATIONS

Like all member nations, the United States shares in the agreed-upon common costs of operating NATO as an organization. In fiscal year 1974 the U.S. share was $135 million, or about 28 percent of the major NATO budgets. We identified an additional $325 million in annual NATO support costs assumed by the United States.

Of these additional support costs, there is an annual U.S. cost of $135 million for providing direct staffing and representation to NATO, including related support, which could be reduced through consolidating or eliminating certain U.S. activities. The remaining annual cost of $190 million for providing support to NATO and furnishing military assistance to NATO nations, excluded from existing NATO budgets, could be reduced if there was increased sharing among NATO members.

The U.S. costs of NATO are paid from at least 11 separate appropriations and, in most cases, are not fully identified as NATO costs nor recapitulated, in any document that we are aware of, as part of the U.S. costs of NATO. We recommended that the Congress amend the Foreign Assistance Act to require the identification of all these NATO-related costs, regardless of appropriation in annual security assistance program presentations. We believe that this legislation could be included as an addition to section 657 of the Foreign Assistance Act (22 U.S.C. 2417). (Report to the Congress: "Need to Reexamine Some Support Costs Which the U.S. Provides to NATO," ID-75-72, Aug. 25, 1975)

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Foreign Relations
House:	Appropriations
	International Relations

NEED FOR ESTABLISHING LEGISLATIVE AUTHORITY AND A CONTINGENCY FUND TO COPE WITH FOREIGN EXCHANGE RATE FLUCTUATIONS

Radio Liberty and Radio Free Europe, funded by U.S. Government grants from the Board of International Broadcasting, spend about 85 percent of their funds overseas and have been experiencing problems in maintaining a level of operations because of wide fluctuations in the foreign currency exchange rates.

We suggested legislative language to provide authority for a contingency fund, subject to approval by OMB, which could be used to provide a level of operations for the Radios consistent with the appropriations passed by the Congress. (Letter to Chairman, Subcommittee on State, Justice, Commerce, and Judiciary, House Appropriations Committee, B-173239, Apr. 11, 1975) ID

This recommendation is for consideration by the following committees:

Senate:	Appropriations
	Foreign Relations
House:	Appropriations
	International Relations

OFFICE OF SPECIAL PROGRAMS

LACK OF ESTABLISHED NATIONAL GOALS AND OBJECTIVES AGAINST WHICH MATERIALS RESEARCH AND DEVELOPMENT PERFORMANCE CAN BE MEASURED

The Federal government has not established national goals and objectives against which materials R&D performance of individual agencies can be measured. Therefore we recommended that the Congress consider statutory-initiated establishment of an institution to analyze materials issues and policy alternatives Government-wide. We further recommended that the National Commission on Supplies and Shortages assign a high priority to flesh out the details of the proposed institution and provide its input to the Congress. (Report to the Congress: "Federal Materials Research and Development: Modernizing Institutions and Management," OSP-76-9, Dec. 2, 1975)

This recommendation is for consideration by the following committees:

Senate: Banking, Housing and Urban Affairs
House: Banking, Currency and Housing

OFFICE OF PROGRAM ANALYSIS

PROPOSED BILL FOR ESTABLISHING THE FINANCIAL SUPPORT FUND REPORTING REQUIREMENTS AND LEGISLATIVE CLARIFICATION OF THE ROLE OF THE EXCHANGE STABILIZATION FUND

The proposed legislation did not include reporting requirements of the activities of the Financial Support Fund. It was our opinion that the following reporting requirements were necessary:

--Reports to the Congress on each guarantee issued, detailing all significant information, including terms and conditions, within 30 days of such transaction.
--Reports to the Congress on any calls made on the United States to cover any default under the guarantees issued within 30 days of such call.
--Submitting to the Congress the annual report of the fund when it is received by the Treasury.

In addition, we considered it desirable to clarify the use of the Exchange Stabilization Fund regarding loans from it to the Financial Support Fund and particularly payments made from the exchange fund to the financial fund resulting from exercise of the guarantee. (Letter report to the Honorable Thomas M. Rees, Chairman, Subcommittee on International Trade, Investment and Monetary Policy, Committee on Banking, Currency and Housing, House of Representatives: "Report and Comment on a Bill to Establish the "Financial Support Fund" Among the Members of the Organization for Economic Cooperation and Development," OPA-76-2, Sept. 12, 1975)

These recommendations are for consideration by the following subcommittee:

House: International Trade, Investment, and Monetary Policy

FIELD OPERATIONS DIVISION

RESTRICTION ON ACCESS TO BANK EXAMINATION RECORDS

As in prior years, GAO was unable to make a complete annual audit because the Federal Deposit Insurance Corporation (FDIC) would not permit unrestricted access to examination reports, files, and other records relating to the banks it insures. Without such access, GAO was unable to express an overall opinion on FDIC's financial statements.

GAO believes that access to these records is essential because they contain facts, opinions, and recommendations of vital importance to the conduct of FIDC's affairs. FDIC believes that the basic concept of confidentiality regarding open bank data is essential to the proper supervision of banks and to the functioning of deposit insurance.

We recommended that the Congress amend the Federal Deposit Insurance Act to clarify our authority to have access to examination reports, files, and other records of the Corporation, the Federal Reserve banks, and the Comptroller of the Currency.

For this purpose the third sentence of section 17(b) of the act (12 U.S.C. 1827 (b)) should be amended to read as follows:

> "The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and all other papers, things, or property belonging to or in use by the Corporation pertaining to its accounts and operations and necessary to facilitate the audit, including bank examination reports and related records, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians." (Underscoring denotes the change required.)

(Report to the Congress: "Audit of Federal Deposit Insurance Corporation for the Year Ended June 30, 1974, Limited by Agency Restriction on Access to Bank Examination Records," FOD-75-9, June 11, 1975)

This recommendation is for consideration by the following committees:

Senate:	Banking, Housing, and Urban Affairs
	Government Operations
House	Banking, Currency, and Housing
	Government Operations

RESTRICTION ON ACCESS TO CREDIT UNION EXAMINATION RECORDS

GAO requested unrestricted access to the National Credit Union Administration's examination reports, files, and other records. GAO believes that access to these records is essential to a meaningful audit of the financial operations and conditions of the Administration.

The Administration denied GAO unrestricted access to the requested data. The Administration believes that the Federal Credit Union Act does not provide for sharing examination reports with GAO. The Administration feels that the confidentiality of the relationship between the credit unions would be compromised if GAO reviewed the complete reports.

We recommended that the Congress amend the Federal Credit Union Act to clarify our authority to have unrestricted access to credit union examination reports. For this purpose, the following language should be added to the act:

> "The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and all other papers, things, or property belonging to or in use by the Administration pertaining to its accounts and operations and necessary to facilitate the audits required by the Act, including credit union examination reports and related records, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents, and custodians."

(Report to the Congress: "Examination of Financial Statements of the National Credit Union Administration of the Fiscal Year ended June 30, 1974, Limited by Restriction on Access to Credit Union Examination Records," FOD-75-18, July 14, 1975)

This recommendation is for consideration by the following committees:

Senate:	Banking, Housing, and Urban Affairs Government Operations
House:	Banking, Currency, and Housing Government Operations