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LOBBYING DISCLOSURE: AN OVERVIEW

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"In recent years, Congress has taken important strides toward reforming government and restoring the confidence of the people in the institutions of our democracy. But so far, lobbying reform has been the missing link. It is perhaps the most important remaining item on the unfinished agenda of government reform. We urge the Senate and the House to close the gap by enacting effective lobbying reform legislation this year." Joint Statement of Senators Kennedy, Clark, and Stafford on the Lobbying Reform Act of 1977 proposal.

Lobbying is a multi-billion dollar enterprise. But under the current Federal Regulation of Lobbying Act,[2] meaningful information about those who attempt to influence legislation is not available to legislators or the public. However, examples of the source and dimensions of lobbying campaigns show that the pressures exerted by lobbyists are enormous. Those who are not aware of these pressures may discover, unhappily, that their parochial interests or the interests of the public are less than zealously guarded by the legislative process.

For example, the American Telephone and Telegraph Company (AT&T) recently told the Federal Communications Commission that during a three-month period in 1976, it spent over one million dollars lobbying a bill that would secure AT&T dominance in the communications field. AT&T did not report this activity to Congress or the public. Also, the El Paso Natural Gas Company spent nearly one million dollars in 1971 on pipeline divestiture legislation. Yet only $6,227 was reported to Congress under the lobbying law. As another example, the Calorie Control Council undertook a comprehensive effort to reverse the Food and Drug Administration's ban on saccharin. The Council characterized its campaign as an "experiment in democracy," but the Council's composition remained a mystery until an attorney learned that its membership consisted of corporate dietary product manufacturers, not consumers. The Council did not register as a lobbyist, nor was it required to under the lobbying law.[3] These are not isolated examples. So widespread is the practice of underreporting and nondisclosure, a 1975 estimate indicated that not more than 1/10 of one percent of lobbying activity is reported under present law.[4]

Efforts to overhaul the 33-year old Federal Regulation of Lobbying Act have been continuous and intense. Despite the intensity of these efforts, however, the goal of lobbying reform remains elusive, the Federal Regulation of Lobbying Act remains unamended, and vast amounts of lobbying activity remain unreported and undisclosed. Efforts to repeal the present law are nevertheless proceeding apace in the 96th Congress. Because GAO may be responsible for administering and, to a somewhat lesser extent, enforcing a new lobbying law, this article provides an overview of the present law, and the pending House and Senate lobbying disclosure proposals.[5]

The Federal Regulation of Lobbying Act became law in 1946. But aside from the suggestive implications of its title, the Act does not actually regulate lobbying. Instead, it directs disclosure of certain lobbying activities and, as sanctions for noncompliance, carries misdemeanor penalties and an apparently automatic three year post-conviction moratorium on a violator's lobbying activities.[6]

In general, the law provides that lobbyists who work for pay must register as lobbyists, and disclose every purpose for which hired, all articles or publications for which they are responsible, all legislation they were hired to support or oppose, and all money received and from whom. Also contributions that a lobbyist receives in excess of $500 are reportable, and individuals who receive in excess of $10 from a lobbyist must be identified and the amount received disclosed.[7]

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[1] Attorney-Adviser, Special Studies and Analysis, Office of the General Counsel, GAO. This article provides a general overview of pending lobbying disclosure legislation, and should not be construed to be an interpretation of the proposed law as it might apply in the context of an individual lobbying organization's registration and reporting responsibilities. The views expressed herein are those of the author, and are not necessarily those of the General Accounting Office.

[2] 2 U.S.C. §§261 *et seq.* (1976).

[3] *See* Comment, *Federal Lobbying Disclosure Legislation*, 26 AM. U. L. Rev. 972 (1977).

[4] *Lobby Reform Legislation: Hearings on S. 2477 Before the Senate Committee on Government Operations*, 94th Cong., 1st Sess. 497 (1975) (remarks of Senator Muskie).

[5] S. 1564, 96th Cong., 1st Sess. (1979); H.R. 4395, 96th Cong., 1st Sess. (1979).

[6] 2 U.S.C. §§262-66, 269 (1976).

[7] 2 U.S.C. §§262-67 (1976).

If appearances could be relied on, the Federal Regulation of Lobbying Act would be a very comprehensive and strict law indeed. The present law contains three serious defects, however, and these deficiencies have had a debilitating effect on efforts to administer and enforce lobbying disclosure.

First, the Act applies only to those whose "principal purpose" is lobbying. Under this test, an organization is free to claim that its communications with congressmen do not have lobbying as their principal purpose, but are, instead, primarily intended to provide information, to educate, to express a general societal concern, or to advocate (rather than lobby) the defeat or passage of legislation. An organization may contend as well that it is not subject to the law, since it engages in many activities other than lobbying, and lobbying therefore is not the organization's principal purpose.[8]

Second, the Act applies only to a lobbyist's "direct" communications with congressmen. Direct lobbying of congressional staff members is excluded from coverage.[9] The Act also does not apply to "indirect" or "grassroots" lobbying, by which a lobbyist spends money to solicit or urge others to communicate a particular position on legislation to the Congress.[10]

And third, the current law has a weak and inadequate administrative and enforcement mechanism. The Department of Justice has exclusive authority for enforcement of the present law. Although the Clerk of the House and the Secretary of the Senate administer the law, these officials are self-acknowledged repositories of information they cannot verify, they have no authority to issue implementing regulations, and they lack investigative and compliance authority.

A 1975 GAO report on the present law confirmed the near total ineffectiveness of this enforcement scheme and the crippling effects of that scheme on the lobbying law's administration.[11] The report shows, for example, that of the nearly 2,000 lobbyists who filed in one 3-month period in 1974, over 60 percent filed late and nearly 50 percent of the filings were defective on their face. Unlike most other disclosure statutes, the administering officials have no authority to require correction of the most minor of these inadequacies. And the Justice Department—the agency responsible for enforcement—investigated only five matters over a 4-year period, 1972-1975.

SIGNIFICANT FEATURES OF PENDING LOBBYING LEGISLATION

H.R. 4395, the principal House lobbying disclosure proposal, and S. 1564, the Senate lobbying bill, are not, with the several major exceptions noted below, markedly different. If enacted, these bills would correct the bulk of the present law's shortcomings.

As of this writing, hearings are being held on S. 1564, and H.R. 4395 is pending before the full House Committee on the Judiciary. The discussion that follows considers H.R. 4395 as reported from the Subcommittee on Administrative Law and Government Relations of the House Judiciary Committee and S. 1564 as that bill was introduced. Both bills almost certainly will be modified in full committee and in floor debate.

Applicability of Legislation. Under both H.R. 4395 and S. 1564, only an "organization" can become a lobbyist. Entities ranging from a corporation to a group of individuals may satisfy the bills' definition of "organization." Federal agencies and Government corporations are excluded from the definition and therefore can never become lobbyists. An individual citizen can never become a lobbyist subject to the bill unless he is a foreign agent.

Thresholds. An organization can only become a lobbyist subject to the lobbying legislation's requirements if it engages in prescribed amounts of lobbying activity, called thresholds, during a calendar quarter. There are several proposed thresholds; any one, if crossed, will subject the lobbying organization involved to registration and reporting obligations.

One threshold would trigger if just one employee of an organization engaged in direct, but not indirect (solicitations, grassroots lobbying, etc.) lobbying activity on

[8] 2 U.S.C. §266 (1976); *See* United States v. Harriss, 347 U.S. 612 (1954); United States v. Slaughter, 89 F. Supp. 876 (D.D.C. 1950).

[9] United States v. Harriss, *supra.*

[10] On a very general level, "direct" lobbying refers to a lobbyist's actual oral or written communications with congressmen or their staff. Direct lobbying communications can be made by the lobbying organization itself or by a paid and retained third party acting on the organization's behalf. Indirect or grassroots lobbying generally means encouraging the general public, usually through a solicitation (mass mailings, etc.), to communicate a position on legislation to the Congress.

[11] Comptroller General, "The Federal Regulation of Lobbying Act—Difficulties in Enforcement and Administration" GGD-75-79, April 2, 1975.

any part of each of any 13 days in a calendar quarter and spent a prescribed amount of money in the process. Another threshold, proposed in both bills, would trigger if an organization's retained lobbyists received a prescribed amount of money to engage in direct lobbying activity during a quarter.[12] If an organization only engaged in indirect lobbying, it would not become a lobbyist under either bill.

Exemptions. Certain communications that would otherwise qualify as lobbying are exempt from disclosure and from inclusion in a threshold test tally. Under the House bill, lobbying performed specifically at the request of a Congressman will neither trigger a threshold nor be subject to disclosure. Lobbying communications made to a Senator or Representative representing the State where the organization has its principal place of business are exempt under both bills.

Scope of Coverage. Communications made to influence the content or disposition of executive branch reports, investigations, rules, hearings, etc., ordinarily would not qualify as lobbying. Unless eligible for one or more of the bills' exemptions, communications made to so-called "Federal officers or employees" to influence the content or disposition of any legislative matter would qualify as lobbying.

A Federal officer or employee in the generic sense is not necessarily a "Federal officer or employee," as that term is defined in the legislation. All Congressmen and all congressional employees are, by definition, "Federal officers or employees." Executive branch officials paid at levels I-V of the Executive Schedule also qualify as "Federal officers and employees." In the case of GAO, coverage extends to the Comptroller General, Deputy Comptroller General, GAO's General Counsel, and others paid at a rate equivalent to level IV of the Executive Schedule.

Registration. Once an organization meets one of the threshold tests, that organization must register as a lobbyist. Unless withdrawn, a registration statement will be effective for the remainder of the calendar year. A registration statement, in addition to identifying the registrant as a lobbyist, would disclose the identity of the registering organization's chief executive officer and directors and certain of the registrant's retained and employed lobbyists.

[12] S. 1564's direct lobbying quarterly expenditure threshold is set at $500; the comparable threshold in H.R. 4395 is set at $5,000.

Quarterly Reports. All registered lobbying organizations will file quarterly reports detailing the lobbying activities they engaged in during the calendar quarter to which the report relates. A lobbying organization that crossed a threshold in the first calendar quarter (January, February, or March) would file four quarterly reports for that calendar year.

A quarterly report would disclose, among other matters, the following: (1) the identity of the reporting organization, (2) the identity of the organization's retained and employed lobbyists and expenditures for retainer fees and salaries, (3) expenditures in excess of $35 made to or for the benefit of a Federal officer or employee, (4) the top 20 (top 15 under H.R. 4395) issues directly lobbied by the reporting organization or by a retainee on the reporting organization's behalf, (5) expenditures for receptions, dinners, and similar events that are held for the benefit of a Federal officer or employee, where the cost of the event to the reporting organization exceeds $500, (6) the source and amount of organizational contributions in excess of $3,000 that are used in whole or in part for direct lobbying by the reporting organization.[13] Unlike H.R. 4395, S. 1564 also directs disclosure of indirect lobbying campaigns that cost in excess of $500. This disclosure requirement would not apply, however, if the reporting organization's aggregate quarterly indirect lobbying expenditures did not exceed $2,500.

ADMINISTRATION AND ENFORCEMENT

Under S. 1564, the Comptroller General would be reponsible for administering and, to a somewhat lesser extent, enforcing the new lobbying disclosure law. Summarized below are the major responsibilities, duties, and powers the Comptroller General may, as S. 1564 is presently drafted, be expected to assume.[14]

Rules and Regulations. If S. 1564 becomes law, the Comptroller General, following consultation with the Attorney General, would promulgate implementing rules and regulations. Rules and regulations would cover such matters as definitions, registration, reports, recordkeeping, public access to lobbying records,

[13] Lobbyists that qualify for "religious organization" status under the Internal Revenue Code would be exempt from the bills' contributor disclosure requirements.

[14] As reported from Subcommittee, H.R. 4395's administrative and enforcement provisions were substantially identical to those of S. 1564. However, the House Judiciary Committee designated the Clerk of the House as the official responsible for administration.

recordkeeping forms, complaint procedures; guidance to lobbyists and certain aspects of enforcement. Persons or organizations knowingly violating lobbying disclosure rules and regulations would be subject to a maximum civil fine of not more than $100,000. The bill does not contain criminal sanctions.

Registration and Reporting. Lobbying organizations would begin to register and file quarterly reports within several months after the rules and regulations take effect. The registration and reporting provisions of the lobbying legislation implicitly direct the establishment of a central repository where registration and quarterly statements may be mailed, filed, and indexed. A public reading room, equipped with copying equipment, also will be essential because the public will have the right to inspect and make copies of registration statements and quarterly reports.

Quarterly Summation of Registration Statements and Reports. Following the close of each calendar quarter, GAO will publish a master listing of all registered lobbyists and a summary of the information contained in the registration statements and reports. The listing and summary must be available to the public for inspection free of charge and for purchase at cost.

S. 1564 does not require the preparation and publication of separate and individual summaries for each registration and report on file with the Comptroller General. Instead, the Comptroller General in all likelihood will have the discretion necessary to prepare a general cumulative and combined summary of lobbying activity reported by registered lobbying organizations during a given calendar quarter.

Cross-Indexing Responsibilities. S. 1564 contains a provision that would require GAO to establish a minimum of two publicly available cross-indexes.

The first cross-index would exclusively concern lobbying and would list persons and organizations identified in the registration statements and quarterly reports filed by lobbying organizations. If John Doe is reported by three lobbying organizations as a retainee who lobbies, this information will be centrally retrievable from the cross-index.

A second cross-index will be developed in cooperation with the Federal Election Commission. It will contain a listing of the names of all campaign contributors reported under the Federal Election Campaign Act who were also reported as registered lobbyists or retainees.

Some have suggested a third cross-index, to be developed in cooperation with the Department of Justice. This index would contain a listing of the names of registered foreign agents who also are lobbyists for registered lobbying organizations.

Advisory Guidance. The Comptroller General and the Attorney General would jointly establish the procedures for obtaining the guidance GAO will furnish to lobbying organizations on the recordkeeping, registration, and reporting requirements of the new law. Guidance provided by the Comptroller General under this authorization technically would not be binding, but if it is adhered to in good faith, the fact of adherence could constitute a defense to any later civil prosecution.

Reviews of Registration Statements and Quarterly Reports. S. 1564 designates the Comptroller General as the official responsible for ensuring the "completeness, accuracy, and timeliness" of filed registration statements and filed quarterly reports. The Comptroller General would be authorized to make such "supplemental verifications or inquiries" as he considers necessary to discharge that responsibility. Irregularities identified in the review and verification process may later be the subject of civil conciliation or civil prosecution.

Civil Conciliation and Civil Prosecution. S. 1564 would authorize the Comptroller General to conciliate and correct certain violations administratively. The purpose of this procedure is to correct as many violations as practicable without resort to litigation. When the Comptroller General has reason to believe an organization has knowingly violated the lobbying law, the case must be referred to the Attorney General. If, within 90 days of the referral, the Attorney General does not specifically request an alternative disposition of the matter, the Comptroller General may attempt to correct the matter administratively. Cases for which civil conciliation fails to work or would otherwise be inappropriate would be referred to the Department of Justice (DOJ) for prosecution. Although the DOJ must periodically report to the Comptroller General on action taken respecting this type of referral, the decision to prosecute remains discretionary with the Attorney General.

S. 1564 contains civil, but not criminal sanctions, and the bill's civil penalties range to a maximum of $100,000 for a single violation. The Attorney General will have responsibility for prosecuting violations of the Act that are not appropriate for administrative resolution.

The Attorney General also may engage in precomplaint discovery by issuing a Civil Investigative Demand (CID). A CID is analogous to a subpoena in terms of the records it may reach, but dissimilar to a subpoena in terms of the circumstances in which it may be issued and the conditions under which records may be reviewed and examined. For example, a CID cannot be issued unless the facts and circumstances indicate that the lobbying law has been violated, and a lobbying organization that is served with a properly issued CID may insist that its records be reviewed *in camera* by a court.

CONCLUSION

Lobbying disclosure ranks as a priority issue with the Administration and almost all special interest groups. On the one hand, advocates of the legislation believe a substantial public interest would be served if the actual source and intensity of lobbying efforts were made known to the entire Congress and the public. At the other end of the spectrum, there is considerable concern whether lobbying disclosure, particularly disclosure of contributors and indirect lobbying, would abridge or at least chill the exercise of First Amendment freedom of speech and petition rights.

Historically, accommodation of these interests has been an extraordinarily complex and formidable task. Whether the 96th Congress, unlike its predecessors, will enact a new and comprehensive disclosure measure is a matter of conjecture. Lobbying disclosure is in any event a unique legislative initiative, and the fact that this initiative would directly reach all major lobbyists is probably the most important reason for the still uncertain conclusion to the long saga of lobbying reform.

THE SENIOR EXECUTIVE SERVICE: BOLD EXPERIMENT IN MANAGING THE GOVERNMENT

2/12/76

Robert L. Higgins[1]

On July 13, 1979, the Senior Executive Service (SES) came into being. SES was created by title IV of the Civil Service Reform Act of 1978 (Act)[2], "to provide the flexibility needed by agencies to recruit and retain the highly competent and qualified executives needed to provide more effective management * * *."[3] Or, as otherwise stated in the Reform Act, its purpose is "to ensure that the executive management of the Government of the United States is responsive to the needs, policies, and goals of the Nation and otherwise is the highest quality."[4] Alan K. Campbell, Director of the Office of Personnel Management (OPM), calls SES "the cornerstone of our efforts to improve the Federal personnel management system * * *."[5]

These are high-sounding phrases indeed, but the legislative history of SES shows that not everyone shared these lofty views of its purpose. Some members of Congress said that it was nothing more than a device to politicize the top career ranks of the Federal Government to the advantage of the party in power.[6] Others harkened back to the efforts of former President Nixon to make the bureaucracy more "responsive" to his wishes.[7] Despite these misgivings about SES, it survived challenges in both the House and the Senate and was enacted as part of the Reform Act.

What then is the truth about the new system? Is it a significant step forward that will improve the quality of public service, or is it a new political spoils system that will primarily improve the patronage benefits available to the administration in power at any given time? Alas, dear reader, do not expect the answer here. It is obviously too soon to tell.

STATUTORY PROTECTIONS FOR CAREER EXECUTIVES

As a result of the reservations expressed about SES, a number of safeguards were built into the legislation to protect career executives and guard against undue politicization. Perhaps the most important safeguard is that the total number of noncareer executives is limited to 10 percent of the total SES positions. Although proportions of noncareer appointments may vary among agencies within the overall 10 percent limit, no agency may have more than 25 percent noncareer SES positions.[8] The Act also permits "limited term" appointments (for 3 years or less to positions which will then expire) and "limited emergency" appointments (for 18 months or less to meet bona fide, unanticipated, urgent needs). These limited appointments are not renewable and may not exceed 5 percent of the total number of SES positions Government-wide.

Therefore, at least 85 percent of the Senior Executives will be "career appointees." But what is a "career appointee?" The Act defines the term as an individual whose appointment to SES "was based on approval by the Office of Personnel Management of the executive qualifications of such individual."[9]

The Act also provides that qualification standards for each SES position shall be established by the agency head. Further, not more than 30 percent of SES positions may at any time be filled by persons who did not have 5 continuous years in the civil service immediately prior to their initial SES appointments, unless the President certifies to the Congress that this limitation would hinder the efficiency of the Government. The latter exception, permitting the President to overcome the 5-year service requirement, weakens this protection for career executives.

Another important safeguard is that the Reform Act establishes a category of "career reserved positions" which are required to be filled by career appointees. The number of career reserved positions may not be less than the number required to be filled competi-

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[1] Assistant General Counsel, Personnel Law Matters I, Office of the General Counsel, GAO.

[2] Pub. L. No. 95-454, 92 Stat. 1111 (1978).

[3] Pub. L. No. 95-454, § 3(6), 92 Stat. 1113 (1978).

[4] 5 U.S.C.A. § 3131 (1979).

[5] Office of Personnel Management, *Senior Executive Service, Conversion Information for Federal Executives,* preface, February, 1979.

[6] Minority views of Senators Mathias and Stevens, S. Rep. No. 95-969, 95th Cong., 2d Sess. 133-39 (1978).

[7] Individual views of Rep. Benjamin Gilman, H.R. Rep. No. 95-1403, 95th Cong., 2d Sess. 418-22 (1978).

[8] An exception is made for any agency which had more than 25 percent political executives on October 13, 1978, the date of enactment. 5 U.S.C.A. § 3134(d) (1979).

[9] 5 U.S.C.A. § 3132(a)(4) (1979).

tively before the passage of the Reform Act. OPM estimates that approximately 40 percent of current SES positions are required to be career reserved.

OPM will prescribe the criteria and regulations governing the designation of career reserved positions. The Act states that the purpose for limiting these positions to career executives is to ensure impartiality, or the public's confidence in the impartiality, of the Government. In other words, certain positions must be shielded from the appearance of political influence. The examples given by OPM are those involving the administration of the Internal Revenue Code and the awarding of public contracts. Each agency head will designate the career reserved positions in such agency, subject to review by OPM, and publish a list of those positions in the Federal Register each year. The remaining positions are "general" positions and may be held by career or noncareer persons, subject to the limitations in the Act on the number of noncareer appointees.

There are other protections as well. The panels (Performance Review Boards) which will evaluate the performance of career executives must have a majority of career members. Performance cannot be evaluated within 120 days after a new President takes over. Each performance appraisal must be fully documented and the executive will be given an opportunity to respond before a decision is made. Finally, the Comptroller General is required from time to time to review agency performance appraisal systems to assure compliance with the statutory provisions. He must report thereon periodically to OPM and Congress.

The career official is also protected against involuntary reassignments within 120 days after the appointment of a new agency head or a new noncareer supervisor. He may not be involuntarily transferred to another agency and he is entitled to 15 days advance notice of reassignment within his own agency.

In these ways Congress sought to ensure that SES will be free of political manipulation and partisan favoritism. Even the best written safeguards, however, are subject to abuse and the true test of the new system will be how it is administered and how well Congress monitors the actual operations to ensure that the built-in statutory safeguards are followed.

CONVERSION TO SES

SES has met the first challenge it faced, namely, whether the present career managers would elect to join its ranks. Under the Reform Act, the incumbents of positions designated for SES were given 90 days after notification to elect to be appointed to a SES position or to decline and retain his or her current appointment and pay. When the Act was passed there was much speculation that most Federal officials would decline conversion to SES, thus scuttling the new system before it began. These fears have proven groundless. As of July 13, 1979, some 5,619 offers were made to incumbents, of which 5,388 (about 96 percent) were accepted.

The reasons for this overwhelming acceptance by career officials are not hard to find. Despite the increased risks, the Civil Service Reform Act and its implementing regulations provide tremendous benefit to SES officials. The following listing will illustrate the point.

—The salary of those electing to join initially will never be reduced below their salary at the time of entry (this guarantee does not apply to those joining later).

—Once a year, the salaries of those in SES may be increased any number of rates, but it may be lowered only one rate per year.

—An annual performance award may be given to career executives with "fully successful" ratings. The award may be up to 20 percent of base pay, but is limited to 50 percent of SES positions in an agency.

—Awards of Presidential Ranks may be made to career executives. A Meritorious Executive rank, carrying a lump-sum stipend of $10,000, may be awarded to up to 5 percent of SES members. A Distinguished Executive rank, with a stipend of $20,000, may be awarded to up to 1 percent of SES members. However, an executive's total aggregate compensation of base pay, awards, and ranks may not exceed the salary of Level I of the Executive Schedule (now $66,000).

—Executives may receive sabbaticals of 11 months with pay after 2 years in SES with a total of 7 years at the supergrade level (limited to one every 10 years).

—Executives may accumulate unlimited amounts of unused annual leave without forfeiture.

On the other hand, an incumbent executive who declined conversion within the 90-day period remains in status quo. He retains his present salary and grade, but has very little chance for promotion because most positions at that level are in SES. Furthermore, admission to SES at a later date is subject to competition, qualifications approval by OPM, and a 1-year probationary period. None of these requirements apply to those who joined within the 90-day period. It is a small wonder that only about 240 incumbents out of the more than 5,600 eligible declined the initial conversion offer.

COVERAGE OF SES

In anticipation of your next question, I will state here that GAO is expressly excluded from the Senior Executive Service.[10] A number of other agencies are also excluded by statute,[11] and the President is authorized to exclude (1) an agency or unit principally engaged in foreign intelligence activities and (2) any agency or unit on the recommendation of OPM, provided that the agency or unit makes a sustained effort to conform to SES, and, further, the President, upon recommendation of OPM, may at any time revoke the exclusion.[12] Otherwise, the clear intent of Congress is to bring in all executive branch departments and agencies and all positions in the "supergrades" and in Levels IV and V of the Executive Schedule, or equivalent positions, which involve directing, managing, or supervising units or activities which exercise important policymaking functions.

Determining which positions belong in SES and which agencies should be excluded fell to OPM. It has interpreted the Act broadly as covering almost all executive positions in the Government except those expressly excluded by Congress. A number of agencies contended that they were not covered by the SES statute, but OPM concurred only with respect to two agencies: the Smithsonian Institution and the Advisory Committee on Intergovernmental Relations. The chart below shows the current total picture for Executive Positions under OPM's purview:

1) Total SES positions	8,394
2) Non-SES General Schedule and equivalent positions[13]	902
Total allocated positions	9,296

The Act set an overall ceiling of 10,777 positions [14] for the General Schedule grades 16, 17, 18 and the Senior Executive Service. To date 1,482 positions remain unallocated.

GAO'S ROLE IN SES

As noted above, the Civil Service Reform Act requires GAO to monitor the performance appraisal systems set up by each agency for the senior executives. In addition, to assist Congress in overseeing the Federal personnel management system, the Reform Act calls for GAO to conduct audits and reviews to assure compliance with the laws and regulations governing employment in the executive branch and to assess the effectiveness and soundness of Federal personnel management. The Act also requires GAO to prepare and submit an annual report to the President and the Congress on the activities of the Office of Personnel Management and the Merit Systems Protection Board.

To accomplish these statutory requirements, the Federal Personnel and Compensation Division (FPCD) has established a new line-of-effort entitled "Civil Service Reorganization and Reform Implementation." With specific regard to the Senior Executive Service, FPCD, with the assistance of the Washington Regional Office, is performing several major reviews designed (1) to assess the effectiveness of OPM in discharging its responsibilities for SES and (2) to review agency processes in converting to SES and progress toward improving executive development and establishing required SES performance appraisal systems.

The assignment is unique in providing assistance to the Congress at the time of SES system implementation rather than evaluation at some later date. The responsible House and Senate Committees have expressed their views of the importance of the initial period of the Senior Executive Service and have asked

[10] 5 U.S.C.A. § 3132(a)(1) (1979).

[11] The FBI, CIA, Defense Intelligence Agency, and National Security Agency are expressly excluded. 5 U.S.C.A. § 3132(a) (1)(B) (1979).

[12] The Act also exempts Foreign Service positions, Administrative Law Judges, and certain positions in the Drug Enforcement Administration. 5 U.S.C.A. § 3132(a)(2) (1979).

[13] This category includes e.g., GAO, D.C. Government, VA doctors, parts of State Department, AID, Assistant U.S. Attorneys.

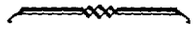
[14] OPM has informed us the 10,777 figure has been changed to 10,778 because of a legislative action creating an additional executive position.

GAO to monitor this period closely. The audit teams have already provided significant assistance to the legislative committees in carrying out their oversight responsibilities during conversion. The first formal reports to the Congress are expected to be made in early 1980.

After the initial implementation period, GAO's role in auditing and reviewing the operation of SES is expected to become even more important to the Congress. The reason is that the Reform Act contains a "sunset" provision for SES. In 1984, 5 years after the beginning of SES on July 13, 1979, the Congress will have the opportunity to terminate SES by adopting a concurrent resolution to that effect. Unless the Congress adopts such a resolution within the first 60 days of continuous session after July 13, 1984, SES will continue. GAO's evaluation of the effectiveness of SES could be of major importance at that time because of the short time that will be available to the Congress in which to act.

CONCLUSION

Will the bold new experiment in executive management for the Federal Government live up to the expectations of President Carter and OPM Director Campbell? Or will SES prove to be merely a device for political favoritism and for a dismantling of the career executive service? As we said at the beginning of the article, only time will tell. But, because the Congress wisely has provided for a sunset review after 5 years of SES operation, the experiment can be stopped easily if it does not work well. If it does work well, of course, it can be allowed to continue. The GAO's role should be very important in determining which course of action Congress decides to take in 1984.



We must not make a scarecrow of the law,
Setting it up to fear the birds of prey,
And let it keep one shape, till custom make it
Their perch and not their terror.
—SHAKESPEARE, MEASURE FOR MEASURE, Act II, Scene 1, ll. 1-4.

CONTRACT DISPUTES ACT OF 1978 72/277

Seymour Efros [1]

The Contract Disputes Act of 1978 (Act) [2] provides comprehensive procedures to settle claims relating to executive agencies' contracts. Those sponsoring the legislation felt that the old claims settlement process was outdated and that legislation was needed to improve it. The major provisions of the Act provide contracting officers authority to decide all contract disputes, allow contractors direct access to court, give the government the right to seek judicial review of an administrative decision, and allow contractors interest on disputed claims. This discussion will highlight some of these changes to the Government contract claims settlement procedures introduced by the 1978 Act.

The All Disputes Provision

The contract disputes procedure in existence prior to the Act covered only disputes arising *under* the contract. If, for example, the contract contained a provision allowing changes in the contract specifications, a dispute concerning the amount due the contractor because of the change was subject to the disputes procedure. If, on the other hand, the contractor charged the Government with violating the terms of the contract, the claim was then outside the scope of the disputes procedure and the contractor was required to seek its remedy by direct suit in court.

The distinction between a claim arising under a contract and a breach of contract claim was not always easy to make. Instances arose where claims were brought to the wrong forum and appeals were dismissed, resulting in loss of time and money by the contractor. Also, it seemed wasteful to have different forums for deciding different types of contract claims.

For these reasons, Congress provided contracting officers with the authority to decide all contract disputes by eliminating the distinction between claims arising under a contract and breach claims. Under the Act, all claims relating to the contract can now be settled administratively.

Direct Access to Court

The Act also allows contractors direct access to court as an alternative to appealing the contracting officer's decision through the administrative disputes procedure. Formerly, the contractor was required to appeal a contracting officer's decision to the head of the contracting agency. Usually the appeal was made to a board of contract appeals.

Over the years the agency boards had developed a reputation for impartiality and fairness in resolving contract disputes. At the same time, however, witnesses at the congressional hearings on the 1978 Act underscored the need to allow the contractor direct access to court as a necessary trade-off for providing contracting agencies the authority to decide breach of contract claims.[3] Cognizance was also taken of the Procurement Commission Report "reflecting a widespread feeling among contractors and their attorneys that contractor claimants should be afforded the right to proceed directly in court following an adverse contracting officer's decision as an alternative to proceeding before an administrative contract appeals board."[4] These considerations, plus the feeling that in certain complex cases time and expense would be saved by allowing contractors direct access to court, persuaded the congressional committees to endorse this recommendation.

The Government's Right to Seek Judicial Review

Congress also included a provision in the 1978 Act giving the Government the right to seek judicial review of an administrative decision.

Under the old procedure, the right of the contracting agency to appeal an adverse board decision was unsettled. The Department of Justice and GAO had previously attempted to challenge a contracting agency board decision in favor of a contractor. That challenge eventually resulted in a Supreme Court decision which held that neither the GAO nor the Justice Department could interfere with a contracting agency's board decision in favor of the contractor absent fraud.

In considering this legislation, Congress concluded that the Government and the contractor should have

[1] Associate General Counsel, Procurement Law, Office of the General Counsel, GAO.

[2] Pub. L. No. 95-563. 92 Stat. 2383 (1978).

[3] S. Rep. No. 95-1118, 95th Cong., 2d Sess. 5 n.2 (1978).

[4] H.R. Rep. No. 95-1556, 95th Cong., 2d Sess. 12 n.2 (1978).

the right of appeal in view of the quasi-judicial nature of the board. However, Congress limited the agency head's right of appeal, conditioning it upon obtaining the approval of the Attorney General. They felt that giving the contracting agency an unfettered right to appeal any decision to the courts might prolong the litigation process unnecessarily in some cases.

The scope of the appeal from the board's decision is also limited. Section 10(b) of the Act provides that the decision of the agency board on any question of *law* is not final or conclusive, but the board's decision on questions of *fact* is "final and conclusive and shall not be set aside unless the decision is fraudulent, or arbitrary, or capricious, or so grossly erroneous as to necessarily imply bad faith, or if such decision is not supported by substantial evidence."

Interest On Contractor Claims

In recognition of the unique nature of a Government contract, a provision to allow interest to contractors on claims awarded under the diputes procedure was also adopted. A contractor, because of the provisions of most Government contracts, is required to continue working while his claim is being litigated. Since the contractor is required to continue performance with his own money, Congress felt that the cost to finance the work involved in the contractor's appeal is a legitimate cost of performing the contract if the claim ultimately is allowed. As provided in the Act, interest is paid from the date the claim is made to the contracting officer until payment occurs.

Other Provisions

In addition to the provisions discussed above, the 1978 Act grants the agency boards discovery and subpoena powers. It also establishes an expedited procedure for claims of $10,000 or less. Finally, the Act permits initial payment of agency board judgments from the same permanent appropriation available for judicial judgments and gives the court increased authority to dispose of contract claims.

Conclusion

While contracting with the Government can present contractors with lucrative opportunities, it also can present a wall of frustration sufficient to cause many contractors to swear-off doing business with the Government. The Contract Disputes Act of 1978 should help to alleviate some of the contractors' frustrations by affording them the opportunity of bypassing the administrative disputes process and proceeding directly to court. The Act should also alleviate some of the confusion involved in contracting with the Government by giving, for the first time, the contracting officer the authority to decide in the first instance any disputes arising under the contract. By a series of trade-offs, hopefully the Government contracting process has been improved.

COMMENT

FEDERALISM ISSUES IN THE CONTEXT OF GRANTS TO STATE AND LOCAL GOVERNMENTS

Stephen M. Sorett[1]

The author, a GAO attorney, was the principal speaker at a panel on Federal Grants Law at the 1979 Federal Bar Association's Annual Convention. Mr. Sorett agreed to put his views in writing for the *Adviser*. The editors note that the views expressed in the article are those of Mr. Sorett and not necessarily those of the General Accounting Office or the Office of the General Counsel.

An increasing number of States, counties, and cities have been going to court to challenge the imposition of grant conditions that accompany the flow of Federal assistance funds. The courts have begun to entertain more of these suits than before but generally are either unwilling to overturn the essentially political decisions of the Congress which imposed the conditions onto the grant programs or are unable to determine the nature and extent of the harm that these conditions cause. This article discusses some of the emerging judicial trends in this area and analyzes the limits of the existing judicial role.

Recently the courts have revealed an increasing sensitivity to States' efforts to remain free from excessive Federal regulation. This trend is perceived by many legal commentators to be a reaffirmation, if you will, of the Tenth Amendment which preserves a State's right to act as an independent sovereign within the context of a viable Federal system of government. At the same time, however, the courts have continued to adhere to the rule that the Federal Government, under authority of the Constitution's Supremacy Clause, may, unless barred by some controlling constitutional prohibition (such as a First Amendment freedom to exercise religious belief), impose the terms and conditions upon which its money allotments to the States shall be disbursed. Any State law or regulation found to be inconsistent with those terms and conditions is to that extent invalid. The grantee, of course, has the option of not taking the grant and thereby escaping those terms and conditions.

The legal significance that flows from these apparently competing philosophies is based on the distinction between imposing mandatory requirements and terms which the States can choose to reject. A mandatory requirement requires compliance, and the penalty for noncompliance is a fine or imprisonment. On the other hand, should a grantee violate a grant term, the penalty for noncompliance is only the denial of the grant or contract. From a constitutional perspective, the distinction is that under authority of the Commerce Clause, the Federal Government mandates compliance, whereas under authority of the spending power, the Federal Government can only encourage compliance.

The Supreme Court ruled, in *National League of Cities* v. *Usery*,[2] that there are limits in Federal Government regulation of the States. The Court held that the States could not be compelled under authority of the Commerce Clause to adopt the minimum wage, maximum hour, and overtime rate standards of the Fair Labor Standards Act. The application of the Act to the States was judged to have impermissibly interfered with the States' sovereignty because it operated to displace the States' freedom to structure integral operations in areas of traditional governmental functions. Although the case marked the first time since the era of the New Deal that the Supreme Court held that a congressional action taken under authority of the Commerce Clause was unconstitutional, the result reached was not altogether unexpected. A series of lower Federal court cases had arrived at similar results concerning the power of the Federal Environmental Protection Agency to compel State and local implementation of the Clean Air Act.[3]

The *National League of Cities* case presents a new approach to employ when determining whether the Federal Government impermissibly intrudes into State and local activities. The test has two tiers. First, a court must inquire whether the governmental activity is essential to the State and local governments' independent existence. Second, if the activity is essential, the court must determine the degree of interference imposed by the Federal regulation. If the regulation either imposes significant financial burdens or displaces the States' freedom to carry out its essential governmental activities, the regulation unconstitutionally interferes with State sovereignty. However, if

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[2] 426 U.S. 833 (1976).

[3] *See, e.g.,* District of Columbia v. Train, 521 F. 2d 971 (D.C. Cir. 1975).

the court finds it to be in the Federal interest, a regulation that is found to be an otherwise impermissible intrusion into State sovereignty will be upheld, as in the areas of environmental programs whose success depends on unanimous participation by the States.

Implicit in the *National League of Cities* decision is the Court's recognition that this approach could apply whenever it inquires whether Federal programs enacted under any constitutional authority violate a State's Tenth Amendment protection. It stopped short of extending the scope of its holding, however, choosing not to express a view "as to whether different results might obtain if Congress seeks to affect integral operations of state governments by exercising authority granted it under other sections of the Constitution such as the spending power * * * or §5 of the Fourteenth Amendment."[4] Nevertheless, *National League of Cities* appears to cast doubt on the extent to which the Federal Government, acting through conditions on Federal grants under authority of the spending power, constitutionally can intrude into areas traditionally governed exclusively by State and local governments.

To date the Supreme Court has not issued a written opinion in which it considered applying the *National League of Cities* test to a spending power program. However, in two cases the Court has summarily upheld or refused to review Federal requirements in the forms of conditions on Federal grants which required States in some cases to make fundamental changes in the way they carry out activities which appear to be essential. *North Carolina ex. rel Morrow* v. *Califano*, 435 U.S. 962 (1978); *Florida Department of Health and Rehabilitative Services* v. *Califano*, 449 F. Supp. 274 (N.D. Fla. 1978), *aff'd.*, 585 F. 2d 150 (5th Cir. 1978), *cert. denied*, 47 U.S.L.W. 3715, May 1, 1979.

The *North Carolina* case involved a Federal grant program's requirement that a State have a certificate-of-need program to qualify for Federal Health Planning and Resources Development Act assistance. The North Carolina Supreme Court construed the North Carolina Constitution to forbid the use of such a certificate-of-need mechanism. Even though North Carolina stood to lose $50 million in Federal funds for noncompliance, the Federal District Court that initially heard the case ruled:

> "Simply because one state, by some oddity of its Constitution may be prohibited from compliance is not sufficient ground, though, to invalidate a condition which is legitimately related to a national interest sought to be achieved by a Federal appropriation and which does not operate adversely to the rights of the other states to comply." 445 F. Supp. 532, 535 (E.D.N.C. 1977).

In the *Florida* case, the State had consolidated its administration to more efficiently deliver benefit and service programs, some of which were federally assisted. The Rehabilitation Act of 1973, however, required each recipient of Federal assistance under the act to maintain a discrete organizational unit within the State's governmental structure. The District Court that initially heard the case found the grant condition did not constitute an invalid encroachment upon Florida in derogation of the Tenth Amendment. The Supreme Court refused to review the lower court decision. The holding effectively requires Florida to revamp its organizational structure to remain eligible for these Federal funds.

Currently, another case of the same magnitude of the *National League of Cities* litigation is working its way through the Federal courts. *County of Los Angeles* v. *Marshall* (No. 77-2138) was argued before the United States Court of Appeals for the District of Columbia Circuit on February 14, 1979. Regardless of the outcome, the case will most likely reach the Supreme Court. The Federal Unemployment Compensation Amendments of 1976 have been challenged by 1,431 plaintiffs. The amendments give Congress the authority to require that all States and local governments, as a condition of continued participation in the Federal-State unemployment compensation program, finance unemployment compensation benefits according to a uniform Federal standard. The amendments, in effect, require the States and local governments to tax themselves to meet the Federal standards. Should a State fail to conform to the Federal law, the Internal Revenue Service is authorized to enforce the collection of a five-fold increase in the Federal unemployment payroll tax paid by private employers in noncomplying States.

The mechanism is Machiavellian: under current law it is legal. If the *National League of Cities* test is extended to apply in the grants area, the mechanism would be struck down as an impermissible violation of

[4] 426 U.S. at 852 n. 17.

the Tenth Amendment inasmuch as the Congress has acted to regulate the States through the spending powers in a way that the Court has ruled it cannot under the Commerce Clause.[5]

It has been suggested that the Federal judiciary "should not decide constitutional questions respecting the ultimate power of the national government vis-a-vis the states; the constitutional issue whether federal action is beyond the power and thus violates states' rights should be treated as nonjusticiable, with final resolution left to the political branches."[6] It is very difficult for a governmental grantee to present a persuasive case to the courts that a grant condition or grant characteristic significantly displaces its freedom to carry out its essential functions. The facts are rarely readily available to support such a case and, even if they are, a grantee must still have a justiciable case. Even if a court does consider a case on its merits, sometimes it takes years to obtain a final decision. For example, the *Los Angeles* case is a complaint against a 1976 statute. An appeal to the Supreme Court probably will not be filed until late 1979 or early 1980, once the Court of Appeals hands down a decision.

One possible alternative to the courts is the establishment of a nonjudicial forum or several forums which could be located in either the executive or legislative branch or established as an independent agency. The forum would not replace the courts or deny a State access to them but would provide a mechanism for the orderly resolution of federalism issues which tend to be more political than legal in nature. Indeed, the courts' disposition of the *North Carolina* and *Florida* cases strongly suggests that the judiciary wants to remove itself from deciding these issues. The courts' actions, however, serve only to underscore the need for a viable mechanism to air federalism issues.

Federal grant programs are considered to be cooperative efforts, because a grantee's participation is purely voluntary. Yet, the dependency of the States on the Federal dollar is manifest. Grant outlays for fiscal year 1979 are estimated to be $85 billion which comprise over one-fourth of total State and local expenditures. The figure approaches one-third for the Nation's larger cities. While it is true that a State can choose not to accept the Federal grant dollar,[7] this avenue is seldom politically expedient since it could lead to wholesale reductions in essential or other governmental services or force an increase in State and local tax rates if Federal funds were withdrawn. In this vein, although admittedly grants are Federal funds because they flow from the U.S. Treasury, it should be remembered that they are gathered from constituencies of State and local governments. Accordingly, the grant dollar is everyone's dollar to some extent rather than just the Federal dollar.

While it is true as a matter of law that many grant requirements serve legitimate Federal needs and should be attached to a grant instrument as a condition for receipt of Federal assistance, it is equally true as a matter of wisdom that grantees should not be forced into a "take it or leave it" position when making a decision concerning accepting Federal assistance. Yet, that is precisely the situation in which grantees, especially governmental grantees, now find themselves. At least a nongovernmental grantee can turn to the courts in some limited instances for Constitutional Due Process protection,[8] but a governmental grantee is generally not considered a "person" within the context of the Fifth Amendment Due Process Clause. Therefore State and local governments are generally unable to avail themselves of procedural or substantive due process protection under the Fifth or Fourteenth Amendments.[9]

A recently published article by Paul L. Posner and this author, "A Crisis in the Fiscal Commons: The Impact of Federal Expenditures on State and Local Governments,"[10] explored some of the matters that a forum

[5] In an attempt to impose Federal standards on State and local governments without running afoul of the *National League of Cities* holding, Congress has attempted to base such "regulation" on the spending power. In addition to the Unemployment Compensation Amendments of 1976 discussed above, the 96th Congress is considering the feasibility of establishing Federal standards for State and local employee retirement systems.

[6] Choper, *The Scope of National Power Vis-a-Vis the States: The Dispensability of Judicial Review*, 86 Yale L.J. 1552, 1557 (1977).

[7] However, in *Angell* v. *Zissman*, No. H-79-229 (D. Conn. Filed May 11, 1979), the District Court granted a temporary restraining order that required the State grantee not to withdraw its grant application. If this temporary ruling is upheld in the form of a final decision its impact will be highly significant when read together with the *North Carolina* case, inasmuch as a grantee could be forced to apply for and receive Federal assistance and then be forced to change its Constitution or restructure its bureaucratic structure to fall into compliance with the grant's terms and conditions.

[8] *See, e.g.*, Southern Mut. Help Ass'n, Inc. v. Califano, 574 F. 2d 518 (D.C. Cir. 1978).

[9] Wallick & Montalto, *Rights and Remedies under Grant-Type Assistance Programs*, 46 GEO. WASH. U. L. Rev. 159, 184 n. 145 (1978).

[10] 10 Pub. Cont. L. J. 341 (1978).

of the type suggested here should review aside from the type of issues litigated in the above cases. As an example, a forum of the type suggested could review the categorical grant system—narrow purpose grants which allow the grantee little administrative discretion as opposed to block grants or general revenue sharing which allow the grantee to use more discretion in the manner in which grant funds are spent. Categorical grants comprise roughly three-fourths of the grant dollar going to State and local governments. When viewed in the aggregate, the categorical grant system has a number of undesirable effects on State and local governments. A reviewing forum could examine such issues as the following:

—The extent to which control of the accountability of State and local central managers to their chief executives is weakened by highly structured Federal requirements.

—Management problems that arise when a grantee attempts to package the variety of disparate, narrow purpose grant programs in its portfolio into a coordinated program to deal with a State or local problem.

—State and local governmental priorities that are distorted due to enticement into Federally-funded programs with marginal State or local interest.

—State and local funds which are directed into Federal program areas to take advantage of programs that match local dollars with Federal dollars resulting in the grantees oftentimes slighting or ignoring basic services such as police, fire, and sanitation which are not eligible for Federal grants.

—The extent to which maintenance of effort provisions (that ensure State and local governments do not substitute Federal funds for their own by requiring a grantee to maintain a fixed level of prior spending for the Federal program) create budgetary inflexibility and result in higher costs.

The issues listed above do not represent the type of clearly focused cases or controversies that a court is likely to entertain. Yet they are real concerns to governmental grantees and warrant considered attention by objective decisionmakers authorized to fashion an effective remedy.

Perhaps in recognition of the problems discussed above, two Federal agencies, the Environmental Protection Agency and the Department of Energy, recently announced their intent to establish assistance appeals boards whose functions include hearing and deciding matters concerning the award and administration of grants. This is a significant development especially for grantees who previously have been unable to present grantor-grantee issues to an objective decisionmaker. However, no steps have yet been taken on the part of the Congress or the Executive Branch to establish a forum empowered to hear, decide, and fashion an effective remedy concerning federalism issues bearing on the entire Federal-State-local assistance system.

The Advisory Commission on Intergovernmental Relations has suggested that the Office of Management and Budget (OMB) be responsible for resolving disputes between grant administrators and grantees over program management concerns and that OMB serve as a focal point for hearing grantees' problems that relate to more than one grant program.[11] These and other matters are currently being considered by OMB.[12] In particular, OMB recently issued draft working papers of its comprehensive study of assistance programs for public comment and in them suggests the creation of an Office of Federal Assistance Management which would have the authority to issue assistance regulations and to make substantive decisions in the case of interagency conflicts over guidance to grantees. Further, this body would be authorized to resolve disputes which might arise among Federal agencies and Federal assistance recipients.

In conclusion, it is evident that the trend in resolving issues that bear on notions of federalism should be to look away from the courts. The courts, of course, do serve an important and useful function by establishing the outer boundaries of the law. But the courts inherently do not have the authority or capacity to consider the social, economic, and political concerns which any tribunal that might attempt to play a vital role in the

[11] Advisory Commission on Intergovernmental Relations, *Streamlining Federal Assistance* (1978).

[12] OMB is presently undertaking a study of the Federal assistance system pursuant to section 8 of the Federal Grant and Cooperative Agreement Act of 1977, Pub. L. No. 95-224, 92 Stat. 3.

structuring of a Federal assistance program must weigh when deciding questions of Federal encroachment on "States' rights." By establishing a nonjudicial forum that is authorized to consider these factors in deciding questions of federalism, Congress could do much towards lending an aura of objectivity and order to the amorphous universe of Federal assistance to State and local governments.

There is grim irony in speaking of the freedom of contract of those who, because of their economic necessities, give their service for less than is needful to keep body and soul together.

—*Morehead* v. *N.Y. ex rel. Tipaldo,* 298 U.S. 587, 632 (1936) (Stone, J.).

NOTES

SPECIAL STUDIES AND ANALYSIS REORGANIZATION

721278

Henry R. Wray[1]

Effective September 4, 1979, Dick Pierson and I implemented a reorganization for the Special Studies and Analysis (SSA) Section which should enhance our delivery of legal services to the audit divisions. This article explains our new structure and the major reasons for it.

New Organization

Before the reorganization, all audit division assignments and most other SSA responsibilities were divided among three subgroups within the Section, each headed by a senior attorney. SSA staff attorneys were assigned to one of the senior attorney groups. We have kept these three groups, but each now has fewer divisions and staff attorneys. We placed all other SSA responsibilities and attorneys in a new group directly under my supervision.

Senior Attorney groups. The three groups are headed by senior attorneys Rob Evers, Bob Hunter, and Gerry Rubar. They retain certain divisions, functions, and staff attorneys previously assigned to them. The new makeup of the three groups is as follows:

Senior Attorney: Rob Evers

Responsibilities:	PSAD
	ID
	Bob Parker
	Dayna Shah

Senior Attorney: Bob Hunter

Responsibilities:	HRD
	FGMSD
Attorneys:	Nancy Finley
	Ray Wyrsch

Senior Attorney: Gerry Rubar

Responsibilities:	CEDD
	Lobbying
	Legislation
Attorneys:	Bob Crystal
	Gary Kepplinger

Assistant General Counsel's group. This new group handles the remaining SSA responsibilities and consists of attorneys not assigned to one of the senior attorney groups. Within the group, Dick Kasdan is responsible for EMD, and Ken Mead handles GGD (except for its tax and banking work). Two senior attorneys in the group serve as the initial SSA contact point for other divisions and offices as follows:

> Alan Goldberg: Claims Division, FPCD and PAD.
>
> Ralph Lotkin: LCD and assistance to the Office of Policy on requests for access to GAO records.

For the time being, I will serve as the direct contact for FOD and the regional offices, the Office of Policy generally, General Services & Controller, and GGD work in the areas of tax and banking.

The other attorneys in this group are: Tom Armstrong, Suzanne Fishell, Ernie Jackson, Jeff Jacobsen, Andrea Kole, Jessica Laverty, Karen Maris, and Doreen Stolzenberg. These attorneys are not formally tied to specific divisions or other functions, except that Jeff Jacobsen is taking on the Impoundment Control Act function previously handled by Ralph Lotkin.

Purposes of the Reorganization

The reorganization has three basic objectives: to enable us to work more closely with major "client" divisions, to increase our flexibility in handling work for all divisions, and to facilitate the development of attorneys within SSA.

Serving major client divisions. Based on our experience in recent years, we can fairly confidently predict that five audit divisions—CEDD, EMD, GGD, HRD, and PSAD will each occupy 2 or more full staff years of SSA attorney time. The same divisions also tend to have the most "legally intensive" projects, requiring long-term and frequently ongoing legal support. Therefore, we have in a sense "targeted" these five divisions as part of our reorganization. Each division now has one upper level SSA attorney whose primary or exclusive responsibility is to work with that

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division. These attorneys will serve as the focal point for their division's requests for SSA assistance. They will handle some of the division projects directly and monitor the provision of assistance for the other projects. In addition, they will be expected to keep a current perspective on the division's work as a whole, and to regularly consult with the division on how best to integrate legal services, through participation in planning sessions and ongoing contacts with key division officials.

There is nothing dramatically new in this approach; our senior attorneys have traditionally pursued close working relationships of this kind. The difference is that reducing the number of divisions assigned to each senior attorney enables them to concentrate more heavily on these working relationships. Also, with respect to the senior attorney groups, the staff members assigned to each senior attorney are generally experienced SSA attorneys who have already developed firm working relationships with the divisions they will continue to serve. We expect them to carry out their projects without the need for substantial supervision by the senior attorneys. In sum, the senior attorneys have much more time to devote to planning and facilitating the delivery of legal services.

Flexibility. The SSA workload fluctuates a good deal in terms of the mix of division requests and the level of effort required by individual requests at any given time. As noted above, we can anticipate *minimum* long-term needs of certain divisions. However, consistent long-term demand levels are less predictable for many other divisions. Perhaps more important, it is very difficult to gauge with any precision our short-term work requirements for any division. This is particularly true in the case of "crash" projects which are "due yesterday." We can be sure that they will arise frequently, but we can't predict when or from where they will come.

The reorganization takes these variables into account by maintaining a number of attorneys who are not limited to the work of any particular division or divisions. These attorneys provide the primary resource for audit divisions that are not assigned to a senior attorney group, thus helping us meet the demands of such divisions as they arise. These attorneys are also available as a backup resource for divisions assigned to a senior attorney group. They will be called upon when the demands of such a division exceed the senior attorney's own resources (as they almost certainly will). Flexibility is the primary consideration here. While the attorneys generally have no formal ties to particular divisions, we expect that ongoing working relationships between the attorneys and divisions (or parts of divisions) will evolve. In fact, formal assignments of attorneys to additional divisions may be made if warranted by the workload.

Staff development. The single most important factor in SSA's efforts to provide legal support to the divisions is the "on line" performance of individual staff attorneys. Our staff consists of a blend of experienced and relatively new lawyers. Most of the newer lawyers are assigned to my group. We believe that the variety of assignments given to these attorneys under the reorganization will benefit them in exploring subject area interests, gaining experience in different situations, and arriving at a work style that best suits them. Having these attorneys work directly under the Assistant General Counsel should also enhance our ability to evaluate their progress and assist their development. Likewise, the reorganization offers greater opportunities for upper level SSA attorneys to assume more responsibilities and gain managerial experience.

* * * * *

We will monitor the new system closely in the coming months and look forward to any reactions or suggestions that you may have.

... lawyers better remember they are human beings, and a human being who hasn't his periods of doubts and distresses and disappointments must be a cabbage, not a human being.
— Harvard Law School, Occasional Pamphlet No. 3 11 (1960).

GAO ON THE MOVE
HINTS WHEN MOVING YOUR HOUSEHOLD GOODS

Scott D. Feinstein[1]

When GAO employees move at the Government's expense and some of their household goods are lost or damaged by a carrier, what can they do? They can file a claim with GAO following GAO's procedures as authorized by the Military Personnel and Civilian Employees' Claims Act of 1964.[2] *This article answers questions about those procedures, and provides other tips on moving.*

Are there any documents that I should prepare for my own records prior to moving?

You should make a detailed list of everything that the carrier will be moving to your new address. If possible, have the carrier's driver sign it when the goods are loaded on the truck. At destination, this list will help identify any missing items. The list will supplement the inventory prepared by the carrier's driver to show the condition of your goods when picked up at origin.

Should the carrier move all of my belongings to my new address?

You should move any fragile items yourself so that you can insure their safe arrival. You should also take your jewelry, stamp or coin collections, or anything else of great value that could not easily be replaced if lost or damaged. It's a good idea to have any antiques appraised.

Should I take out insurance on my household goods?

First, if you have a homeowner's policy, check to see if it includes insurance of your household goods while they are in transit. If not, you should carry extra insurance with a $15,000 deductible since the maximum amount allowed under the Military Personnel and Civilian Employees' Claims Act of 1964 is $15,000. With today's rate of inflation, it might cost much more to replace your belongings.

What is the carrier's liability for my household goods?

The liability of household goods van carriers and freight forwarders engaged in interstate transportation of uncrated household goods generally is limited to 60 cents per pound per article unless you pay a valuation charge (when GAO moves your household goods they automatically are released at a valuation of 60 cents per pound per article). If you wish to be paid the full value for any lost or damaged items, you must declare a lump sum value (which must be at least $1.25 times the number of pounds in your shipment) and pay a valuation charge of 50 cents for each $100 of declared value. You must personally fill in and sign that portion of the carrier's commercial bill of lading covering valuation provisions. If this space is left blank, your shipment will automatically be subject to a valuation equal to $1.25 times its weight in pounds. You are responsible for paying the valuation charge.

What happens at destination?

The carrier is not required to make delivery on any exact date, but only within a reasonable time after loading. If the mover cannot meet the agreed delivery date, it must notify you and set a new delivery schedule. When the goods are delivered, you should carefully examine the condition of the furniture and other unpacked or uncrated articles to determine any change in the condition of the articles from the time they were picked up at origin. Do not sign any delivery papers until unloading is completed.

What do I do about loss and damage?

Do not refuse to sign the bill of lading or delivery receipt because of loss and damage. Instead, make an appropriate notation on the mover's inventory or on any other document you may be asked to sign detailing the exact nature of the loss or damage. Ask the driver to countersign the notation and be sure to retain a copy of the documents on which the exceptions have been noted.

What should I do then?

First, contact the agent of the delivering carrier and request that claim forms be furnished to you. Ask the agent to send a representative to inspect the damaged articles and to acknowledge, in writing, the damage as well as any lost or missing articles. Do not discard damaged property or have it repaired before it is

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[2] 31 U.S.C. §§240-43 (1976).

inspected. You should then file a claim with the carrier. The carrier is required by the Interstate Commerce Commission to acknowledge your claim within 30 calendar days from the time of its receipt. He must pay, decline, or offer a compromise settlement of your claim within 120 days after its receipt unless there are reasons beyond his control which prevent final settlement.

Second, you should also file a claim with GAO. You must submit GAO Form 287 before the claim may be considered for settlement. You should include a written estimate for repairs over $100, all paid bills of repair, a copy of orders authorizing transportation, the bill of lading and inventory of property shipped, an indication of action taken by you to locate missing property, and a copy of the delivery receipt which shows the loss or damage at time of delivery.

After the Office of Budget and Financial Management (OBFM) receives the completed GAO Form 287 (with accompanying evidence), an auditor will examine the file and determine the amount of loss or damage to property by computing the actual loss or damage for each item on the claim. The sum of the individual items is the total as determined by GAO. Upon approval of a claim against GAO by OBFM, GAO will pay you regardless of whether your claim against the carrier has been paid. You, in turn, assign to GAO, to the extent of any paymnt GAO makes to you, all your right, title, and interest in any claim you have filed against the carrier. GAO will then pursue the claim on your behalf. Once you have filed a completed GAO Form 287 with the accompanying evidence, you can get a check within 2 weeks.

What if I discover the damage later?

Contact the agent of the delivering carrier and furnish a list of the damage with an explanation of why it was not discovered at delivery. Also furnish GAO a copy of this list. There is a 2-year time limit for filing a claim with GAO, so to preserve your rights, it is important to notify the carrier and GAO of any later discovered loss or damage.

Who should I contact if I have any questions?

If you are planning a move and have any questions, contact Scott Feinstein at 275-5212.

There is an old story of blind men trying to describe an elephant. One felt the elephant's leg and declared that the creature was like a tree, another felt the enourmous side and said the elephant was like a wall, while a third, feeling the tail, was positive the animal was like a rope. Each man had a notion of reality that was limited by the number and kind of attributes he had perceived.
—MINNICK, WAYNE C., THE ART OF PERSUASION 98 (1957).

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FEDERAL RESERVE BOARD EXCLUDED FROM THE SENIOR EXECUTIVE SERVICE

While this issue of the Adviser *was being prepared, the Comptroller General issued a decision which held that the Federal Reserve Board was excluded from the Senior Executive Service (SES). After reading the SES article,[1] the following casenote should provide you with a better understanding of the scope of SES.*

One of the many difficult questions faced by the Office of Personnel Management (OPM) in implementing the Senior Executive Service was whether the provisions applied to the Board of Governors of the Federal Reserve System. Since Congress did not expressly exclude the Federal Reserve Board from SES, OPM concluded that the Board was included. The Board, however, had different ideas. It had been outside the jurisdiction of the Civil Service Commission and had run its own personnel operation ever since the enactment of the Federal Reserve Act ~~of 1913~~.[2] In fact, the Board's independence was strengthened by Congress in the Banking Act of 1933.[3] Because of its traditional independence, the Board did not even consider it necessary to ask Congress to expressly exclude its officials from SES. The Board strongly objected to being included in SES on the ground that the Congress had not given any indication of intent to change the Board's statutory exemption from the civil service system.

Because of this impasse, and because the Board was adamant and threatened to go to the White House to fight OPM, the General Counsel of OPM requested a ruling on the matter from GAO.

The case presented a dilemma. On one hand there was the obviously broad coverage of the Reform Act, and on the other hand there was the traditional independence of the Federal Reserve Board from the civil service system. Had the Congress expressed any intent as to the Board's status the decision would have been easy. Since the Board had not asked for an exclusion, however, the matter had not been brought to the attention of Congress.

The Comptroller General, on July 30, 1979, decided that the Federal Reserve Board is excluded from SES.[4] The decision held that the specific provisions of the Federal Reserve Act, as amended, which exempted the Board from civil service laws and regulations, had to be given priority over the general provisions of the Civil Service Reform Act in the absence of a clear indication that Congress intended otherwise.

A crucial factor in the decision was the history of events that occurred in 1940-41 when the Ramspeck Act[5] threatened to undermine the Board's independence. The Ramspeck Act authorized the President to place all exempt positions in the competitive service. Then, as now, the Federal Reserve Board did not want its personnel system to be under civil service laws and regulations and it went to the President.

President Roosevelt agreed with the Board and wrote the Civil Service Commission on December 27, 1940, that it was not his intention to exercise his authority under the Ramspeck Act to place the Board's employees under the classified civil service or the Classification Act of 1923, as amended. The President found that it would be undesirable for the Board's employees to be placed in a different status from those of the Federal Reserve Banks and their branches, and he also relied on the fact that the salaries of the Board's employees are paid from funds derived from assessments on Federal Reserve Banks and not from appropriations by Congress. The Civil Service Commission, by reply letter of January 3, 1941, advised the President that it would be guided by his intention to exclude the Board's employees from the Civil Service Act and the Classification Act.

We found this history to be persuasive in view of the absence of any express intent by Congress to place the Board within SES. At the same time we recognized the broad scope of SES and we certainly did not intend to open the door to widespread exemptions from SES. We doubt whether any other agency could make the same showing of independence as made by the Federal Reserve Board. And, as a practical matter, the overwhelming acceptance of SES conversion by the incumbent Federal executives makes it unlikely that other agencies will ask us to be taken out.

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[1] Higgins, *"The Senior Executive Service: Bold Experiment in Managing the Government"* in this issue of *The Adviser.*

[2] 12 U.S.C. §248 (1) (1976).

[3] 12 U.S.C. § 244 (1976).

[4] *Matter of Federal Reserve Board—Applicability of Senior Executive Service,* B-195418.

[5] Pub. L. No. 76-880, 54 Stat. 1211 (1940).

PREVIOUSLY PUBLISHED MATERIALS

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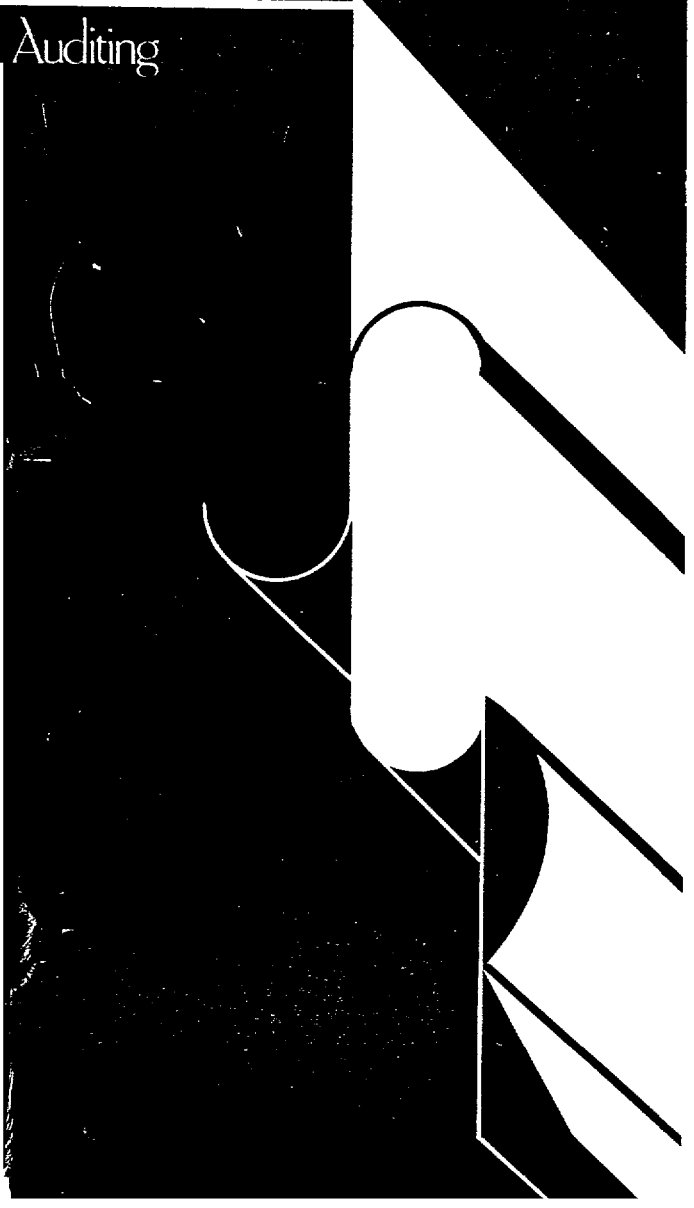
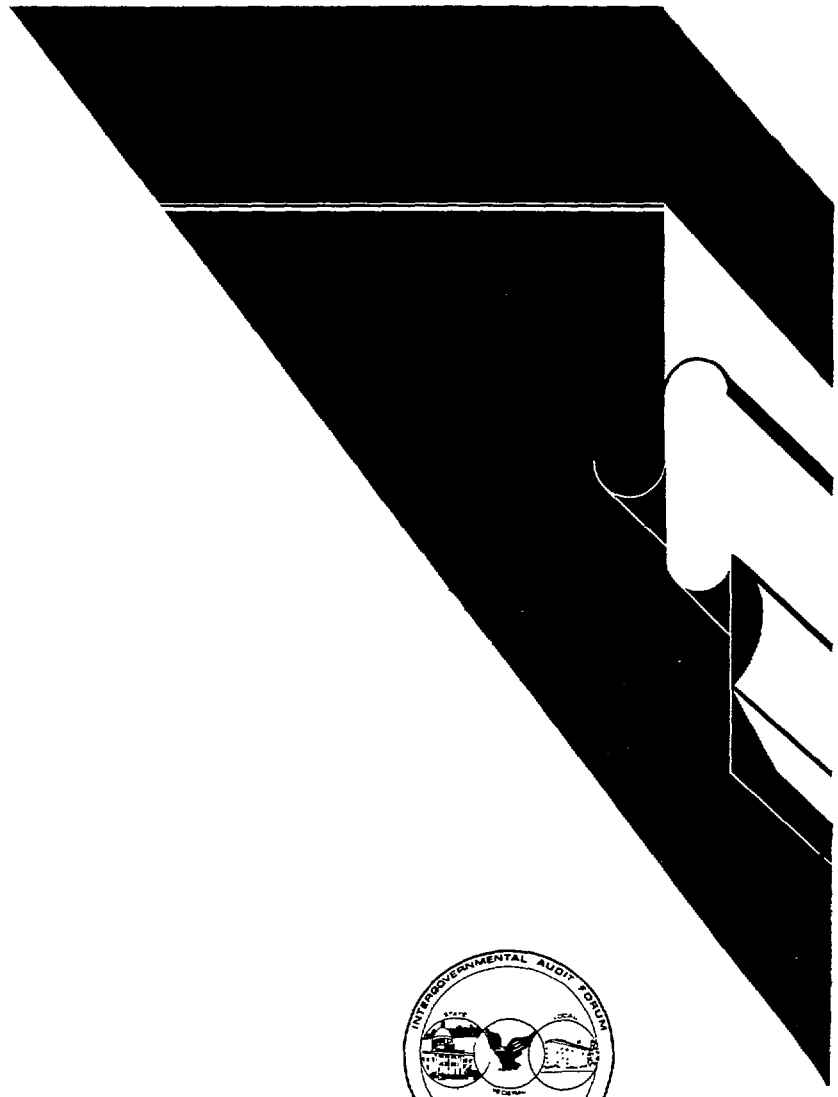
ntergovernmental Audit Forums–Joint Conference Report

And Effective Governmental Auditing



Intergovernmental Audit Forums–Joint Conference Report

More Efficient And Effective Governmental Auditing



"The forums are***a real intergovernmental relations success story***of what can be accomplished through intergovernmental cooperation."

COMPTROLLER GENERAL
OF THE UNITED STATES

CONTENTS

INTRODUCTION

Since 1974, 11 intergovernmental audit forums have served as a meeting ground for audit officials from the 3 levels of government—Federal, State, and local. Objectives of the forums, which consist of the National Forum and 10 regional forums, are to exchange views, resolve issues before they become problems, promote the acceptance and use of "Standards for Audit of Governmental Organizations, Programs, Activities & Functions," and generally promote coordination and cooperation between the members and their audit organizations.

Early in the formation of the forums, Elmer B. Staats, Comptroller General of the United States, recognized the value of exchanging ideas not only within the individual forums but also between the members of all the forums. He suggested that periodic joint meetings be held to discuss important timely matters affecting the audit community.

This meeting was the third biennial joint meeting of the forums.

The first was held in January 1976 to discuss major audit issues. "Initiatives for Improving Governmental Audits" was published to cover the conference's proceedings. In addition, many projects were initiated to improve government auditing and a system of status reporting on forum projects was begun.

In April 1978, the second joint conference was held to discuss issues such as the development of audit guides, quality reviews of audit organizations, the relationship of audit to the prevention and detection of fraud and abuse, and the progress and future role of the forums.

In each previous joint conference all attendees were scheduled to participate in discussions of each of several selected topics. But at its meeting in November 1979, the planning committee for the 1980 conference decided that more topics (17 in all) should be discussed and that participants should choose the workshops they wished to attend.

For the 1980 joint conference, discussion leaders for the several sessions included not only Federal, State, and local auditors, but also representatives from the public accounting profession, two Inspectors General, and program officials. We were indeed fortunate to have so many well-qualified individuals devote their time and expertise to leading discussions.

To encourage the exchange of ideas by scheduling two or more sessions on several of the topics, the number of participants in the individual workshops was limited to 30 to 35.

The keynote speaker, Kathryn Whitmire, City Controller of Houston, Texas, opened the conference by skillfully touching on the timely issues which were subsequently discussed in the workshops.

Comptroller General Staats closed the conference by stating his views on the important issues and challenging forum members to solve those remaining to be addressed.

This report summarizes the proceedings of the 1980 conference and will serve as a guide for future actions and projects for the forums.

As Mr. Staats said in his address, the increased emphasis on federally assisted programs means that auditors at all levels of government must work more closely together. The forum movement has played and will continue to play an important role in promoting such cooperation.

AUDITING FOR RESULTS

Address by Kathryn J. Whitmire, City Controller of Houston, Texas, Before the 1980 Joint Conference of the Intergovernmental Audit Forums, Dallas, Texas, April 23, 1980.

It is a privilege to address this Joint Conference of the Intergovernmental Audit Forums and to share some ideas with auditors who are interested in developing cooperation among audit groups in various levels of government. We in Houston have already benefited from this cooperative spirit between Federal and local government auditors when our internal audit staff conducted an audit with the General Accounting Office of Houston's public transportation system.

Houston initiated a new approach to public transportation in 1978 by creating an areawide transit authority—the Metropolitan Transit Authority. Public transit in Houston has been extemely controversial. The level of service did not meet the needs of our citizens, and no one really seemed to know why. The purpose of the audit was to identify reasons for the inadequate service and to make recommendations for improvement.

Based on this joint audit, GAO has produced a case study illustrating the benefits of expanded scope auditing in local government, thereby promoting the extension of audit services beyond financial and compliance matters into the operational areas of government.

During the course of the audit we were pleased to see actions taken by the Metropolitan Transit Authority to address operating problems pointed out by the auditors in the areas of bus maintenance and personnel management. We were also able to make elected officials and the public aware of the reasons why public transit has been inadequate.

Another benefit Houston received from the joint audit was an educational experience for our auditing staff. Experienced auditors from the GAO assisted us in learning to perform broadscope audits in order to offer sound recommendations for solving operational problems in our city. We were very pleased with the results of this cooperative auditing effort, which was initiated through the Southwest Intergovernmental Audit Forum.

AUDITING TO MEET POLITICAL GOALS

From my perspective as an elected official and as an auditor, I would like to discuss with you the role of auditors in meeting what I would call "political goals," i.e., goals pertaining to public policy. Often I find that career government employees don't want to talk much about politics and have been convinced that politicians are people they really don't want to deal with. But my experiences both inside and outside of government lead me to a different conclusion.

Through the years that I worked as an auditor with a national CPA firm my energies were primarily directed toward assuring a fair presentation of the financial position and results of operations of my corporate clients. During those same years I also directed a great deal of energy to an endeavor I considered to be primarily a hobby. My hobby was politics—and through my political activity I was working to make government more responsive to the public—or more particularly, to see that the best possible government service was provided for the minimum number of taxpayer dollars.

I suppose it was some years later that I recognized the degree of overlap between dual goals I had been pursuing—that the same analytical ability and investigative techniques used by CPAs in audits of clients in the private sector might be put to work by government auditing teams in order to achieve the government efficiency so many of us are pursuing through the political process.

Today the major issue facing every level of government is how to provide an adequate level of service to the public at the minimum possible cost to the taxpayer. I believe that this is the public policy goal to which we as auditors can make a significant contribution. We must learn how to turn the work of the government auditor into real government action which will address this issue. We cannot be satisfied with the production of impressive audit reports. Instead we must focus on preparing audit reports which will communicate sound recommendations in a way that is going to cause changes to be made. If we don't do this, we might as well not do anything. If we can't change public policy through the auditing process, it is my

opinion that we don't need to be engaged in the auditing process.

There are three areas to examine in addressing this issue. First, we need to set standards for the quality of audit work. Second, we must establish the appropriate scope and subject matter of our audits. Third, we must learn how to communicate the results of the audit.

STANDARDS FOR QUALITY OF AUDIT WORK

Quality of audit work can be judged by the relevance and significance of the findings an audit produces and the workability of the audit recommendations. In examining the quality of an audit report, you should first determine whether the findings noted by the auditors are relevant to the governmental entity being audited. Relevance can be measured in terms of the significance of the issues raised and the amount of potential savings involved. A relevant audit finding must provide an opportunity to improve the quality of government services or to reduce the cost of services being provided. A relevant finding must also be accompanied by a workable recommendation. Merely pointing out an operating problem will usually accomplish nothing unless the auditor can also recommend a solution which will be considered feasible by the management of the governmental entity being audited. Therefore, auditors must work cooperatively with government managers. To accomplish the goal of improving management of government, an auditor must be willing to listen to the problems of managers, suggest possible improvements, listen to the reasons why the auditor's recommendations won't work, and make appropriate modifications to those recommendations. Auditors and managers have to work together to come up with audit recommendations which are workable and which will be put into effect.

SCOPE AND SUBJECT MATTER OF AUDITS

Much attention has been focused recently on determining the appropriate scope and subject matter for audits undertaken at the local government level. I believe that auditors in the public sector are obligated to extend the scope of audit work beyond the financial arena. In the private sector, auditors can often focus on the integrity of financial data produced by the accounting system and the fair presentation of financial statements, because the measurement of performance in the private sector is profit, and all the auditor needs to determine is the reliability of the data used in determining profit. In government, however, the measures of performance are efficiency, economy, effectiveness, and results. The government auditor must answer the following questions: How efficiently and economically were the resources of government used? How effectively did we meet the goals established for our governmental programs? Were the established goals appropriate, and are the programs worthwhile? Are we spending the public's money wisely and are we getting our money's worth?

Since auditing resources are always limited, careful selection of subject matter for our audits will be important if we are to answer the questions enumerated above. Selection of an area of governmental operation for audit should be based on the potential for audit results. This potential may be indicated by the size and significance of the operating unit or by operating problems which have already become apparent. The first step in the audit should be a survey to identify the specific aspects of the operation which warrant a detailed audit because of potential cost savings to be identified or operating inefficiencies to be resolved. The materiality of potential savings must be evaluated against the cost of performing a detailed audit. If the audit team cannot identify during the survey phase a potential for the audit to produce savings in the cost of government or improvements in the quality of services, then no further audit effort should be invested.

COMMUNICATING AUDIT RESULTS

Communication of audit results is probably the most important issue for auditors to address today. An auditor cannot be content merely to say he has produced a quality product—he must be able to deliver that product to the person who can put it to use.

As auditors you may be able to find out where the dollars are being wasted, where governmental operations are inefficient, where resources are not being used economically, and which programs did not reach their goals. You may even have some good recommendations on how to streamline the operation, how to improve its cost effectiveness, and how to see that future goals are met. But unless you can communicate your audit findings and recommendations in terms that are meaningful and useful to those in authority, you won't be able to get anything done.

The job of the auditor will only benefit the taxpayers if you are able to spur on the bureaucracy to take the necessary steps which will reduce the cost of government and will produce better services at lower cost. All of the value of an audit can be lost if we fail in our efforts to communicate.

Not only must audit reports be meaningful and concise, but they must be directed to the right place within the power structure. In order to identify the right authority who can and will take action on audit recommendations, the auditor must analyze the politics of the entity being audited. You must find out who is really making the decisions and then determine how you can best motivate these decisionmakers to take the necessary steps to put your audit results to work. To motivate these authorities, you will need an audit report which is concise and to the point, which identifies the problem, provides adequate facts to support its conclusions, and points out solutions which will be considered workable by administrators and policymakers.

In communicating audit results, every auditor must have an understanding of the goals and objectives that his superiors have set for the audit effort. The results of each audit should contribute toward the accomplishment of these goals. In Houston, we have identified as our goal the streamlining of the bureaucracy to provide better city services at minimum cost. The results of each audit are then judged against this standard.

Regardless of the specific goals established, auditors must not be in the business of producing *reports*—we must be in the business of producing *results*. We can only make our efforts worthwhile if we identify those results and aim at producing reports which will bring results that are of real benefit to the taxpayers we serve.

THE SINGLE AUDIT CONCEPT

INTRODUCTION

Every year, billions of Federal assistance dollars flow to State and local governments, universities, and nonprofit organizations. These funds come from various Federal agencies and are administered by State and local agencies.

These funds may be audited by Federal, State or local government auditors or by public accounting firms. However, in many instances required audits have not been made. Also, through lack of coordination, individual grantees have received duplicate, overlapping audits by Federal, State, or local auditors.

Several recent letters and reports have pointed out the problems in auditing Federal assistance money. In a September 1977 letter, President Jimmy Carter stated that audit coordination must be improved to eliminate duplication and wasteful efforts. The Joint Financial Management Improvement Program's "Report on Audit of Federally Assisted Programs: A New Emphasis" and a June 1979 report by GAO, "Grant Auditing: A Maze of Inconsistency, Gaps, and Duplication That Needs Overhauling," highlighted many audit problems and suggested improvements. These reports recommended that a single audit be performed on all grant funds rather than grant-by-grant audits. Earlier reports dating back to 1969 made similar recommendations, but not much was done. As a result of the June 1979 GAO report, Congressman Jack Brooks' Committee on Government Operations conducted hearings and issued its report, "Failure to Provide Effective Audits of Federal Grants." The Committee agreed that the single audit concept should be implemented and that the Office of Management and Budget (OMB), through its policy circulars, should provide the leadership and direction needed.

WORKSHOP DISCUSSIONS

Each of the three workshops started with a discussion of policies, procedures, and actions taken to implement the concept. Then other speakers and the audience discussed their concerns about implementing it.

Implementation of the concept

OMB issued attachment P, a revision to Circular A–102 on October 22, 1979, which directed Federal agencies to improve audit coordination and to increase their reliance on audits by State or local governments. The revision set forth the audit requirements for grantees receiving Federal assistance funds. It provided for independent audits of financial operations, including compliance with Federal laws and regulations. The requirements were established to ensure that audits are made on an organizationwide basis rather than a grant-by-grant basis. Further requirements in attachment P follow:

- Audits must be made at least every 2 years.
- Federal agencies should rely on recipient audits, but there is no limit on Federal authority to make audits.
- Federal agencies may use their own procedures to arrange for audits.
- Audits must be made in accordance with GAO standards, a standard financial audit guide, OMB compliance supplements, and generally accepted auditing standards.
- Audit tests must be made from the universe of all grants and must include all material cost categories.
- Irregularities found during audits must be reported to the cognizant audit agency and the recipient management agency.
- Audit reports must state various things, such as the audit period, programs funded, an opinion on financial statements, comments on compliance, system irregularities found, and corrective action taken or planned.
- OMB will designate cognizant audit agencies.
- Cognizant audit agencies will assure audits are timely and reports are disseminated properly, as well as provide technical assistance.

After issuing attachment P, OMB proceeded to implement the single audit concept. Four major documents were considered necessary to do this:

- A financial audit guide for all the Federal assistance programs.
- A list of cognizant Federal agencies for State governments.
- A list of cognizant Federal agencies for local governments.
- A compliance audit supplement for the standard financial audit guide.

The first two documents have been issued. OMB and GAO jointly issued the audit guide, the "red book," in February 1980. OMB listed the cognizant Federal agencies for State governments in the April 17, 1980, "Federal Register." The last two documents will require more time. Since an organization for local governments similar to the Council of State Governments does not exist, it will be harder to complete cognizant agency as-

signments for local governments. Similarly, the compliance factors will take time to develop for the 497 Federal assistance programs. OMB has decided to first develop features for the 56 major programs which represent about 90 percent of the Federal assistance funds to State and local governments. An exposure draft was published in the "Federal Register" on August 18, 1980.

Concerns about the concept

There was overwhelming support for the concept. Major benefits can be realized, including fewer but more efficient audits and less disruption of grantee operations. Although many participants expressed concern about the concept, it was agreed that some very practical problems existed, but that Federal, State, and local auditors will be able to solve them. The unanimous consensus was that the single audit's time had come. The following questions were answered by the participants:

1. *Q. What is an entity?*
   A. This is being established on a case-by-case basis. In some cases, a State may be the entity when it has a centralized accounting system. In most States the individual State agencies will be the entities.

2. *Q. What are the major compliance factors?*
   A. These are being worked on. Compliance factors will be established for 56 programs which represent 90 percent of the Federal assistance funds to State and local governments. They are essentially the major factors that affect the dollars, such as eligibility of beneficiaries and matching funds.

3. *Q. What is the audit period?*
   A. Annually, but at least once each 2 years. If the audit is made every 2 years, both years must be covered.

4. *Q. Can a grantor agency have a single grant audited?*
   A. Yes, but not as the audit required by A–102. It would have to be a separate audit and would have to be paid for by the grantor agency.

5. *Q. Who receives Federal grant funds?*
   A. Much of the information is unknown. There is no central location where the information can be obtained at this time.

6. *Q. Who arranges for audits—recipients or Federal agencies?*
   A. The recipients arrange for the audits or follow the laws which dictate who arranges for audits. Attachment P states that the recipients may use their own procedures to obtain audit coverage.

7. *Q. Can an audit agency do additional audit work at a recipient organization?*
   A. Yes. After a single financial and compliance audit is finished, followup may be necessary. But the additional work should take advantage of the work already done. Additionally, other types of audits may be made, such as economy and efficiency or program results audits.

8. *Q. We are on a 3- to 4-year audit cycle depending on the parts of government we are assigned to. We do not report in anywhere near the level of detail that the "red book" calls for. What's the level of reporting required?*
   A. We assume you are now on a 2-year cycle in accordance with attachment P. Concerning the level of reporting required, the statements in the audit guide show how a comprehensive set of financial statements can be constructed. However, they serve as a guide only, and the audit report should contain such financial statements as the grantee prepared, a schedule of the various programs and amounts of Federal funds received, and a schedule of questioned costs.

9. *Q. Who is going to revise the OMB/GAO audit guide?*
   A. After there has been sufficient time to evaluate the guide, any revision should be a joint GAO/OMB effort.

10. *Q. Is the Federal Government going to pay for the level of auditing required in the single audit concept?*
    A. The cost allocation method outlined in Federal Management Circular (FMC) 74–4 states audit is an allowable cost and the cost should be included in the overhead rate.

11. *Q. Why are we fully implementing the single audit concept before a complete plan is ready?*
    A. It is not clear what is meant by a "complete policy plan." In the opinion of OMB, the single audit concept is the most logical one to audit federally assisted programs, and the administration's policy is to implement the concept as fast as possible. OMB recognizes that agencies might encounter problems, but such problems should be addressed as they arise.

12. *Q. How can auditors perform single audits when not all cognizant agencies have been selected and the compliance factors of the many assistance programs have not been published?*
    A. The concept will take a long time to implement and won't be implemented perfectly. OMB will not say any audit organization did the single audit wrong for a particular grantee. But OMB will work with any organization wanting to do a single audit. This includes furnishing compliance factors which have been established and helping to select the cognizant agency. To make the single audit work, auditors need to get on with the process.

13. *Q. How does the single audit concept affect the audit work of minority certified public accounting (CPA) firms?*
    A. The Federal Government supports minority firms. There is no intent that minority firms will lose out in doing single audits. There are many levels of audit, i.e., major agencies and subgrantee levels. The single audit impact is unknown with regard to minority CPA firms. OMB will monitor implementation to assure there is no adverse effect.

14. *Q. Does the grant closeout requirement remain under the single audit concept?*

A. Grants can be closed out by a single audit and single report unless an agency has arranged for a special audit of a grant. However, the agency should have a good reason for arranging a special audit. One reason may be that a grantee has management problems.

15. *Q. What if audits are not done?*

A. Sanctions may have to be considered. These could include revoking letters of credit, imposing interest penalties, reducing grant funds, or granting no funds.

16. *Q. How does the single audit concept affect small CPA firms when audit work increases and firms are too small to make timely audits?*

A. Small firms may need to hire more people, search for smaller grant recipients, or form consortia to do audit work. There should be plenty of work for every firm.

17. *Q. Small Federal agencies are leery of the single audit concept and do not fully understand it. Small agencies may not be cognizant for any program. Is there any concern that small agencies may divert their efforts to other types of audits, such as performance audits?*

A. OMB is aware of agency concerns but, as yet, not all cognizant agencies have been assigned. The fear may be in the area of monitoring. Agency program officials will have to monitor programs to obtain information that used to be in audit reports. Some information on compliance factors, e.g., the use of lead-based paint, would not be considered a financial item and would need monitoring by program personnel.

18. *Q. When is A–102, attachment P, effective considering that each Federal agency has to write agency regulations to implement the audit requirements?*

A. October 22, 1979.

19. *Q. Is a sole-source contract made when a cognizant agency has a State auditor perform an audit? Or should there be competition? What happens when a State law requires the State auditor to perform a specific audit?*

A. The circular calls for independent audits of Federal funds. For States, these audits will usually be part of normally scheduled State audits and the States will decide whether the audits will be made by State auditors or public accounting firms in accordance with State law or regulations.

20. *Q. Must contingent liabilities be reported?*

A. Yes. If a grantee spends money for unauthorized purposes, such as for services to ineligible recipients, that has to be reported.

21. *Q. What is the role of the National and regional audit forums in implementing the single audit concept?*

A. This has yet to be determined. However, the forums are currently providing information and holding seminars on the concept.

22. *Q. Has OMB approved a financial statement format for the single audit since CPAs prefer three reports—finance, compliance, and internal control reports?*

A. It is too soon to approve one. OMB prefers one report with three elements in it. Much work needs to be done.

23. *Q. Should all questioned costs be reported in single audit reports, even though they may not be material to financial statements?*

A. Yes.

Areas needing attention

While opinions varied on how to do single audits and no consensus was reached on solutions to specific problems, the spirited level of participation by most audit directors suggested the need for solutions to be developed. Several key opinions and key problem areas were stated.

Key opinions

- Federal support must remain strong and extend into all phases of Federal audit agencies.
- Program regulations governing audits must be modified and must be consistent with OMB circulars.
- All audit forums must reach out to all practitioners in their regions.
- The pace of implementation must be monitored.
- OMB must be prepared to allocate more of its own personnel when necessary.

Key problem areas

- Overall OMB planning needs to be improved. The single audit concept was developed without enough coordination between Federal, State, and local auditors. Questions such as the effective date to implement A–102 remain open when the concept is not yet fully implemented.
- Reimbursement is a major problem because the majority of States cannot cause a flow of funds to support the single audit concept through the indirect cost allocation plan.
- The role of the cognizant audit agency is not clearly defined. The major questions are: How can the State or local auditor correlate statutory responsibilities with those of the Federal cognizant agency if there are conflicts and how can the conflicts be mediated?
- A role for minority and small CPA firms needs to be developed. Both types of firms believe they will be struggling to stay in business. They hope OMB and Federal program emphasis will help maintain their roles in the professional auditing area.
- As we gain experience with the "red book," it will obviously need some revision. Participants expressed a desire, as they had before, to provide input to future revisions of the book.
- Compliance factors have been developed for 56 programs representing about 90 percent of the grant funds to State and local governments. However, such requirements have not been promulgated. Participants believe input should be made by all levels of government as to what the compliance requirements will be and how procedures will be developed to test for compliance. A further concern is how the other 10 percent of grant funds (about 441 programs) are to be tested for compliance.
- Identification of grants by the Federal agencies seems poor. It is awkward for an auditor to have a grantee identify the funds without being able to confirm whether all the funds are included in the audit. A grant information system is needed.

There seemed to be full agreement that the problems should be resolved through the combined efforts of OMB, GAO, State and local officials, and the audit forums.

FRAUD, WASTE, AND ABUSE

INTRODUCTION

"We are concerned with more than saving dollars, crucial as it is today. We must continue to restore trust that must exist in a democracy between free people and their Government."

President, Jimmy Carter

Two essential and ultimate responsibilities of government are stewardship of public resources and providing economical and efficient educational and social services. In an era of public resistance to government spending and public skepticism about government's ability to carry out these responsibilities effectively, efficiently, and honestly, officials at all levels of government must diligently try to ensure that the taxpayers' dollars are not misused through fraud, waste, and abuse and are used for their authorized purposes.

WHAT IS THE PROBLEM?

The early practice of examining every single transaction from beginning to end quickly became impractical with the growth of public services and the volume of business. The focus changed to examining systems and testing controls. This necessary change, however, considerably diminished the chances of detecting fraud, except in its most blatant forms.

Detection of fraud, although highly desirable, was therefore no longer the primary purpose of audit; rather, its purpose became to (1) verify compliance, (2) determine fairness of financial statements, and (3) establish whether internal controls were adequate to safeguard the funds involved.

The erosion of fraud detection as a primary audit goal is not generally realized by the nonauditor. By and large, the public still thinks that the completion of an audit without major adverse findings is a guarantee that everything is in good order.

RECENT DEVELOPMENTS

The escalating costs of Federal assistance programs and their vulnerability to mismanagement, abuse, and outright fraud came to public consciousness in a rash of unfavorable news media releases, GAO reports, and congressional hearings. In response to demands for more effective controls, the Congress enacted Public Law 95–452, the Inspector General Act of 1978.

The developments of the last 2 years in particular brought about a need for an exacting reappraisal and for changes in audit policies, procedures, and practices. Compliance with GAO standards is no longer voluntary; it is now mandated by the act. Efforts to prevent and detect fraud are also no longer a voluntary mission.

The Securities and Exchange Commission (SEC), the American Institute of Certified Public Accountants (AICPA), and the Institute of Internal Auditors have similarly responded to public concern for the fairness and accurate representation of the financial picture of companies. The Foreign Corrupt Practices Act requires adequate internal controls which are interpreted and enforced by SEC and has prompted audit organizations to publish a host of guidelines, standards, techniques, approaches, and training programs for preventing and detecting fraud and abuse.

WORKSHOP DISCUSSIONS

Participants generally agreed that prevention of fraud and abuse was the appropriate long-term goal. However, there were different viewpoints on how to allocate staff resources and on what to emphasize.

Key areas to examine are whether management internal accounting controls can do the job and whether they are actually being adhered to. Both were considered critical to management's ability to develop meaningful financial information and fulfill its responsibilities.

- Essentially, risk gets at the heart of any review because it identifies how assets can be lost or abused or transactions improperly processed. Obviously, the larger the risk, the more important the controls that protect against it and the larger the need to assess their effectiveness.
- "Materiality" is no longer defined only in terms of dollars. The standard test of materiality deals with quantity. However, today's definition includes a growing number of management decisionmaking prerogatives which may include the possible override of controls. These override decisions must be looked at more closely, regardless of dollar amount, because of their potential for (1) allowing transactions to go unrecorded, (2) subverting recordkeeping integrity, and (3) violation of law.
- Front-end system planning is getting increased attention as a valid role of the auditor. The prime concern in this

area is to construct systems of management control that will prevent fraud and abuse, make it more difficult, and decrease the likelihood of error and waste.

Ideas for attacking the problems

Participants offered some recommendations for overcoming some of the problems. Much has been done in the area of fraud prevention and detection in the past couple of years, and the sharing of techniques, skills, and ideas was seen as the most productive.

Resources

To deal with the limited resources available for the audit, participants recommended meeting with agency heads to discuss potential fraud areas, i.e., weak program points, problems of internal control, etc.

Training programs

A partial list of available training in detecting and preventing fraud and abuse discussed by the participants follows:

San Diego County Fraud Prevention Seminar:

- Description of problems.
- Roles and responsibilities.
- Fraud indications.
- Profile of perpetrator.
- Case studies.

Council on Municipal Performance Workshop Series:

- Introduction to fraud auditing.
- Audit management.
- Audit problems and resolutions.

OMB and Executive Group To Combat Fraud and Abuse:

- Emerging training program for Federal IGs.
- Vocabulary.
- Flags or indicators of fraud and abuse.
- Techniques for investigating.

Vulnerability assessments

To focus on areas where fraud and abuse may exist, several IGs, GAO, and other organizations have looked to the survey approach before conducting in-depth reviews. These assessments include

- inventory systems for identifying/measuring the extent of fraud and abuse;
- collecting and analyzing data and management responses;
- identifying administrative issues; and
- using questionnaires and profile sheets.

Priorities to be set

Participants developed five important priorities which auditors at all levels of government can follow in preventing and detecting fraud and abuse.

- Strengthen commitment, cooperation, and coordination between all levels of government and public accounting firms.
- Initiate public education (consciousness raising).
- Develop and test program models and model programs on prevention and detection for use by State and local governments.
- Develop models for uniform legislation and regulation.
- Improve and increase training.

INSPECTOR GENERAL CONCEPT: FIRST YEAR OF OPERATIONS

It could be said that the Inspector General concept was fathered by the Department of Agriculture. The detection of a huge fraud operation led the Department to create an Office of Inspector General. The pitfall of a nonstatutory IG was its susceptibility to abolishment. That, in fact, was the case with Agriculture's IG; the Secretary abolished the Office in 1974.

The first statutory IG was enacted for HEW in October 1976. The establishment of this Office followed extensive congressional investigation of fraud, abuse, and program mismanagement in HEW. The Congress found a lack of evidence that the Secretary would know about problem areas, much less take corrective action. Moreover, the investigative and audit groups lacked independence to perform the necessary work to uncover fraud and abuse.

With the creation of the Department of Energy in 1977, a second Office of Inspector General was established by the Congress. Soon thereafter, 12 other IGs were established, and finally in 1979 a statutory IG was included in the Department of Education.

Statutory IGs were established as independent and objective units to conduct and supervise audits and investigations. Furthermore, IGs are expected to provide leadership and coordination in promoting economy, efficiency, and effectiveness and in detecting and preventing fraud and abuse. IGs are responsible for informing the Secretary and the Congress about problems and deficiencies and proposing corrective actions.

Inspectors General are appointed by the President with the advice and consent of the Senate. The appointments are made without regard to political affiliation and are based on integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigation. IGs report to and are under the general supervision of the Secretaries. Each IG is responsible for appointing two assistants, one for audit and one for investigation.

Some of the key provisions of the Inspector General legislation are:

- IGs have subpoena power.
- They have direct access to the Secretaries.
- They must submit semiannual reports to the Secretaries for transmittal to the Congress.
- They must submit reports to the Congress on serious or flagrant situations.
- Audit and investigative functions were consolidated.

Even though these provisions allow significant authority and resources to the IGs, several problems remain. For example, audit and investigative functions require different skills; yet, some cases could be more effectively resolved through a combination of audit and investigative skills. Some IGs are considering the possibility of a new job series to officially combine these skills in a single job description. In addition, IGs are faced with an apparently uneven allocation of staff. Some agencies have had large staff increases, and staffing levels at others have remained the same. In light of the broadened scope of the IGs' responsibilities, the level of staffing can be crucial. A final concern, yet to be fully tested, is the relationship between the IG and the Secretary. Organizational and reporting mechanisms for assuring independence and surfacing audit and investigative findings are in place but have not been evaluated.

PERFORMANCE AUDITING

BACKGROUND

During the past 10 years the scope of auditing has been expanded to include what is today commonly referred to as performance auditing. Performance auditing includes economy and efficiency and program results audits and is a logical extension of the traditional financial and compliance audit. Performance auditing is now widely accepted by all levels of goverment—Federal, State, and local—and its future looks promising. However, during this period of growth and acceptance, the performance audit has been misunderstood in many ways and, as a result, maligned.

This misunderstanding and malignment has occurred because the concept was not adequately explained to many legislators. They viewed performance auditing as the answer to many of their problems and became disillusioned when it became apparent that their high expectations could not be met. Only limited audit coverage could be provided with the available resources because performance auditing is considerably more complex, time consuming, and expensive than the traditional financial audit. Nevertheless, there is much value to be derived from performance audits.

WORKSHOP DISCUSSIONS

Selecting areas to audit

Two panelists pointed out that they performed only those performance audits directed by their legislative body. The panelists focused their attention on (1) how they adjusted their performance audit schedule to accommodate changing priorities, and (2) indicators such as financial risk, rapid program growth, reorganization, and legislature interest during budget hearings used to identify potential audit areas.

The panelists cautioned that the following factors should be recognized when programing performance audits:

- Audits must lead to sufficient savings to justify an audit organization's continued existence. Thus a sufficient number of audits must be made in areas known to be financially fruitful.
- If auditors are told that the auditee must save money as a result of each audit in order to justify their continued existence, they will tear up some organizations. This is an unacceptable approach.
- Audit reports frequently serve as a catalyst for change rather than the sole reason for it. The need for change is usually already recognized.

One panelist commented that it is often as important to verify that a program is performing well as it is to continually point out problems. He felt auditors could provide better program coverage and have better rapport with management if performance auditing was conducted along the lines of the traditional financial audit. However, panelists recognized that, until management (1) establishes clear program goals and objectives, (2) develops management information systems, and (3) maintains reliable data, such an approach will be impossible and the choice will become either don't do performance audits or do a consulting job.

It was suggested that since program performance cannot be expressed in purely financial terms, auditors' long-range goal should be to have management issue statements of performance that include nonfinancial information. Independent auditors could then verify and attest to the accuracy of these statements. This would give auditors the opportunity to motivate management to make a proper accounting and establish the proper auditor-management relationship.

Before moving in this direction, several issues need to be resolved. These were discussed at length and are listed below.

- Realistic and valid performance goals are needed. The problem is that it will be hard to persuade managers that it is in their best interest to establish goals, particularly when legislative intent is frequently unclear or nonexistent. A possible solution being explored by some governments is to require that legislation specify goals and objectives. In the meantime, auditors may have to measure program performance against accepted industry or profession standards; auditors should not independently establish program goals.
- The management-auditor relationship is subject to the same strains that exist in the traditional financial audits. Maintenance of the auditors' independence is a sensitive area, and auditors must remember whom they work for and must not get too close to management.
- With only limited resources, it will be hard not to focus only on problem areas.
- It would be very expensive to sample an entire entity in order to be able to issue an overall opinion concerning its performance.

- Since audit reports would address management performance statements, audit finding and recommendations would have to be conveyed in a separate management letter. Normal followup procedures would be used to verify implementation of recommendations.

Staffing and cost of performance audits

The panel discussed the staff necessary to conduct performance audits and their total cost.

Regarding staffing, the point was made that, while it is fairly clear what qualifications are required to perform financial audits, such is not the case regarding performance audits. The question was also raised as to whether each performance audit team should include an expert in the area being audited. After much discussion, there was general agreement that, when technical judgments are required, expert consultants should be used, but in most cases an auditor using the proper analytical approach can do just fine. It was the consensus that staffers having master's degrees in business administration possess the required analytical tools necessary to perform most performance audits without outside expertise.

The panel emphasized that performance auditing is expensive because (1) each audit requires different analytical approaches, and (2) the workpapers and draft report are subject to a more intensive and thus time-consuming review. This intensive review is necessary to insure a quality, objective product and the organization's reputation in a political environment. However, the benefits expected to be derived from the audit, rather than the cost, should be an organization's primary concern.

Audit followup

The panel next discussed procedures used to follow up on the implementation status of performance auditing recommendations. The trend is to pass legislation addressing followup. The procedures discussed ranged from followups during subsequent audits to use of questionnaire responses verified by auditors. The question was raised concerning what auditors should do when legislative bodies do not accept recommendations. One panelist mentioned that auditors should push for implementation of their recommendations only to a certain point because auditors are not politicians. To continue pushing could be suicidal in that the auditors' objectivity could be questioned. The panel recognized, however, that the legislative environment could change and thereby warrant reconsideration of previously rejected recommendations. On the other hand, the auditors must be careful to make sure that recommendations are still valid. The panel also pointed out that auditors should insist on implementation of recommendations to correct deficiencies noted in a financial audit.

Audit standards

There was considerable discussion about the extent that generally accepted auditing standards promulgated by the American Institute of Certified Public Accountants, the Institute of Internal Auditors, and GAO applied to performance audits. The panelists and audience agreed that available standards applied to performance audits and were very good. The following additional points were made.

- The GAO standards were designed to apply to all types of audits.
- Legislation and policy statements and regulations now frequently require audits of government operations to conform to GAO standards.
- Auditing standards are not intended to be precise guidelines and methods for conducting a performance audit but are broad principles that auditors must adhere to.

SUMMARY

In his closing remarks, the panel moderator stated that, in his opinion, performance auditing was going through an evolutionary process and was not at the same level as governmental financial auditing. However, performance auditing could be a lot closer to becoming equal with financial auditing than many people think.

PERFORMANCE APPRAISAL

INTRODUCTION

Performance appraisal is perhaps the most problematic personnel issue confronting management. First, evaluating others always entails some subjectivity and is never easy. Second, the outcomes of an appraisal system can have significant immediate, as well as far-reaching, effects on a person's pay, work assignment, and career. In addition, appraisal systems are difficult to design and implement because the nature of professional jobs, such as those of auditors, are largely unprogramed; incumbents perform a wide variety of tasks, often with neither close supervision nor immediate, definable outputs.

The ultimate success of any performance appraisal system depends upon the active involvement and support of those who will operate and be subject to it. To be effective, the system must be integrated into the daily responsibilities of managers. It cannot be seen merely as a form to be completed annually. It must be used continually to help in the supervisory tasks of job planning, performance coaching and monitoring, periodic feedback to subordinates, and rating.

Finally, an effective appraisal system not only provides timely and accurate performance data, it also exists in a context of organizational commitment and policies which facilitate the rewarding of supervisors for staff assessment and development.

WORKSHOP DISCUSSIONS

The presentation covered performance appraisal, including establishment of performance standards, informal and formal appraisal processes, and uses of appraisals. Particular emphasis was given to uses of appraisals to develop career development plans for staff.

Participants agreed that there was no single appraisal system and that setting performance standards was the most important thing.

Initially participants defined

- "performance standard,"
- "performance appraisal," and
- "career development."

"Performance appraisal" was defined as a comparison of performance of responsibilities with established and (hopefully) understood standards.

"Performance standard" was defined as the level of achievement, including quantity, quality, and timeliness expected of an employee. A performance standard must

- be within limits of authority of the job,
- be objectively arrived at,
- be quantitatively expressed wherever possible,
- be free of ambiguous, vague language, and
- be exceedable by the employees.

The group agreed that performance standards must not be stated in terms of traits. But they also agreed that some job traits were important. The group agreed that

- performance standards must not be prepared in isolation,
- performance standards must also tie directly into organizations' operating procedures, and
- performance standards and appraisals must be integrated into organizations' management systems.

The discussion leader pointed out that in the Department of Labor, performance standards for senior managers directly related to organizational outputs. The danger is that this system can become overly structured and become a paper exercise.

The following important points were brought out during the discussions:

- Managers must be involved in designing and implementing an appraisal system so they will support it.
- The system must address how standards for a given person will be determined.
- The system must be understood by employees and be supported by them and by higher management levels.

It is important that senior management groups implement a system so that it is correctly communicated to individual employees.

The system is a major investment in terms of both time and equipment, such as the use of the computer to record data. One agency is developing a system which will be a multipurpose system. It will enable appraisal for all personnel management needs in that agency. That agency feels this is the best approach.

The last part of the session dealt with career development. A career development system should increase the effectiveness of an employee and meet the needs of the organization. Effective career development requires

- integrating training and work assignments,
- establishing performance standards,
- using performance appraisals,
- workforce planning, and
- developing unit work plans.

Career development plans must be developed for individual employees and must be tailored to their specific occupations.

STAFF DEVELOPMENT

INTRODUCTION

A qualified staff is the main asset of any organization. The continuing professional development of the staff is a coresponsibility of the individual and the organization. Changes and improvements in knowledge and work environment make continuous training and education a basic need of any profession. Auditing is no exception. Therefore, it is incumbent upon the audit organization to provide additional training in those skills required to perform the modern audit function.

Although college and university curriculums provide an entry level of knowledge, auditors must continue developing skills needed to stay abreast of the state of the art. The audit forums have provided training to members that otherwise might not have been available or affordable. As training funds become even more scarce and as requirements for additional skills increase, the forums will be called on even more to provide training.

WORKSHOP DISCUSSIONS

The objective of this workshop session was to allow participants to identify training problems experienced and solutions found in their audit offices. In addition, they were advised of recent training studies performed by the Office of Personnel Management, GAO, and the Federal Audit Executive Council, which could be of use in their operations.

Participants identified specific problems as follows:

- Problem—Lack of time.
- Solutions—Agencies can provide on-the-job training. Also training can be provided in a self-study program. In some cases, time off should be given for those taking CPA examinations, etc.
- Problem—Cost of training programs.
- Solutions—Agencies can establish in-house programs and provide instructors and try to obtain education grants when possible. Cooperative training programs can be set up among audit organizations. In addition, the forums offer training programs at no cost.
- Problem—Quality of training programs.
- Solutions—Agencies can set up systems to properly evaluate training programs. Participants in a particular course must exchange information. Recommendations to improve the course can be solicited from participants. The most important thing is to make sure that the instructors are the most knowledgeable people that can be found.
- Problem—Lack of internal resources.
- Solutions—Agencies should have training officers to help with their particular problems. Most agencies do not have qualified instructors in house. There is also a lack of training material for specific courses.
- Problem—Availability of training, by levels.
- Solutions—Agencies should provide training to employees. Particular staff must be trained as trainers. Circulars and brochures on training programs offered must be circulated.
- Problem—Continuing education requirements.
- Solutions—Agencies should help pay for staff training. In some cases, they should provide time for study and examinations. They should identify training programs that will benefit them.
- Problem—Courses which are often too generalized.
- Solutions—Agencies should develop their own courses, tailored to the needs of the office as well as to the individuals, and set aside time each year for them.

GETTING ALONG WITH OTHERS: AN AUDITOR'S MUST

This workshop featured a general discussion and viewing of the lecture video tapes prepared by Professor Morris Massey of the University of Colorado, "What You Are Is Where You Were When...".

There are three levels of getting along with others: love, understanding, and tolerance. The more people get along with others, the more likely they are to succeed. But they all should be able to at least understand why people act and think the way they do. For auditors, this is important from many aspects—dealing with associates in professional organizations, such as the audit forums, and with their families, friends, fellow staff members, and those being audited (who sometimes seem actually to work at not getting along).

Auditors tend to think that their values are right and that people holding different values are wrong. But, since values are largely due to the various factors which shape values, none are right or wrong—they are just different. Only when auditors can accept this basic fact can they begin to work toward more meaningful personal relationships and greater productivity at work.

At least five major forces shape people's values: family, friends, religion, school, and the media. One's experiences during life, but particularly in the earlier years, greatly influence values.

COMMUNICATING AUDIT RESULTS

INTRODUCTION

The methods used to communicate audit results may differ with each audience—the auditee, legislators, the public, etc. Success in communicating results to the various audiences can be a big factor in determining the amount of support the results will receive.

WHAT IS THE PROBLEM?

One problem in communicating results is that each audience may require a different level of detail to understand the results and accept the recommendations. When communicating results to the auditee, the results should be stated in sufficient detail so that the auditee understands the deficiencies, is convinced of the validity of the recommendations, and is motivated to take corrective action. In contrast, legislators do not require as much detail, but they must be convinced of the benefits of adopting the recommendations and their validity. If the legislators understand and support the results, they may help get corrective action taken. Communicating results may become more difficult where, because of a sunshine law, the results must be discussed in public meetings. Information discussed during public meetings may be misinterpreted by those in attendance or reported out of context, resulting in publicity that may be detrimental to the auditee. This may result in the deterioration of the auditors' working relationship with the auditee and could become an obstacle in accomplishing the objectives of future audits.

WORKSHOP DISCUSSIONS

The workshops consisted of presentations on how to communicate audit results. Participants then discussed the problems encountered in communicating results and suggested solutions to some of them.

To effectively communicate results, the auditors must be certain that the audience gets and understands the message. Results may be communicated in writing—formal reports, management reports, etc.—or may be communicated orally—testimony, exit conferences, informal briefings, etc. The type of communication used will depend on the audience and may consist of a combination of oral and written reports. One suggestion for improving written communications was for the audit organization to have a report editor review audit reports to insure that they tell the story intended.

Better communication with the auditee can be accomplished by keeping the auditee informed during the audit. In the initial meeting with the auditee, the auditors should explain the audit objectives and try to obtain the auditee's confidence and acceptance of what the audit is trying to accomplish. The auditors should work closely with the auditee during the audit and through meetings and informal briefings explain the findings as they are developed so that there will be no surprises for the auditee during the exit conference. Discussion of the findings as they are developed also gives the auditee an opportunity to respond to the findings and initiate corrective action before the findings are released.

The auditors should explain to auditee why certain actions they took were necessary. For example, if the auditors had to issue a qualified opinion, they should explain to the auditee why this was necessary and how to correct the situation. If the auditee understands the audit report and the basis for the auditors' decisions, the auditee is more likely to accept the audit results and try to correct the deficiencies. In addition, an auditee that is kept fully informed is in a better position to respond to any inquiries from the press or special interest groups regarding the audit results.

The participants generally agreed that an audit report should be issued regardless of whether management accepts the audit results or not. However, the successful communication of results should convince managers of the benefits to be gained by adopting the recommendations and thus motivate them to take corrective action. When findings and potential recommendations are discussed with managers as they are developed, auditors do not have to try to convince them of the benefits of adopting the recommendations after the audit has been completed. The audit report should include both favorable and unfavorable findings, when applicable, so that the report will have balance. Such reporting also overcomes the often-heard complaint that audit reports are always negative.

Auditors also must communicate audit results to their governing body (legislature, audit committee, council, etc.). The governing body generally is not interested in all the details that the auditee may require; however, the auditors must convince the governing body of the benefits of adopting the recommendations. Since the governing body generally discusses the results with both the auditors and management, the governing body can help convince management to ac-

cept the recommendations if the auditors have successfully communicated the results to the body.

Sometimes politics may influence the reaction of the governing body, depending on the subject of the report and the interest shown by lobbying groups. Under a sunshine law, when the media and interest groups may be present at the meeting, communicating audit results becomes more difficult. It was suggested that when audit results must be communicated in open meetings, the minor problems should not be discussed or they may be reported out of proportion and result in unwarranted detrimental publicity for the auditee. Such experiences could disrupt the good working relationship that had been established with the auditee.

One method of trying to prevent exaggerated press releases is to print a digest on the report cover and hope that reporters will use it. Some participants prepare and give to reporters a press release on the audit results with the hope they will use it rather than prepare their own.

For better communication and acceptance of results, auditors should try to establish and maintain an attitude of mutual respect and cooperation with the auditee. To do this, auditors should establish policies and procedures for dealing with auditees. For example:

- Auditors should be knowledgeable about all aspects of the job and, to the extent practicable, about the auditee's organization before starting work at the audit site.
- Auditors should be familiar with any prior or current audits of the organization, including work done by internal auditors.
- Auditors should provide advance notice as to when the audit will start.
- At the entrance conference, the auditors should discuss the scope, objectives, and reporting plan for the audit assignment.
- During the audit, the auditors should discuss the scope, objectives, and reporting plan for the assignment.
- During the audit, the auditors should discuss tentative findings and possible solutions with responsible officials.
- Corrective action taken during the audit should be recognized in the report.
- When the audit is completed, the auditor should make certain that the official at the audit site receives a copy of the report.

One method of following up on the actions taken on recommendations is to prepare an annual report to the governing body summarizing the recommendations and the actions taken. The governing body can then discuss with management its response to the recommendations and its planned actions.

FOLLOWUP ON AUDIT RESULTS

INTRODUCTION

Audits are governments' principal means of preventing unauthorized expenditures. Audits also determine whether operations are conducted economically, efficiently, and effectively and often identify policy or procedural changes that can reduce expenditures without reducing the quality of government services.

Federal, State, and local government agencies too often delay or take no action to resolve audit findings. The difficulty of resolving findings varies widely. Although some delays are unavoidable, in most agencies this process takes too long. The inadequate or lack of followup on findings has been a longstanding problem. Few agencies have adequate systems for tracking and resolving findings and have often failed to establish formal followup systems.

Agency managers and auditors both have important roles in resolving findings. Managers should promptly decide what should be done and complete corrective action. They should also periodically evaluate their followup systems. Auditors should also participate in the followup to see if findings have received management consideration and whether satisfactory corrective action has been taken.

In October 1978, the Comptroller General issued a report to the Congress entitled "More Effective Action Is Needed on Auditors' Findings—Millions Can Be Collected or Saved." This report said:

"The lack of a good system for resolving auditors' findings could be costing the Government hundreds of millions annually—most of which grantees and contractors are keeping although they are not entitled to the funds under applicable laws and regulations. Also, sizable savings in operating costs are sometimes being foregone by failure to act promptly on findings involving internal agency operations."

WORKSHOP DISCUSSIONS

The panelists discussed some reasons agencies did not adequately follow up on findings. The systems being used by one Federal agency and by a State to follow up on and resolve findings were also discussed.

Agencies do not adequately follow up on findings because:

- Personnel who administer grants give top priority to disbursing grant funds and the lowest priority to following up on audit findings.
- Auditees sometimes reject the findings.
- Agencies' tracking systems are deficient.
- Agencies do not aggressively seek collections or savings.

The following recommendations to overcome these deficiencies were discussed.

- Auditors should be required to keep accurate records of all findings until a final disposition has been made. Where recovery of funds is involved, this means until the funds are recovered, the debt is forgiven, or the findings are determined to be in error.
- Program administrators should be given 6 months to decide what amount, if any, is due from grantees or contractors as the result of audit findings. Written decisions signed by the program administrators should be required to justify not seeking collection of any amounts shown to be due by the audit reports. Such decisions should also be reviewed for legality and endorsed by the legal officials performing the reviews.
- Officials independent of the program administrators and the auditors should be responsible for deciding whether to make recoveries on findings not decided on within the 6-month time frame specified above. Any decisions not to recover should be justified by the officials and reviewed for legality as previously mentioned. These officials, who should be at a high level in the organizations, could also handle resolution of findings not involving grantees or contractors that are not resolved within 6 months.
- Such officials should be required to issue quarterly reports to the agency heads on the status of all findings which they are responsible for resolving, including the age and amounts of unresolved findings and results of findings resolved during the period.
- To ensure aggressive recovery efforts, accounting and collection controls should be established for any amounts due the government as a result of audit findings.
- Even though agencies decide against collection for any reason, they should still resolve the causes which resulted in the debts. They can provide technical assistance to help grantees improve program operations or change ambiguous or conflicting regulations which impede accomplishing program objectives.

A Federal agency also had problems with inadequate followup of audit findings due to

- low priority given to the area by management,
- apathy on the part of auditees,
- problems with management, and
- lack of incentive to implement the recommendations.

A system had been established which required followup action, but none was taken because the system did not tie in to the management system and the management goals.

Late in 1977 the system was revised. The revised system was designed to:

- Identify major problems for top management.
- Assure that audit recommendations were speedily implemented.
- Establish followup on implementation of recommendations.

The revised system also assigned responsibility to clear findings with the area manager, the regional administrator, and the primary organization head at headquarters. Audit liaison officers were assigned the responsibility of establishing a control register and following through to assure that timely action was taken on findings. The system provides a time schedule with specific milestones and a goal of 165 calendar days to clear the findings if the area office and the regional office agree with them. When the area office and regional office disagree with them, the goal is 180 days.

During the first 90 days under the revised system, 90 percent of the findings had been resolved and $7,000,000 recovered. During the first year, 93 percent of the findings were resolved within the prescribed time frame.

The overall results of the revised system are better management, better cash collections, and better acceptance of the findings.

A State auditor had similar problems in the followup of findings; many of the findings repeated earlier ones. Therefore, the State auditor decided to review prior findings in planning audits. In 1979, the State legislature passed legislation requiring the administrative head of the department of audit to follow up on findings. However, individual agencies must resolve findings. The power of the legislature, especially the appropriations committee, influences the resolution of findings. The exit conference is used to acquaint operating officials with these requirements and their responsibilities.

Attendees generally agreed that some improvements had been made in the followup of audit results at both the Federal and State levels. However, this very important area needs continuing attention at the highest levels of management.

AUDITORS' RELATIONSHIPS WITH THE NEWS MEDIA

Why do we need to talk to reporters in the first place? The answer is simple. Reporters who call on us seek information about how well government is working or the problems of government. They call to learn what's being done with tax funds. They pass that information along to the people who "own" government, the taxpayers. As servants of the public, we have an obligation to inform our "employers."

Government auditors should expect more and more questions from reporters. The trend to greater press interest in audit work is documented by the figures put together by GAO. In 1972, 31 GAO reports received nationwide press coverage. This increased interest can be tied to several events. Watergate and the war in Vietnam both led to government being perceived as being not always totally truthful, while at the same time it developed what is commonly known as "investigative" reporting.

Government auditors are sometimes fearful about dealing with reporters. They are not used to that and have watched the press rip into interview subjects. But those fears are unfounded. Auditors should always be able to answer truthfully and thus should have good press relations.

Auditors should have good press relations because auditors deal with documented facts. Auditors at times cannot comment on their work, especially work in progress, but that should not be a major drawback to good relations if reporters are informed in advance what policies govern an audit organization's release of information.

OVERCOMING PROBLEMS

Auditors do face problems dealing with reporters. One can be audit reports themselves, if they are not written in simple English. Reporters must write in simple English, in a manner which can be understood by their readers. Reporters working for radio and TV stations have an even harder job, given the short time allotted in a newscast for any given story. Audit reports which use government jargon, gobbledygook or "highfalutin" Latin-based words are hard to digest. GAO's 1974 publication "From Auditing to Editing" is an excellent reference on how to improve report writing.

The auditors who'll be talking with reporters can be a problem too, if they can't converse in a language the reporters understand. Audit organizations should insure that whoever speaks for them understands reporters and their needs and should make sure they speak simple English too, not government accountantese.

UNDERSTANDING REPORTERS

How in the world can you relate to a person who calls at 4:50 p.m. on a Friday wanting to be told in 5 minutes what a 50-page report says and the report isn't even public information to begin with?

These are reporters that you will not be able to relate to. There are reporters who just won't ever understand why you can't tell them everything they want to know. But most are understanding and reasonable, just like most accountants. To understand reporters, begin by understanding the reporters you're likely to deal with. Direct observation is a good first step. You already are doing that if you're reading you local newspaper and following local radio and television news coverage. You should be able to get a feel for how various reporters approach news stories from reading or viewing their work. You should be able to get a feel for the kind of story that appeals to a given newspaper or broadcast news organization and then anticipate questions when you deal with a subject they're interested in. If your office doesn't have a full-time public affairs person on board, find an office which does. The agency down the hall may have one, and public affairs people like to talk. A 15-minute visit over coffee should give you a feel for that person's experiences with the local press corps.

THE PRESS CORPS?

Some reporters on the broadcast side don't like that word "press." Others don't mind. In some larger cities and around some State capitals, reporters don't mind being called members of the press corps. It is almost a prestige term. Meetings with reporters can be called news conferences rather than press conferences. Refer to a group of reporters as "a group of reporters." That can keep everyone happy and avoid the terms that are offensive to reporters that crop up all the time in references to the news "media."

GETTING TO KNOW THEM

If you're in a job where you know you'll be dealing with reporters even just occasionally, and you know they are not familiar with your office and its duties, how about having an open house? De-

pending on your situation, you might want to hold one on your own or in conjunction with other parts of your agency or unit of government. Make sure you schedule the event on a day which is not a "busy" news day.

ANTICIPATE, THEN ANTICIPATE AGAIN

"Be prepared." The Boy Scout motto is more than just a great example of how to totally express an idea in just two words and three syllables. It is also a motto whcih every person who works with reporters should follow.

If an agency like GAO issues a report which says there are problems in a program which you have been auditing and mentions an example from the geographical or governmental area you cover, expect press questions. Get your information together. Pull out the file. Be prepared.

If a reporter for one news organization calls you, expect calls from others. News organizations follow up on what their competitors do. When they do that, they look for something new and different. Be prepared for the reporter looking for "a new angle."

BEING PREPARED

When reporters call your office or walk through your door, you need to know who they are and whom they represent, a phone number you can reach them at, what they need to know, whom you can talk to later in their organization if you can't reach them, and the deadline they're working under.

You should consider devising a form to give you a record of who asked what and what you told them. This will also help you make sure you serve the reporters' needs (and thus the public's right to know).

Let the reporters know who you are, what your title is, and how they can reach you later.

HANDLING QUESTIONS

Be objective. Be honest. Never state personal opinions and be on guard if a reporter phrases a question along the lines of "Well, that's fine, but just between you and me, what's your personal opinion?" You are not paid to express personal opinions.

Think before your speak. Ask for time if a complicated question is posed. If reporters are interviewing you about a complicated subject or report and they aren't pressed for time, get that audit report into their hands if possible. Ask them to read it and get back to you with questions.

If you know you're going to be a regular interviewee, go directly to the nearest library with a collection of journalism textbooks and check out one which deals with interview techniques. Learn what to expect. Be prepared.

LIVE—FROM YOUR OFFICE

It probably won't be Dan Rather and a crew from "60 Minutes," but the reporters calling on you might have cameras following right behind or tape recorders in hand. Handling radio or TV reporters' inquiries poses some special considerations. The deadline which broadcast reporters operate under is often tighter than that faced by print reporters. Radio reporters, especially, are under a minute-by-minute deadline. And their business is normally more competitive than the print business. While few media markets have more than two daily newspapers, every major city in the Nation has several radio stations and usually at least three TV stations. The reporters for those radio and TV stations are competing to get ahead in their business, while the stations they work for are competing for the listening and viewing audience. Broadcast reporters want stories first and fast and must get them in a form they can use on the air.

Don't expect a radio reporter to want to tape an interview with you if your office window is open and you're right above a sidewalk being torn out by air hammers. Don't expect your local TV cameraman to be happy if you are wearing a plaid suit and are sitting in front of loud print wallpaper. Remember that radio and TV news stories compete with each other for the limited amount of time TV and radio devote to news. So phrase your responses to meet that reality. If you take 2 minutes to answer a question, you've talked longer than the amount of time devoted to all but the most major news stories.

DOG AND PONY SHOWS???

Television presents unique challenges to the people in front of the lens. A 30-minute network newscast is really only 22 minutes of news material. The rest is commercials and introduction. The local news which follows has even fewer "news" minutes, because sports and weather must fit in.

Auditors who find local TV stations at their doorsteps have to think in the television time frame if they want TV reporters to leave with usable material.

Be brief and to the point. If you are dealing with a complex report or an audit and know TV reporters will be calling, consider preparing graphs or other visual aids which the camera can focus on. Is that "showbusiness," something for auditors to avoid? Not if you use the same straightforward approach to presenting the material as you would with a printed report. Auditors are finding more and more that graphs and photographs enhance written reports and simplify the presentation of complex information. They should have no fear of using the same aids when dealing with reporters.

WHEN YOU CAN'T TALK

There will be times when a reporter wants information you cannot release. This will always be a hard situation to deal with. You can ease the situation if you try to make sure that reporters covering your office regularly understand what your policy is, why it exists, and whom they can complain to above you if they don't like it. Have something in writing, and be prepared to cite chapter and verse.

If a reporter comes to you and wants information on an audit which you can't provide because it is not complete, you

should consider that your first inquiry on that audit and that reporter should be the first to learn when the report is public. If you generally make reports public at a set time, make sure the reporter knows when it will be available.

CAN YOU TALK OFF THE RECORD??

Sure you can. The question is, will your conversation be off the record? Your office should set a policy on this touchy question, formal or informal, and everyone who deals with reporters should understand it. No matter what, if a reporter asks you to talk off the record and you plan to, make sure you know what the reporter means. Generally, "off the record" means not for publication. "Not for attribution" means giving information which may be used but not linked to you or your office. When you hear a White House reporter talk about what a "senior White House official" said, it means the reporter got the information on a "not for attribution" or a "background" basis.

What should your policy be? It is the opinion of many that government auditors have no business talking off the record.

SUMMARY

Reporters are people, with all the same personal problems, pressures, hopes, and desires you share. They are workers in a highly competitive profession. Their job is to report news, and their organizations want stories before anyone else on the block. Remember that. Let them know you understand. Deal with them honestly and professionally. And good luck!

STATE AND LOCAL GOVERNMENT ACCOUNTING STANDARDS: WHO SHOULD SET THEM?

INTRODUCTION

Setting standards for governmental accounting is probably the most important issue facing fiscal executives, particularly Federal, State and local auditors who must in the future determine whether statements are presented in conformity with generally accepted accounting principles. Major legislation which is beginning to move through the Congress, particularly in the areas of revenue sharing and grant reform, will require that those governments receiving revenue sharing or other Federal funds keep their records and report on their operations following generally accepted accounting principles. Also, in the area of grant reform, even in certain legislation, State fiscal officials are recommending that there be mention of accounting standards and principles, as well as audit standards.

WHAT ARE GENERALLY ACCEPTED ACCOUNTING PRINCIPLES FOR STATE AND LOCAL GOVERNMENTS?

These principles are set forth in "Governmental Accounting, Auditing and Financial Reporting" (GAAFR), published by the National Committee on Governmental Accounting through the Municipal Finance Officers Association (MFOA) in 1969. GAAFR has been updated recently with the publications of statements 1 and 2 of the National Council of Governmental Accounting (NCGA). Also, the American Institute of Certified Public Accountants issued the "Industry Audit Guide for State and Local Governmental Units." Recently, AICPA issued a position statement supporting statements 1 and 2 and is revising the audit guide.

HISTORY OF GOVERNMENTAL ACCOUNTING STANDARD-SETTING ORGANIZATIONS

Originally, nonbusiness and government standards were set by an AICPA committee called the Committee on Accounting Procedures, which began in the early 1930s. In 1959, that committee was succeeded by the Accounting Principles Board, which existed until 1973 and was followed by AICPA's audit guide. The guide was used in conjunction with GAAFR as accounting and reporting standards for governments by CPAs until 1979.

The other prominent standard-setting organization is the Financial Accounting Standards Board (FASB). FASB replaced the AICPA Accounting Principles Board beginning in about 1973. Today, it has taken over all the accounting standard setting for business enterprises and, recently, for nonbusiness organizations.

All that is left to AICPA currently is standard setting for State and local governments. However, government fiscal officials consider that NCGA has the responsibility for those governments.

Let us look at a brief history of governmental accounting standard-setting organizations. Authoritative literature on governmental accounting began back in 1933 during the Great Depression, when many local governments were in default on their bonds. The Securities and Exchange Commission became interested in and proposed legislation concerning governmental accounting but was unsuccessful because of constitutional questions raised by State and local governments. Then MFOA began to take an interest in governmental accounting and to promulgate accounting principles to be followed by State and local governments. These principles were followed by responsible State and local governments and by CPAs until the early 1960s, when the National Committee on Governmental Accounting was formed. The committee worked over a period of 6 or 7 years, and as a result of its deliberation, published GAAFR, known as the "blue book."

About 1974 or 1975, because of the financial crisis in New York City and the resulting interest by SEC and others, MFOA reconvened the committee and changed it to the present National Council on Governmental Accounting. The council then began to revise the old GAAFR in an effort to update accounting principles for State and local governments. In 1979, statements 1 and 2 were published.

Currently, who establishes accounting standards and principles for government?

For the Federal Government, all accounting standards and principles are established through GAO's Comptroller General's office. For State government, accounting standards and principles are established through State officials or perhaps State statutes. For local governments, accounting principles may be established either by a State official or by statute.

WHAT ORGANIZATION SHOULD SET ACCOUNTING STANDARDS FOR GOVERNMENTS?

The question remains—to what organization does the auditor look for generally accepted accounting principles for government? Several organizations have

been involved in setting standards. They are:

1. AICPA.
2. SEC.
3. GAO.
4. FASB.
5. MFOA.
6. The National Association of State Auditors, Comptrollers, and Treasurers.
7. The Department of the Treasury.
8. OMB.

As a result of the New York financial crisis, several organizations became more interested in accounting principles for government and many studies followed. A Senator proposed to the Congress legislation that would establish a new body for setting standards for State and local governments. In an effort to offset the Senator's legislation, the Financial Accounting Foundation called for a study similar to the Wheat Commission Study that had established FASB. Meetings were held between various organizations to see whether they could work out something, but no agreement resulted. In the meantime, research continues by different organizations (i.e., NCGA and FASB) desiring to establish a conceptual framework of accounting for governments. In addition, GAO is researching accounting standards and concepts for the Federal Government.

Meetings have continued to be held by various organizations concerning how a governmental accounting standards board should be structured. AICPA fears that if the Financial Accounting Foundation and FASB take on governmental accounting standards, eventually FASB will be included in a governmental accounting standards board and accounting standards for the private sector will be established by some governmental organization.

State government fiscal officials feel that they have the same problems regardless of whether there is a separate governmental financial accounting standards board under the Financial Accounting Foundation Board of Trustees or a foundation funded in part by the Federal Government with a full-time standards board. They want either structure to safeguard the sovereign rights of State governments and in turn local governments. They want to build into the structure safeguards which will preclude either the Federal Government or the private sector from forcing unacceptable regulations upon State and local governments.

GAO has an interest in State and local government accounting standards because of the large sum (some $90 billion) of Federal money that goes to the States. GAO would like to be able to use State and local expertise in auditing those funds.

GAO feels that government accounting standards should differ from commercial standards. It points out that the objectives of commercial standards are to measure profits and liquidity but that government objectives concern social or defense matters. Also governments set limits on the use of funds, but the commercial area does not have such a legally binding requirement.

GAO does not believe that FASB should be the standard setter for government because in part FASB's funds come from the private sector and government's interests and needs would likely have a low priority. Moreover, GAO believes that FASB would try to force standards for government into a commercial "mold," and many feel that this is the wrong way to go. In addition, GAO does not believe that the Federal Government will participate in funding standard-setting activities without having some input into the activity.

GAO is supporting a government accounting standards-setting organization that would be composed of five members. This organization might be established within a year and be funded. Some think that such an organization should start like FASB started—it first concentrated on fundamentals and then established standards.

THE FREEDOM OF INFORMATION ACT AND THE GOVERNMENT AUDITOR

THE ISSUE

The Freedom of Information Act (5 U.S.C. 552) is a complex and confusing issue as it applies to government auditors. Unless care is taken in applying it to auditors' work, many severe problems could arise.

WORKSHOP PRESENTATIONS

For many years, there has been a desire for openness in government. This desire has become manifest in the act and related legislation. The desire has been fed by traditional values of democratic, scientific, and academic discourse and by alienation of increasingly educated populations from increasingly bureaucratic institutions.

The act applies to all records owned by any Federal agency. Any person, U.S. citizen or not, may request to see Government records under the act. In most cases, ownership is determined largely by possession. There are, however, nine exemptions from the act which are designed to deal with five broad protectable interests:

1. Classified defense and foreign relations matters.
2. Certain purely internal matters.
3. Matters exempted by another statute.
4. Trade secrets and certain commercial or financial information.
5. Internal governmental deliberative communications.
6. Individual privacy matters.
7. Investigatory law enforcement records if one of six specified types of harm would result from release.
8. Bank examiners' records.
9. Oil well and similar information.

Application of these exemptions is not clear and definitive; there have been over 1,000 court decisions dealing with them.

The nine exemptions are permissive; in most cases the agency could still release the records unless prohibited by other laws. Sometimes it is necessary to split records, giving some and keeping some.

Federal agencies implement the act by writing regulations and naming cognizant officials.

If a request is denied, the agency must advise the requestor of appeal procedures. If these fail, the requestor may go to court.

When requests for information are received, the first step is to clearly understand just what is wanted. This is not always easy. Then, a determination is made as to whether an exemption applies. If a release is made and it is "clearly unwarranted," the injured person may bring charges. Release of documents can be very difficult to handle. It may be best to obtain legal advice. Agencies may, and many times do, refer to the Office of Information Law and Policy. In dealing with business confidentiality, persons named in the documents may be asked if they object to the release; if they do, they are asked why. In dealing with individuals this usually is not done because the individuals may not understand the situation or its implications.

Internal audit reports present a particularly difficult situation. Draft reports, which stay within a single Government agency, probably could be considered exempt from release. This is to encourage candid communication within the Government in order to help arrive at better decisionmaking than would occur if Government personnel were inhibited in expressing their honest opinions and recommendations for fear of outside criticism or pressures. A Federal agency auditing a State or local organization is not considered to be doing internal auditing, and release may have to be made. This is not clear.

The thrust of the act is toward disclosure, and compliance with the act is monitored by the courts, congressional committees, the Department of Justice, the press, various public interest groups, and others. Requests under the act must be processed promptly. The approval of the auditee need not be obtained before a report is released, although it is sometimes wise to consult informally with the auditee to assist in determining the applicability of an exemption or the current desirability of voluntarily releasing despite the exemption. Where certain parts of a report contain exempt material that is to be withheld, the balance of the report should normally be released.

The Western Intergovernmental Audit Forum has underway a project to determine the extent to which the Freedom of Information Act and similar State and local legislation hinder the efficient and effective operation of audit agencies.

The forum's ad hoc committee has researched the matter and has mailed questionnaires to 22 forum members. To date, 15 replies have been received. Five of those responding report that they are having problems in dealing with the act; several others believe that the potential for problems is there and that they need guidance. In addition, not all Federal agency regulations are consistent. Most State and local governments have legislation similar to Federal legislation.

The committee will analyze these and other responses and conduct additional work as deemed necessary. If, as it currently appears, the area is one that suggests further attention is needed, the Western Forum probably will refer the project to the National Forum; the matter crosses agency and governmental level lines, ties directly to the audit organizations' actions, and could be definitely affecting their operations. Before any submission, the Western Forum will reach tentative conclusions as to the course of action the committee believes appropriate. The recommendations to the National Forum would be for (1) further study and/or (2) proposed corrective legislation or more definitive, consistent agency regulations.

WHERE DO WE GO FROM HERE?

The Western Forum will proceed on its project dealing with how the act affects government auditors. Input from all interested parties will be welcome at any time during this project. The findings will be reported, probably to the National Forum.

KEEPING THE GOVERNMENT AUDITOR SEPARATED FROM POLITICS

BACKGROUND

As governmental activities strive toward implementing OMB Circular 102, attachment P, the "Single Audit Concept," the acceptance by one audit agency of the work of other audit agencies becomes critical. Each must be able to assess the credibility of the reports put out by others.

A key question aimed at the credibility of all audit reports is "How independent was the auditor of the auditee's influence or the influence of third parties?" This question is particularly appropriate in assessing the reliability of the reports of governmental auditors. Because of the various methods of "hiring" the auditors and their positions in the hierarchy of government, their ability to be independent of the influence of those who hire them and/or of those to whom they report is difficult to assess without a good understanding of where auditors' allegiance realistically lies.

Some ways in which government auditors view their independence and the "ideal" and the "practical" limits of it are discussed below.

INTRODUCTION

Neither of the panel members represented "elected" auditors. Therefore, little was said about independence or lack of it as it relates to the elected auditor. The panelists represented audit activities which had been established by legislative mandate; their reports go to individual legislators or legislative bodies, i.e., a State legislature and the city council in a city having a city manager system.

Comparison of Information Needed To Understand the Two Audit Organizations

Branch of Government	*State*	*City*
Legislative	House of Representatives and Senate elected by citizens in political (e.g., Democratic and Republican) elections.	Mayor-Council elected by citizens in non-partisan elections.
Executive	Elected Governor. Appointed policymakers. Civil service employees.	Council-appointed city manager (serves at pleasure of the council). Civil service employees.
Audit staffs ("Legislative"):		
Method of hiring	State legislative auditor appointed by majority vote of each house.	City auditor appointed by independent citizens' group (from financial community). Approved by majority vote of city council.
Term	Life (dismissal by two-thirds majority vote of each house).	Two years. May be reappointed in same manner as hired.
Scope of audit	Financial (almost exclusively).	Financial, management, performance.

Continued

Areas of audit	All State agencies, universities, localities, and municipalities (principally review of CPA audits).	Federal grant programs, systems designs, assistance to external (CPA) auditors on annual financial audits, and executive agency management.
Reporting	Reports released simultaneously to presiding officers of both houses and to executive agency concerned (released to media after 3 working days).	Reports released simultaneously to city council and city manager (release to media not delayed). Interim reporting to executive agencies (no surprises).
Corrective action	Statute requires implementing corrective action within 30 days. Noncompliance or auditee critical comments are handled through combined houses' audit advisory committee.	Executive agency has 90 days to respond (usually corrective action taken before report issuance).

ISSUES

How independent can government auditors be? What circumstances can affect their ability to remain above the "politics" of their positions? How can the government auditor maintain both the "appearance" and the "reality" of independence?

WORKSHOP DISCUSSIONS

The parallel between the placement of the State and local audit organizations of the panelists is evident, and there was little, if any, difference in their approach to the subject. Both panelists agreed that the appearance of independence was more difficult to achieve than the reality of it. The reality is in the mind and integrity of the auditor, and sometimes the effect a report has on the reader's position can significantly affect the reader's perception of the writer's independence.

A key factor in judging the apparent independence of an auditor is the level to which the auditor reports. As previously noted, both panelists report to their respective legislative bodies, the highest levels in the governmental entities. However, the panelists and participants agreed, great care is needed to see that their audit reports are in no way improperly influenced by the auditees, the intended recipients, other interested parties, personal prejudices, or other external forces affecting the auditors and their staffs.

The State auditor prohibits his unclassified staff, and his classified employees are barred by law, from personally engaging in any partisan political activity. However, the law does not bar any member of their families, including spouses. In the city government, no partisan politics is involved, so there is no problem in that area.

To maintain the appearance of independence, the auditor must be objective in reviewing and reporting. The auditor must have strong character and resist all efforts of "the special interests" to influence the areas of audits, the extent of audits, and the reporting of results. Great diligence must be exercised to avoid apparent conflicts of interest where there may be any connection (friends or relatives) between any of the parties concerned, e.g., the auditor, the auditor's staff, the auditee or its employees, the members of the legislative body, and the legislative staffs. The audit agency and the head's supervisory staff are responsible for being aware of any possible conflict of interest between the staff and those other interests which might influence the outcome of an audit or which might give the appearance of influencing it. The agency head must:

- Have full authority to control audit findings.
- Evaluate all special requests for audits by legislative members, elected officials, and all special interest groups or individuals before engaging in an audit which may have as its only objective the self-serving interest of the requestor(s).
- Set and use professionally acceptable standards of conduct, auditing, and reporting to assure that all audit reports released are based only on facts and that they are accurately, completely, and objectively reported.

The city auditor pointed out that one method used to improve the independence of his agency was to jointly develop, with the city council, a long-range (5 year) plan of audit coverage based on predetermined objectives and budget considerations. The State auditor has no specific annual plan, although his staff is required by statute to audit all parish tax collectors, annually and, by legislative direction, all State universities, annually. Occasionally, the legislature makes special requests for specific audits. The State auditor's operations are subject to recurring reviews by independent public accountants.

Both panelists stressed the fact that the governmental auditor must have complete authority in hiring staff. The auditor must resist hiring personnel, particularly professional staff, who come "highly recommended" by members of the legislative bodies, the executive branch, or other persons who may have any connection with any audit to be made by the auditor's office. Here again, the threat of "appearance" of lack of independence, more than the "reality" of it, may greatly damage the overall integrity of the office's performance.

CONTRACTING FOR AND OVERSIGHT OF AUDITS

INTRODUCTION

Governments are increasingly engaging public accountants to perform financial and compliance audits and express opinions on the fairness of government financial statements. In selecting accountants to perform auditing services, governments have traditionally issued requests for proposals (RFPs). Public accountants interested in doing the work must respond to the RFPs with detailed audit proposals outlining their qualifications, proposed audit work plans, and fees.

Because RFPs and audit proposals unfortunately differ widely in style and scope, confusion, delays in the audits, and additional costs to the parties involved have often resulted.

In June 1979 the Westgern Intergovernmental Audit Forum issued an exposure draft entitled "Guidelines for Preparation of Requests for Audit Proposals." These guidelines were prepared to foster a reasonable degree of consistency in the requests and responses. The forum hoped a closer matching of the auditing services requested with those being offered would result. The guidelines are intended primarily for local government use in connection with financial and compliance audits; however, they undoubtedly have wider application. Similar guidelines for use in requesting performance audits dealing with economy, efficiency, and effectiveness of operations are being considered.

WORKSHOP DISCUSSIONS

The advent of revenue sharing, which requires an independent examination of a government's financial statements once every 3 years, has increased the demand for public accounting services required by local governments. Many local governments have had very little experience in preparing RFPs for auditing services and in evaluating proposals. Governments should be able to tailor their RFPs so that they clearly reflect their specific needs. This would facilitate evaluation of the accountants' proposals.

To obtain proposals that will meet their needs, governments must insure that RFPs contain the information that public accountants need to make responsive proposals and require the necessary information to make an intelligent and equitable selection of auditors. Public accounting firms spend significant time and effort preparing proposals. Complete and clearly defined RFPs that provide and request adequate and appropriate information will reduce the cost of preparing proposals and will enable more effective matching of the auditor's qualifications with requested services.

The Western Forum's guidelines can be used effectively as a checklist to insure that RFPs include all matters relating to the services requested.

In looking at RFPs from the public accountant's point of view, the following factors should be adequately considered or public accountants may decide not to submit proposals.

- A reasonable time, usually 3 weeks to a month, should be permitted to prepare proposals. Shorter periods raise questions as to the credibility of the requests and the seriousness with which the government is entering into the proposal process.
- If at all possible, the requestors should permit the prospective auditors to review the governments' accounting records before making proposals. In most circumstances, the public accountants need to evaluate the condition and quality of the records and the people they will be dealing with if they are expected to propose estimated fees. Permitting access to the records and personnel will also give the government representatives an opportunity to observe and evaluate the prospective auditors. This also gives the requestors the option of using these meetings as preliminary screenings in order to limit the number of public accountants invited to submit proposals.
- Individuals who will evaluate the proposals must have the technical knowledge and background to fairly evaluate auditor's qualifications.
- One-year contracts are not very practical. The first year of an auditor's involvement can be very costly for both (the auditor and the auditee). The auditor spends additional time learning about the auditee, and the auditee has to spend time informing the auditor about its operations, etc. At least a 3- to 5-year contract or "hand shake" relationship should be considered, assuming satisfactory performance.
- The methods of evaluating proposals may vary considerably, e.g., low bid or established formulas. Whatever method is used (often described in the RFP), it should be stuck with and the contract should not be awarded based on another method, nor out of frustration should low bid be resorted to when technical qualifications were to be a significant factor. In addition, the influence that cost can have on

the evaluations can be reduced by requiring that the technical qualifications and the cost of the audit be submitted in separate documents. This way, the technical qualifications can be evaluated independently of cost considerations. Some recipients of proposals evaluate the technical qualifications first and then review cost proposals for only those proposers considered technically qualified. The requestor may also want to request the number of hours estimated to do the work in addition to a proposed cost. Low cost and an inadequate effort is no bargain.

Public accounting firms are very anxious to serve governments, but in many cases they do not have wide experience in dealing with the variety of separate reporting requirements usually required in connection with a governmental audit. Care should be exercised to assure that the prospective auditors clearly understand their additional reporting requirements which often go beyond an opinion on the financial statements.

WHERE DO WE GO FROM HERE?

Contracting for audits is a joint government and public accounting firm problem, and they must work together to assure quality procurements of services and performance.

In addition to using the Western Forum's guidelines, governments that do not have the expertise in procuring auditing services can ask the forums to help them prepare and evaluate proposals.

The use of internal audit staff to assist in the contract audit will reduce its cost.

OPERATING A NATIONAL PEER QUALITY REVIEW PROGRAM FOR GOVERNMENT AUDIT AGENCIES

BACKGROUND

Several events highlight the importance of efforts by the National Intergovernmental Audit Forum and the State Auditor Coordinating Committee to develop a peer quality review system for government audit agencies. Federal policy directives have recognized the need for enhanced intergovernmental audit cooperation, extending back to the 1968 Intergovernmental Cooperation Act and including:

- Presidential directives which stress sharing Federal audit plans with State and local auditors and placing greater reliance upon State and local audits to satisfy Federal requirements.
- Office of Management and Budget circulars, such as A–102, attachment P, which identifies quality assessment of audit work as an integral part of the single audit concept.
- Senate bill 904, which proposes that the OMB Director, with the Comptroller General's approval, establish a quality review process to insure that single independent financial and compliance audits of federally assisted programs are properly performed.

When complete, the system set up by the National Intergovernmental Audit Forum and the State Auditor Coordinating Committee will satisfy the Congress, OMB, and the President and will save government millions of dollars. It will enable (1) government audit agencies to assess and improve the quality of their organizations and audits, (2) the audit community to share audit results, thereby reducing the time devoted to audits of federally assisted programs, and (3) the public to accept the work of government audit agencies with greater confidence.

The joint project has two major phases. The objective of the first is to develop quality review guides and procedures. Regional guides and procedures have been developed and tested by the Midwestern, Mountain and Plains, and New England Forums and are being evaluated by the New York/New Jersey, Southwest, Western, and Pacific Northwest Forums. Upon completion, representatives from these seven organizations will meet to develop a single set of review guidelines and procedures.

WORKSHOP DISCUSSIONS

The intent of this workshop was to solicit input for achieving phase II objectives—developing sponsorship, organization, staffing, and funding modes for the peer review system—assuming that it is flexible enough to convert to a certification/accreditation program. Although most participants believed accreditation/certification would result in greater public exposure and credibility, the process has been limited to peer review to elicit greater initial acceptance. Therefore, the system will not be a mechanism which decides who can perform single audits under attachment P. Rather, the report user will decide, based on the facts presented, whether the auditee meets quality review standards.

The Mid-Atlantic and Southeastern Forums' quality review committees surveyed 10 organizations engaged in peer review accreditation. Their work formed the basis for the discussion on alternatives for achieving phase II objectives.

Participants discussed sponsorship by (1) governmental or quasi-governmental agencies, (2) professional or intergovernmental associations, and (3) independent nonprofit boards or foundations organized solely to administer quality reviews. Following are the results of the workshop.

Sponsorship by a governmental or a quasi-governmental agency

Participants felt that the quasi-governmental structure of the National/Regional Intergovernmental Audit Forums should be adopted over other alternatives, because it would be

- representative of and accepted by all levels of government;
- conducive to either a centralized or a decentralized structure;
- easier and quicker to fund, staff, and implement; and
- more acceptable to the public because it would have at least the appearance of greater independence.

The forum structure would also assure some uniformity and consistency in applying standards and would have more stature than a new organization—the latter might be self serving. The only disadvantage identified was that not all government audit organizations are currently eligible for forum membership.

Professional or intergovernmental association

Potential sponsors include organizations such as the Association of Government Accountants, the National State Auditors Association, the American Institute of CPAs, the Municipal Finance Officers Association, the Institute of Internal Auditors, and the National Council on Governmental Accounting. The greatest advantage of this group is its greater in-

dependence and public credibility. Individual organizations do not, however, have broad-based support. They usually represent one level of government or individuals rather than government organizations.

Some participants recommended sponsorship by a group of representatives of these or similar associations. The Association of Government Accountants might also be a possible sponsor because of its multilevel government membership, which includes both national and local chapters. However, this and other associations have staffing problems which might preclude effective program management.

Independent nonprofit organization

Such sponsors would include the Financial Accounting Standards Board, the Financial Accounting Foundation, the proposed Government Accounting Standards Board, or a similar body created specifically to administer the quality review function. The advantages and disadvantages are similar to those of the professional or intergovernmental association. Other disadvantages include the inevitable conflicts which arise when the same organization both sets and oversees standards and practices, lower voluntary acceptance, and difficulty and delays in implementation.

Organization

A national office should establish and coordinate policies and provide quality controls. Regional organizations should execute the peer review function using national standards, but should have only loose ties to the national office. This allows greater flexibility in satisfying unique regional requirements, closer identification and therefore increased acceptance of the review function, and less costly travel requirements than other options. For a slight variation, regional teams could review State and local agencies and national teams could review Federal agencies. The centralized policies and guidance of Federal agencies make regional reviews more difficult.

Staffing

The quality review function—if sponsored by an existing organization—should be totally independent of its other activities and should be under the direction of a separate commission, board, council, or similar body representative of the entities subject to review. There should exist:

- A full-time skeleton administrative staff at the national and each regional office to schedule and coordinate reviews.
- Part-time or volunteer clerical personnel to supplement, as necessary, the full-time administrative staff.
- A rotating pool of staff, donated from the organizations subject to review, from which individuals would be selected to serve on specific quality reviews.

The permanent administrative staff would provide continuity and leadership and would identify responsibility and authority in the organization. The rotating pool of professional staff would be less expensive than a permanent staff. Individuals would receive training and career development, and their interaction with auditors from different government agencies would lead to greater understanding and cooperation within the audit community. Participation by staff of organizations subject to review would provide a greater sense of involvement and control and consequently more voluntary acceptance of the program.

Problems related to availability, timing, and qualifications of contributed personnel and the interruption of internal training, development, and career progression could present drawbacks to this option. Qualified permanent staff, however, might be more difficult to hire and keep. Still, they would require less training, would be viewed as more independent, and would present fewer scheduling programs.

Funding

Grants, appropriations, and contracts are not reliable as primary or continuing funding sources, but could be used for startup and supplemental activities. A combination of dues and review fees would be structured to recognize organization size and would cover administrative and support costs of quality reviews. The salaries and travel expenses of review team members would generally be paid by the organizations donating their services. The review fee and/or dues would be used to pay the travel expenses of review team members when their organizations could not legally pay them.

INDIRECT COST AND RELATED AREAS OF CONCERN FOR GOVERNMENT AUDITORS

For over a century, the Federal Government has provided financial assistance to State and local governments to accomplish national priorities. Federal assistance now accounts for an estimated 25 percent of State and local resources. Since 1968, costs charged to Federal programs have had to comply with OMB Circular A–87, "Cost Principles Applicable to Grants and Contracts With State and Local Governments" (now FMC 74–4).

The total allowable costs of any grant or contract are those directly related to its performance plus an allocated share of indirect, or overhead, costs. No universal rule exists for classifying costs as direct or indirect. Generally speaking, however, a direct cost is one which usually can be readily identified with and assigned to a cost objective (a grant, a contract, an organizational unit, etc.). Indirect costs for such things as administration, purchasing, accounting, auditing, budgeting, and space often benefit more than one cost objective and generally are not readily assignable directly to a grant or contract. In these cases, the indirect, or joint, costs should be assigned to cost objectives in reasonable and equitable proportions relative to benefits received, a cause-and-effect relationship, or some other reasonable or logical basis.

State and local governments' costs to carry out Federal programs often exceed the amount of Federal assistance received. When the amount of assistance was comparatively small, State and local governments did not identify and allocate indirect costs to federally assisted programs. As the number and significance of Federal programs increased, State and local governments' involvement and their costs to administer the programs also increased and several States and localities began to identify and allocate indirect costs. As a result, some Federal agencies allowed State and local governments to use Federal funds to pay part or all identified costs while other Federal agencies did not.

Circular A–87 was implemented to provide a uniform approach to determining total allowable costs of Federal programs at the State and local government levels and to promote financial accountability and better relationships between grantees and their Federal counterparts. The circular established principles and standards to be applied by all Federal agencies for determining costs applicable to grants, including subgrants, to State and local governments.

OMB anticipated that application of the circular's principles would reduce audit exceptions. The circular required that allocated or joint costs charged to Federal programs be supported by a plan of allocation. The circular was to simplify intergovernmental relations by requiring a State or local government to justify allowability and allocability of its costs once a year to one Federal agency.

The circular did not supersede cost limitations imposed by law, provide new funds to Federal agencies for costs not previously allowed by them, or dictate the extent of Federal funding for a particular program.

Even though the circular has been in effect for 12 years, various operational problems still exist. In addition, the circular is constantly subject to revision and reinterpretation. This workshop highlighted some of these problems, alterations, and interpretations. In fact, the session opened with a briefing on two recent revisions dealing with allowability of travel and rental costs.

Cost allocation has been described as an art rather than a science of strict codes. Numerous methods exist for allocating costs and classifying them as direct or indirect. On the one hand, the flexibility complements the variances among governmental structures; yet, for small local governments, the task of developing a plan can be overwhelming. Likewise, subgrantees are prone to influence from their grantors in how they should allocate cost. Ostensibly subgrantees have the same right and responsibility as prime sponsors to develop a cost allocation plan.

One increasingly critical element of indirect cost is audit service. Audit costs could become particularly meaningful with the implementation of the single audit concept as required in Circular A–102. Payment for those audits has not been defined, so States and locals might need to develop plans to allocate the audit costs among Federal grantors.

Compounding the problem of allocating indirect costs is the absence of an enforcement authority to insure Federal payment of those costs. Most Federal contracts state that indirect costs will be paid according to the availability of funds. To program managers, the funds are better applied to meet program needs than indirect costs like administrative services. Because of these conflicting principles, the adherence to indirect cost guidelines remains piecemeal, particularly among local governments.

GOVERNMENT AUDIT STANDARDS: REVISIONS PLANNED

INTRODUCTION

The "Standards for Audit of Governmental Organizations, Programs, Activities & Functions," as issued in 1972, have proved to be sound and durable and have been generally accepted by all levels of government as well as the accounting profession. OMB has included the standards in OMB circulars as basic audit criteria for Federal executive agencies to follow. Also, the Inspector General Act of 1978 (Public Law 95–452), dated October 12, 1978, requires that the Inspectors General follow the standards.

The standards are being revised, not because they contain weaknesses, but to clarify their meaning and to add information about the auditor's responsibility for detection of fraud and abuse. Also, standards are being incorporated for audits of systems using automatic data processing equipment.

APPROACH TO REVISION

In deciding who should revise the standards, a number of alternatives were considered. But GAO decided to make the revisions within GAO based on comments and suggestions received since the standards were issued. Once the revisions have been drafted, GAO plans to send the draft to all interested parties for comment. Comments will be evaluated and incorporated as appropriate in the final standards. A goal of December 31, 1980, has been established for issuing the revised standards.

SUMMARY OF MAJOR REVISIONS

Some of the planned major revisions to the standards follow.

1. Expanded scope auditing.

- Clarified that an audit may include all three elements of expanded scope auditing or may include only one or two elements.

2. Compliance aspects of auditing.

- Expanded on the meaning of "compliance." Compliance is not a separate audit in itself, but part of each of the three elements of auditing.

3. Financial audits leading to an opinion.

- Incorporated into the general standard on qualifications what qualifications are recommended when engaging public accountants to make these audits. They are as follows:

"When public accountants are engaged to perform these audits, only certified public accountants or public accountants licensed before December 31, 1970, should be engaged."

4. "Independence" defined.

"In all matters relating to the audit work, the audit organization and the individual auditors must be organizationally independent and shall maintain an independent attitude and appearance." (Underscores show changes.)

5. Independence—personal impairments.

Examples of preaudit work which would impair the auditor's independence:

"For example the auditor examines and approves invoices, payrolls, claims and other proposed payments and subsequently performs a post audit of these transactions."

Additional personal impairments:

- The auditor maintaining the accounting records and subsequently performing a postaudit.
- The auditor performing certain nonaudit services and subsequently performing a postaudit.

6. Independence—organizational impairments.

- Internal auditors.

a. Government auditors may be subject to policy direction from persons involved in the government management process.

b. The audit function or organization should report to the head of the governmental entity or the next higher level and should be organizationally located outside the line management of the unit under audit.

c. Auditors should also be sufficiently removed from political pressures to insure that they can conduct their audits objectively and can report their conclusions without fear of censure.

d. Whenever feasible, they should be under a personnel system where compensation, training, job tenure, and advancement are based solely on merit.

e. If the above conditions are met, auditors should be organizationally independent to audit internally and free to report objectively what they find.

f. The main objective of an internal audit organization is to serve the entity's top management.

g. They may not be considered to be independent of the entity by third parties.

h. While internal auditors may not be considered independent of the entity, the external auditors, in auditing the entity, should make maximum use of the internal auditors' work after appropriate tests are performed.

- External auditors.

a. Government auditors who are elected and legislative auditors auditing executive entities usually are free of organizational impairments when auditing outside the governmental entities they are assigned to, assuming there are no personal or external impairments.

b. Governmental auditors may be presumed to be independent of the entities they are auditing if they are:

- Levels of government other than the ones they are assigned to, e.g., Federal, State, or local.
- Different branches of government within the levels of government they are assigned to, e.g., legislative, executive, or judicial.
- Different agencies of the same branches of government they are assigned to.

c. Governmental auditors may also be presumed to be independent if they are:

- Elected by the citizens of their jurisdiction.
- Elected or appointed by and report to the legislative bodies of the levels of government they are assigned to.
- Appointed by the chief executives and confirmed by and report to the legislative bodies of the levels of government they are assigned to.

7. Auditing computer-based systems (added as the fifth examination and evaluation standard):

- Auditors shall actively participate in reviewing the design and development of new data processing systems or applications and significant modification to them.
- Auditors shall review general controls in data processing systems.
- Auditors shall review application controls of installed data processing systems.

8. Evidence.

- Auditors shall accumulate evidence in workpapers.

9. Fraud, abuse, and illegal acts (added as a seventh examination and evaluation standard for governmental auditing):

"Auditors shall be alert to situations or transactions that could be indicative of fraud, abuse, and improper or illegal expenditures and acts; and shall develop audit steps and procedures to search for these type expenditures and acts."

- An audit made in accordance with the standards in this document will not insure or guarantee that improper or illegal acts have not occurred.
- If the audit has been made in accordance with these standards, the auditors have fulfilled their professional responsibilities.
- When the auditors discover improper or illegal acts during the audit, they shall report them in accordance with the reporting standards in chapter VI of this document.

10. Reporting standards:

- The following was added as a separate reporting standard:

"A written audit report is to be prepared of the results of each governmental audit."

- The following was added as generally accepted accounting principles:

"The National Committee on Governmental Accounting's publication entitled, 'Governmental Accounting, Auditing and Financial Reporting' (GAAFR) has generally been acknowledged as an authoritative publication in the area of accounting for State and local governmental units. The U.S. General Accounting Office's publication entitled, 'Accounting Principles and Standards for Federal Agencies' contains generally accepted accounting principles for Federal agencies.

- The following was added as generally accepted auditing standards:

"The U.S. General Accounting Office 'Standards for Audit of Governmental Organizations, Programs, Activities & Functions' also include the generally accepted auditing standards established by the American Institute of Certified Public Accountants."

- Explanatory information—added the following:

Comments on material deficiencies identified during the financial audit should be included in the audit report.

- Statement on compliance—added the following:

The audit report should state whether the tests made disclosed instances of significant noncompliance.

- Reporting irregularities—added the following:

a. If auditors become aware of irregularities affecting the government entity, they should promptly notify the top entity official.

b. If irregularities involve funds received from other government entities, the auditors should also promptly notify officials of those entities.

c. All improper or illegal acts, whether material or not, that auditors become aware of should be included in a written report and be submitted to the appropriate officials of the organization audited and to the organizations requiring or arranging for the audits.

d. Copies should also be sent to other officials authorized to receive such reports. However, auditors should not release to the public reports containing information on improper or illegal acts, since this could interfere with legal processes.

- Recommendations—added the following:

Management is primarily responsible for directing action and followup on audit recommendations. However, the auditor, in subsequent audits, should disclose the status of recommendations included in prior audit reports.

COMMENTS ON AUDIT STANDARDS

The following questions were asked and comments and suggestions made regarding the proposed revisions to the audit standards.

1. Independence.

- Should the standards prohibit an audit firm from designing a system and then auditing against the system? There appears to be a difference of opinion regarding whether auditors should provide management advisory services. Some feel that auditors should not be involved in any type of management advisory services because this would tend to compromise their independence. Others feel that independence is an attitude of the mind and that there should not be any problem with auditors providing such services. They point out that the auditors are the most qualified to provide some of the needed management advisory services, such as designing an accounting system, and it is only practical that they do so. Also, they say that personnel and organizational structure are continually changing and the fact that an audit firm designed an accounting system for an organization at one time should not discourage the auditors from suggesting improvements in the changed system at another time.
- If someone has the auditors' "purse strings," it is hard for them to be independent. Therefore, the Inspectors General may have to have their own budgets. If they do not, this may give an appearance of conflict of interest.

2. Auditing computer-based systems.

- The auditors should not be part of the team that designs the systems. The key word is that the auditors participate in *reviewing* the design. Also, an "escape clause" provides that auditors have discharged their responsibilities if they have informed management of the need to review the systems design and management refuses. Moreover, sometimes controls exist but management removes them.

3. Fraud, abuse, and illegal acts.

- This suggests the need for investigative training. However, it is of prime importance to remedy the deficiencies in internal control that allow fraud and abuse to occur.
- There may be a problem with the standard that says ***auditors should not release to the public reports containing information on improper or illegal acts*** because the State charter may say that it must be publicized. The standard may have to be revised to say that in such cases auditors should seek legal advice about how to report such matters.
- A question was raised as to why auditors should be required to include improper or illegal acts in audit reports if they cannot be released to the public. (Such reports are released to appropriate auditee officials and to the organization requiring or arranging for the audit.)
- Concern was expressed about whether ***all improper or illegal acts, whether material or not, that auditors become aware of should be included in a written report, and submitted to the appropriate officials.*** Some believe that the word "all" is too inclusive.

4. Financial audits leading to an opinion.

- A question was raised as to why the standards state that the only public accountants that should be engaged to perform the subject financial audits are those licensed before December 31, 1970.

WRITTEN COMMENTS REQUESTED

A draft of the proposed revisions to the standards will be sent to all interested parties for comment. It is hoped that many will submit written comments about the proposed revisions which can be considered before the standards are issued in final form.

A REAL INTERGOVERNMENTAL RELATIONS SUCCESS STORY

Address by Elmer B. Staats, Comptroller General of the United States, Before the 1980 Joint Conference of the Intergovernmental Audit Forums, Dallas, Texas, April 25, 1980.

I am especially pleased to be with you today at this third Joint Conference of the Intergovernmental Audit Forums. I thank you for the opportunity to speak to you and share with you some thoughts about a real intergovernmental relations success story.

One of the highlights during my time as Comptroller General is the General Accounting Office's involvement in the audit forum movement. Our efforts started about 7 years ago when I met with a group of State auditors who envisioned representatives of Federal, State, and local audit organizations meeting together to discuss and solve some of the issues that existed among them. One of these gentlemen is Bill Snodgrass, whom I had hoped to see here today. As a result of that meeting, 11 intergovernmental audit forums exist today, and while not all the problems have been solved, the relationship among auditors from all levels of government is much closer. In time, most of the major auditing problems will be solved and those here today will be the ones to make this happen.

I would like to take this opportunity to say thanks personally to you for the help and support that the forums have given me and the entire government audit community. Everywhere I go, people tell me what a great contribution the forums have made to improve the overall financial accountability at all levels of government.

The forums are an excellent example of what can be accomplished through intergovernmental cooperation. They have improved working relationships among government auditors by increasing coordination and cooperation and opening lines of communication between member audit organizations.

I have been pleased to notice the many meaningful projects being initiated or participated in by the forums. Your agenda for this conference testifies to this point. Several projects have already resulted in substantial improvements in financial accountability and will have far-reaching effects on government auditing. Among these are the following:

- The development of a standard financial and compliance audit guide.
- The study of the feasibility and desirability of a quality review system for organizations that perform audits at all levels of government.
- The development of guidelines for preparation of requests for audit services.
- The development of audit guidelines for reviews of economy and efficiency and for program results.
- The JFMIP study on the audit of federally assisted programs.

The forums have also performed a needed service to members by providing training that otherwise might not have been available or affordable. However, perhaps even more important, the forums have brought together groups of government auditors in an environment where they can discuss items of common interest.

This conference has again brought together the most responsible and diversified group of audit directors ever assembled in the Nation, if not the world. This gathering exemplifies the commitment and interest among all government auditors to work together to meet the vast and growing audit requirements of all those who are concerned with governmental accountability.

In the past few years, we have seen an increased interest in governmental auditing as never witnessed before. Public officials, legislators, and citizens are asking whether funds are being spent properly, in compliance with laws and regulations, and free of fraud and abuse. They also want to know whether government programs are being managed efficiently and effectively.

Many have called the 1970s the decade of auditing. This may well be true. A number of events have occurred that have had definite impacts on government auditing. As we enter a new decade it is appropriate to assess the past and to look to the challenges of the future.

Since the 1976 joint conference of the forums several significant events have occurred. I would like to comment on four of them: the Inspector General Act,

grant reform, fraud and abuse, and government accounting principles and standards.

INSPECTOR GENERAL ACT

On October 12, 1978, the President signed into law the Inspector General Act, which established Offices of Inspectors General in 12 additional Federal departments and agencies. Such offices had already been provided for in HEW and the Department of Energy.

These offices were established to:

1. Conduct and supervise audits and investigations relating to programs and operations of the respective departments and agencies.
2. Promote economy, efficiency, and effectiveness in the administration of, and to prevent and detect fraud and abuse in, programs and operations.
3. Provide a means for keeping the department and agency heads and the Congress fully and currently informed about problems and deficiencies relating to the administration of programs and operations and the progress of corrective actions.

This law raised the level to which Federal internal audit organizations report. This should improve their organizational independence and should result in better followup on audit findings.

There is great significance in the Inspector General legislation for all levels of government. While the need to combat fraud, waste, and abuse was evident during the hearings, the final act recognized that, although detection is important, systematic and effective efforts in prevention are even more important.

Senator Chiles, during confirmation hearings for several nominees for Inspector General, indicated that the Congress would look to the Inspectors General to help restore a sense of good order and discipline within the Federal establishment.

We in GAO continue to be concerned with whether the title "Inspector General" may give undue emphasis to the investigative, as contrasted with the audit, responsibilities of the Inspector General. We have proposed a different title—namely, "Auditor and Inspector General." The Congress apparently thought they met our concern by retaining the shorter title but providing for an Assistant Inspector General for Auditing and an Assistant Inspector General for Investigations. This is a matter in which we will continue to be concerned and will, in our future evaluations of the work of Inspectors General give particular attention to the balance between investigations and audits.

GRANT REFORM

I need not remind this group of the proliferation of federally assisted programs since the mid-1960s and the related problems that it has created, especially for government auditors and administrators. Neither do I need to recite the details that have led to the "single audit" approach now being implemented. This has certainly been adequately covered in your conference.

The single audit approach is a constructive step and the proper way to proceed. I fully support this approach. A great deal of progress has been made to date. GAO, in cooperation with the audit forums, has taken the lead in developing an audit guide for comprehensive financial and compliance audits of multi-funded grant recipients.

OMB has issued attachment P to Circular A–102 requiring the single audit of State and local governments to satisfy Federal audit requirements, rather than continuing the grant-by-grant audit process.

Other progress has been made in improving audits of grants. For example, a number of the forums have projects underway to improve such areas as audit planning and coordination among audit groups.

I also believe the Inspectors General will play an important role in seeing that appropriate audit coverage is provided for grants.

Although progress has been made, much remains to be done before the single audit can be fully implemented. Full acceptance and implementation will not come easily and certainly will not be accomplished overnight. The time is ripe for this new emphasis, which should promote more efficient use of limited audit resources at all levels of government. The single audit approach deserves the attention and support from all of us to make it work.

In my testimony before the House Subcommittee on Intergovernmental Relations and Human Resources, which is considering the extension of revenue sharing, I placed particular emphasis upon the need to provide for a single audit of Federal grants, including revenue sharing. It is my hope that the Subcommittee, in its report, will take note of this and support the idea which the intergovernmental audit forums have so strongly endorsed.

FRAUD AND ABUSE

As many of you know, GAO's increased emphasis on fraud prevention and detection began in 1976. We wanted to ascertain whether Federal agencies had adopted effective policies and procedures for combating fraud. In 1978, we issued a report to the Congress which pointed out that no one really knows the magnitude of fraud and abuse in government. However, all indications are that it is a problem of critical proportions.

Shortly after our report was issued, I established a Task Force for the Prevention of Fraud to perform a three-fold mission:

- Assess the scope of the overall problem of fraud and illegal activities against the Federal Government.
- Operate a nationwide toll-free hotline which could be used by citizens anywhere in the country to report instances of fraud in Federal programs.
- Conduct "vulnerability assessments" within selected agencies.

The first of these three efforts deals with known instances of fraud, its causes, and actions taken by management to prevent its recurrence. We are asking the question, "Why did fraud occur?" We are identifying the kinds of illegal activities that are occurring, and at what cost, and determining what means are available for prevention and detec-

tion. We want to know whether the fraud has occurred because agency control systems have failed. We also want to know what legal and administrative remedies were taken, and conversely, if none were taken, why they were not.

Based on information obtained by us to date, it is clear that a wide variety of Federal programs and activities are affected. Cases of fraud involve many areas, including

- payroll,
- loan guarantees,
- theft of equipment, and
- educational benefits programs.

The second area undertaken by the task force is the operation of a nationwide hotline. We announced the hotline telephone number in January 1979, and after the first 14 months of operation had received more than 16,000 calls and had written up over 8,000 allegations; that is, we determined that there appeared to be sufficient evidence to warrant followup.

Computer analysis of trends of the calls is currently in process and the followup on these hotline leads has begun. Additional calls are being received daily and will be handled by the same process.

Substantive calls have been received from all 50 States, the District of Columbia, and a few overseas locations. Almost all Federal Government entities are affected, including GAO.

Allegations being reported cover a wide range of abuses—theft, private use of Government property, working hour abuses, improper financial transactions, improper expenditure of grant funds, cheating on benefit eligibility, and payment of bribes or kickbacks. The amount of money involved in these allegations varies, but the dollars involved, as we see it, are less important than what all this does in terms of destroying people's confidence in government.

I want to emphasize that, to determine whether the Government's fraud prevention efforts are adequate, GAO's interest is in the financial and management systems used to account for funds. We prefer to work with agency Inspectors General to get individual cases investigated. As of March 15, 1980, we had referred over 4,000 cases to the Inspectors General and other investigative officials for review.

We are monitoring the results of the Inspectors Generals' work in order to develop profiles of fraudulent activity and agency actions to prevent them from recurring. This information will aid our evaluation of internal and management controls necessary to prevent fraud.

Our third effort, vulnerability assessments, is what we call our effort to estimate the susceptibility of agencies and their programs to fraud and abuse.

In making our vulnerability assessments, we evaluate the adequacy of internal controls over major administrative and program-related tasks to determine whether someone could have, or has, abused or misused Federal assets. To protect Federal funds and other assets adequately, departments and agencies must have preventive controls over tasks being performed as well as after-the-fact controls, such as internal auditors who test the systems of internal control, to provide assurance to top management that programs and funds are being administered and performed correctly.

Based on our work, we believe that all of the agencies visited are vulnerable to fraud and abuse. This is because Federal headquarters, regional offices, and other field locations and grantees have inadequate internal controls over their operations.

Detection of fraud and abuse is important. However, detection should not be our primary concern as auditors and managers. Our major efforts should be devoted to constructing systems of internal control that will help prevent fraud and abuse and decrease the likelihood of error or waste. I urge each of you to join me in this effort.

GOVERNMENT ACCOUNTING PRINCIPLES AND STANDARDS

The setting of government accounting principles and standards is receiving a lot of attention these days. Some believe that the accounting for governmental entities should use the same basic standards as those used for profitmaking entities. We in GAO do not agree with this view. We believe there are basic differences between governmental and commercial accounting information needs.

One difference is in their goals. The basic goal of a commercial entity is to make a profit. On the other hand, government's goal is to protect and serve its citizens and to promote their general welfare.

Another difference is that governmental entities are accountable to citizens, not to stockholders.

These two basic differences, in my opinion, result in different information needs. Therefore, I believe that governmental accounting principles and standards must be considered separately from those established for profitmaking entities, even though some of the principles and standards may turn out to be the same.

The question of who should set the standards for State and local governments has received a great deal of attention in recent months. Many people in government believe that the FASB should not be the standard-setting body for government. They are busy setting standards for the private sector and in all likelihood would try to fit government accounting into a commercial framework.

I believe the solution to setting government accounting principles and standards is to have the various interested organizations work together.

I am pleased to announce that the American Institute of CPAs, the Financial Accounting Foundation, GAO, and the Municipal Finance Officers Association are joining to charter a new foundation to support a State and Local Government Accounting Standards Board.

This is indeed an encouraging development. We continue, of course, to have the problem of adequate financing for such a board. However, with the kind of support which I believe we now look forward to, this should be an insurmountable problem. It would be my hope that language can be included in the House

Subcommittee on Intergovernmental Relations and Human Resources' report, if not indeed in the actual wording of the legislation extending revenue sharing, to provide some Federal assistance through the revenue sharing route. I doubt whether it would be desirable or feasible to have the entire cost borne by the Federal Government, but certainly the Federal Government has a strong interest in this area, so I believe it would be appropriate for some financial assistance to come from it.

CHALLENGES TO THE FORUMS

In my opening remarks, I referred to the forum movement as a real intergovernmental relations success story. I see an even greater role for the forums in the future. You, in the audience today, have proven that members from the various levels of government can join forces to help solve problems common to all of us.

I urge and challenge you to not only maintain but to expand on your current efforts to:

- Improve communication, cooperation, and coordination among auditors at all levels of government.
- Provide training and assistance to those auditors who review government programs and activities.
- Promote the acceptance and implementation of the single audit concept.
- Promote and assist in the development and use of government accounting standards and principles.
- Continue to serve as a medium for generating new ideas and ways to improve governmental accountability.

COMMUNICATION, COOPERATION, AND COORDINATION

While you have been successful in improving the relationship among governmental audit organizations, you must not cease to continue this effort. Due to the diversified nature of government audits and the ever-increasing complexities of our work, we must constantly work toward improved communication, cooperation, and coordination of our efforts.

TRAINING

As funds for such activities as training and staff development become even more scarce and as the requirements for added skills of our audit staffs increase, we must seek other sources for staff development. The forums have helped fill this gap in the past. You will probably be called on to an even greater extent in the future to provide training for your members and their staffs. I would encourage you to meet this challenge, and I am confident that you will do so.

SINGLE AUDIT APPROACH

There have been those who have stated that the single audit approach is a matter whose time has come.

It goes without saying that the forums are a key factor in implementing this approach. Each member of the forums is a key player. Back in 1976, in a letter to Bill Simon, Secretary of the Treasury, I suggested that the JFMIP was the appropriate organization to help find solutions to problems involving the audit of federally assisted programs. At that time I recommended that the JFMIP staff work closely with and through the intergovernmental audit forums since they were already working to solve related problems.

Upon completion of the JFMIP study, in which many of the forums assisted, the other JFMIP Principals and I agreed that the forums should be asked to assist OMB in the implementation of the single audit concept.

I encourage and ask your support in carrying out this worthwhile cause.

ACCOUNTING PRINCIPLES AND STANDARDS

I encourage you, especially State and local members, to support the various efforts underway by organizations such as the NCGA and the AICPA in their studies of governmental accounting principles and standards.

You can play a key role in encouraging officials at all levels of government to establish sound financial accounting systems in accordance with accepted accounting principles and standards.

GENERATING NEW IDEAS AND WAYS TO IMPROVE GOVERNMENTAL ACCOUNTABILITY

Most of your efforts since the inception of the forums have been spent on solving known existing problems. I see the role of the forums changing. I believe that one of the greatest challenges to you and the forums in the future will be to serve as an environment for generating new ideas and ways to improve accountability in government. To do this, you will need to continue such current efforts as the quality review project and the development of expanded scope audit guidelines.

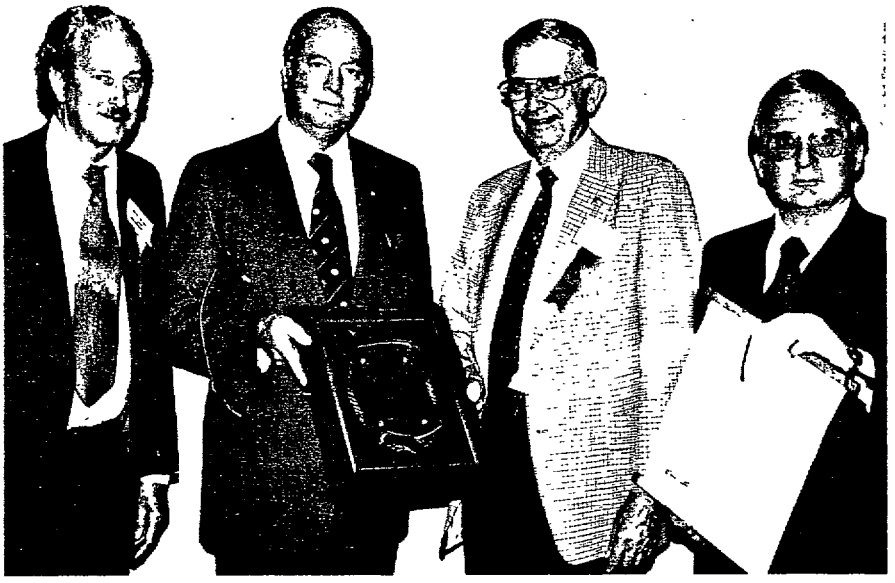
CONCLUDING REMARKS

As most of your know, my term as Comptroller General will end next March. This is one of the main reasons that I wanted to be here for this joint conference, in order to express my personal appreciation for the support which all of you have given to the intergovernmental audit forum movement. You can take great pride in what you have accomplished, and I hope that joint meetings of this type can be held periodically—perhaps every 2 years. Communication, both in formal sessions and in informal sessions, can be of tremendous importance as we learn from each other the changing role that auditors throughout the world are experiencing.

It seems to me that we have seen two major changes in the role that you as auditors have experienced over the past 14 years. One of these is the changing nature of auditors' work. As programs have become more complex and more expensive, legislators and the public have come to expect that auditors should extend their interest beyond strictly financial and compliance auditing to whether funds are spent economically and efficiently and whether these funds are achieving the results intended by the framers of statutes. This has meant that auditors have had to extend their horizons, sharpen their skills, and bring in new talent to deal with highly technical and specialized problems.

The other major development is the changing relationship among levels of government within the United States. Federal grants have grown rapidly over the past 15 years to the point where Federal assistance now represents roughly one-fourth of all State and local government revenues. This has changed the interest and role of the Federal Government in the auditing of Federal assistance programs. It has meant that auditors at all levels of government have had to work more closely together. Here again the forum movement has played and will need to continue to play an important role.

I wish each of you and your forums continued success.



Presentation of Service Award to Henry L. Bridges, State Auditor, North Carolina. L to R: Robert J. Ryan (National Executive Secretary), Elmer B. Staats (Comptroller General), Henry L. Bridges and Marvin Colbs (Southeastern Chairman).

Presentation of Service Award to Orvel M. Johnson, Legislative Auditor Emeritus, Arkansas. L to R: Robert J. Ryan (National Executive Secretary), Elmer B. Staats (Comptroller General), Orvel M. Johnson and Irwin M. D'Addario (Southwest Immediate Past Chairman).

Dallas Mayor Robert S. Folsom welcomes attendees to the Joint Conference of the Intergovernmental Audit Forums, Dallas, Texas, April 23, 1980.

APPENDIX I

Intergovernmental Audit Forums
1980 Joint Conference Dallas, Texas
List of Attendees

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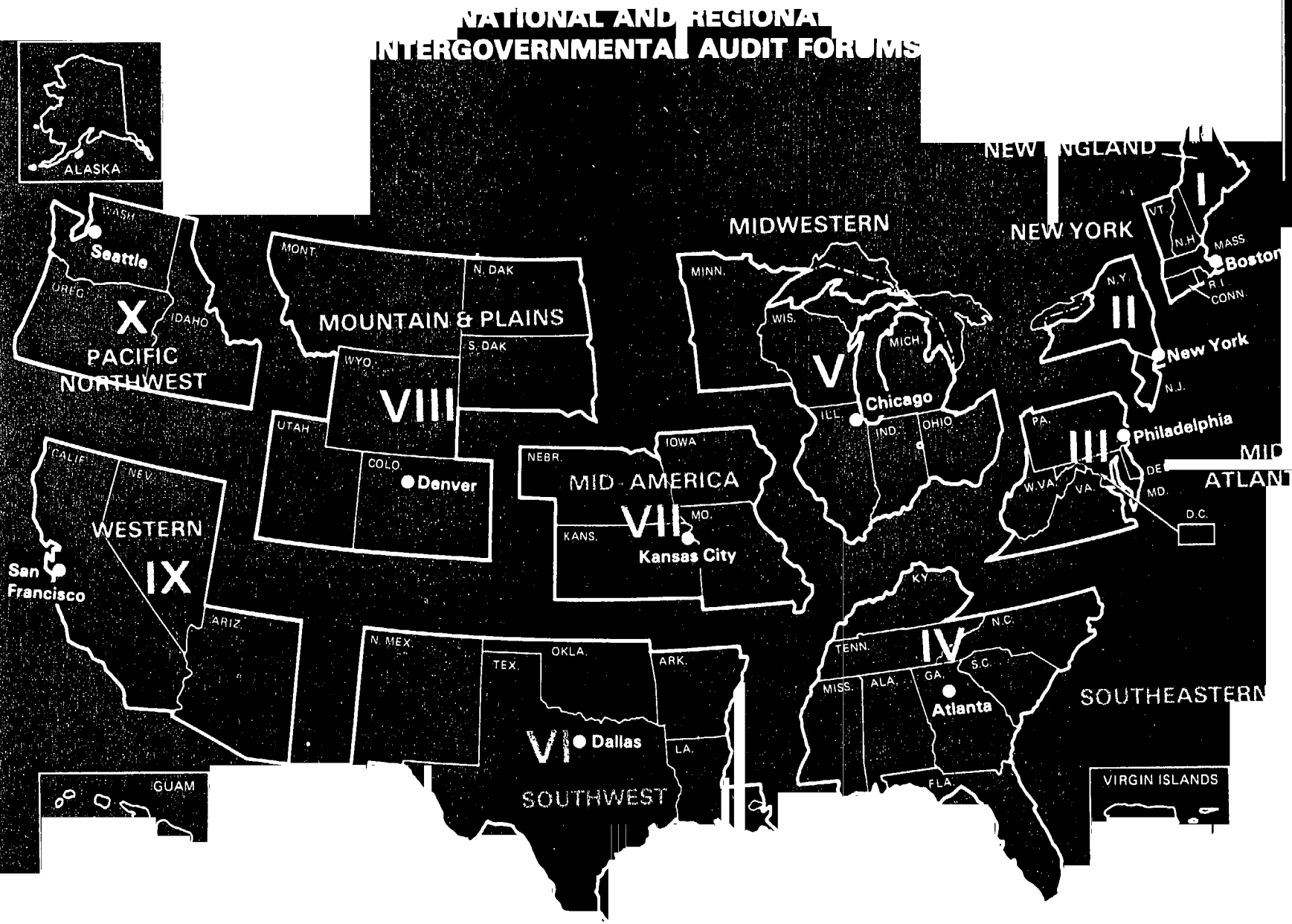
NATIONAL AND REGIONAL
INTERGOVERNMENTAL AUDIT FORUMS
ALASKA
WASH.
Seattle
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MONT.
N. DAK.
MOUNTAIN & PLAINS
S. DAK.
WYO.
VIII
UTAH
COLO.
Denver
CALIF.
NEV.
WESTERN
IX
San Francisco
ARIZ.
N. MEX.
TEX.
OKLA.
ARK.
VI
Dallas
LA.
SOUTHWEST
GUAM
MINN.
MIDWESTERN
WIS.
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MICH.
Chicago
ILL.
IND.
OHIO
NEBR.
IOWA
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MO.
KANS.
Kansas City
KY.
TENN.
IV
N.C.
S.C.
MISS.
ALA.
GA.
Atlanta
FLA.
SOUTHEASTERN
NEW YORK
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New York
N.J.
PA.
III
Philadelphia
W.VA.
VA.
DE
MD.
D.C.
MID ATLANTIC
NEW ENGLAND
I
VT.
N.H.
MASS.
Boston
R.I.
CONN.
VIRGIN ISLANDS

APPENDIX III

Summary of Results of Joint Conference of Intergovernmental Audit Forums Held in 1978

On April 19–21, 1978, the eleven Intergovernmental Audit Forums held their second joint meeting. The meeting was attended by Federal, State, and local audit directors from throughout the United States. Seven topics were discussed during rotating discussion periods. Over a two-day period each of the attendees participated in discussions on each of the following seven topics.

1. Single Audits of Multifunded Grantees—Financial and Compliance.
2. Economy and Efficiency Audits and Program Results Audits.
3. How to Improve Audit Coordination and Cooperation.
4. The JFMIP Audit Improvement Project.
5. Quality Review of Audit Organizations.
6. Progress and the Future Role of the Forums.
7. Detection of Fraud and Abuse—What Priority?

A brief summary of each of the seven topics follows.

Single Audits of Multifunded Grantees

This topic focused on the efforts being made to develop and test the concept of a single audit of a multifunded grantee using a standard financial and compliance audit guide. The sessions resulted in a thorough exchange of views and experiences on the progress attained and the crucial barriers that were ahead.

Economy and Efficiency and Program Results Audits

This topic focused on the issues related to performing economy and efficiency and program results audits. During the sessions the participants discussed their experiences in making these audits and the problems they were encountering.

At the time of this conference, two exposure drafts of guidelines were nearing publication. The participants discussed the New England Forum's "Guidelines for Economy and Efficiency Audits of Federally Assisted Programs," and the Western Forum's "Comprehensive Approach for Planning and Conducting A Program Results Review." Both of these exposure drafts were subsequently issued.

How to Improve Audit Coordination and Cooperation

The participants generally agreed that effective coordination and cooperation among Federal, State, and local audit organizations was a necessary and attainable goal and there was a need for continued effort in this area. While no special solutions were recommended by the participants, the message forthcoming was that we should stop talking about the problem and strive to work with each other where there is a common interest.

JFMIP Audit Improvement Project

These discussions centered around the following issues, or problems, addressed by the Joint Financial Management Improvement Project (JFMIP) study group:

- Possible audit duplication and audit overlap.
- Possible lack of audit coverage.
- Coordination of audits.
- Mechanisms for reimbursing State and local auditors for audits of federally assisted programs.
- Varied and differing Federal audit organizational structures, audit guidelines, and reporting requirements.
- Reliance by Federal auditors on other Federal audit organizations for audits.
- Reliance by Federal auditors on State and local organizations for audits.

During these sessions ideas were solicited for solving intergovernmental audit problems by drawing upon the diverse experience and skills of the joint conference attendees. The discussions provided the study group with a broader perspective of the problems and alternative solutions. The attendees concluded that solving these problems would not be easy and would not be accomplished overnight. The intergovernmental audit forums and their members were viewed as a catalyst to initiate and ultimately bring about needed reform.

Quality Review

This topic focuses on the issues related to establishing a quality review program for government audit organizations. The sessions provided a thorough exchange of views and experiences on the benefits of, concerns about, and the progress attained. The discussions provided useful data for the Mountain and Plains, Midwestern, and New England Forums' Committees' on Quality Review to consider.

Progress and the Future Role of the Forums

These discussions focused on the forums' progress and their future role. During the sessions the forums' accomplishments were discussed and the participants' thoughts and ideas on the future role of the forums were solicited.

Detection of Fraud and Abuse—What Priority?

These sessions focused on what priority government audit organizations should give to detecting fraud and abuse in government programs. The participants exchanged views and experiences on what:

- resources should be allocated to detecting fraud and abuse.
- audit activities may need to be curtailed to compensate for this.
- are the ramifications of shifting audit coverage to detecting fraud and abuse.

The 1978 joint conference kindled even greater interest in the forums and established the groundwork for future forum actions. As a result of this conference a number of projects were initiated by the forums

APPENDIX IV

Intergovernmental Audit Forums 1980 Joint Conference Planning Committee

Name	*Affiliation*	*Forum membership*
Aardashes Der Ananian, Jr.	Regional Inspector General for Audit/HUD—Boston	New England
Sidney L. Pollock	Regional Audit Manager/Labor—New York	New York/New Jersey
Charles K. Trible	Auditor of Public Accounts Virginia	Mid-Atlantic
Henry L. Bridges	State Auditor North Carolina	Southeastern
Hugh J. Dorrian	City Auditor Columbus, Ohio	Midwestern
Terry R. Milrany	City Auditor Fort Worth, Texas	Southwest
Richard E. Brown	Legislative Post Auditor Kansas	Mid-America
Gordon K. Milbrandt	Auditor General South Dakota	Mountain & Plains
Charles T. Rabb	Assistant Area Director Audit, LEAA/Justice—Sacramento	Western
James Diecker	Olympia Area Supervisor, Office of Child Support Enforcement/HEW—Seattle	Pacific Northwest
Daniel Paul	City Auditor Baltimore, Maryland	National
Robert J. Ryan*	Assistant Director GAO, Washington, D.C.	National Executive Secretary
Robert M. Crowl**	Supervisory Auditor GAO, Atlanta, Georgia	Southeastern Executive Director

*—Committee Chairman
**—Committee Recorder

APPENDIX V

Intergovernmental Audit Forums 1980 Joint Conference Schedule of Workshop Topics and Discussion Leaders

THE SINGLE AUDIT CONCEPT
James F. Antonio—State Auditor, Missouri
W. A. Broadus, Jr.—GAO, Washington, D.C.
Daniel Dennis—Lucas, Tucker & Co., Boston
James S. Dwight, Jr.—Deloitte Haskins & Sells, Washington, D.C.
Don Lambert—Smartt, Toombs & Higgins, Inc., Grand Prairie, Texas
John J. Lordan—OMB, Washington, D.C.
John R. Miller—Peat, Marwick, Mitchell & Co., New York
Susumu Uyeda—JFMIP, Washington, D.C.

FRAUD, WASTE, AND ABUSE
Thomas R. Hanley—Touche Ross & Co., Washington, D.C.
Gerald J. Lonergan—Auditor & Controller, San Diego County
Theodore R. Lyman—SRI International, Menlo Park, California
Thomas F. McBride—Inspector General of Agriculture, Washington, D.C.
Gerald W. Peterson—Agriculture, Washington, D.C.
E. Willian Rine—Justice, Washington, D.C.
Edward W. Stepnick—Labor, Washington, D.C.
Glyndol Joe Taylor—HEW, Dallas

INSPECTOR GENERAL CONCEPT: FIRST YEAR OF OPERATIONS
June Gibbs Brown—Inspector General of Interior, Washington, D.C.
Joseph A. Sickon—HUD, Washington, D.C.

PERFORMANCE AUDITING
Richard E. Brown—Legistative Post Auditor, Kansas
Robert L. Lockridge—City Auditor's Office, Dallas
Danny Sprowls—HEW, Dallas
Meredith C. Williams—Legislative Post Auditor's Office, Kansas

PERFORMANCE APPRAISAL
Frank Yeager—Labor, Washington, D.C.

STAFF DEVELOPMENT
Frank Quinn—Agriculture, Washington, D.C.
Bill Wills—State Auditor's Office, Colorado

GETTING ALONG WITH OTHERS: AN AUDITOR'S MUST
Jack L. Birkholz—GAO, San Francisco

COMMUNICATING AUDIT RESULTS
Irwin M. D'Addario—GAO, Dallas
Thomas W. Hayes—Auditor General, California

FOLLOWUP ON AUDIT RESULTS
Wayne S. Cordell—HUD, Fort Worth
George L. Egan, Jr.—GAO, Washington, D.C.
W. Jeff Reynolds—Division of State Audit, Tennessee

AUDITORS' RELATIONSHIPS WITH THE NEWS MEDIA
Kenneth MacNevin—State Auditor's Office, Missouri

STATE AND LOCAL GOVERNMENT ACCOUNTING STANDARDS: WHO SHOULD SET THEM?
Frank L. Greathouse—Director, Division of State Audit, Tennessee
Donald L. Scantlebury—GAO, Washington, D.C.

THE FREEDOM OF INFORMATION ACT AND THE GOVERNMENT AUDITOR
Miguel P. Barrios, Jr.—Commerce, San Francisco
Jack L. Birkholz—GAO, San Francisco
Robert Saloschin—Justice, Washington, D.C.

KEEPING THE GOVERNMENT AUDITOR SEPARATED FROM POLITICS
Robert B. Craig—Legislative Auditor's Office, Louisiana
James R. Fountain, Jr.—City Auditor, Dallas

CONTRACTING FOR AND OVERSIGHT OF AUDITS
Edward J. Haller—Price Waterhouse & Co., Washington, D.C.
Bert Schirle—County of Santa Clara, California

OPERATING A NATIONAL PEER QUALITY REVIEW PROGRAM FOR GOVERNMENT AUDIT AGENCIES
Gilbert V. Gott—Department of Auditor General, Pennsylvania
Leonard H. Greess—Council of State Governments, Washington, D.C.
Frederic A. Heim, Jr.—Commerce, Washington, D.C.
Emil A. Trefzger, Jr.—HEW, Atlanta

INDIRECT COST AND RELATED AREAS OF CONCERN FOR GOVERNMENT AUDITORS
Gordon Guy—Labor, Dallas
Terry R. Milrany—City Auditor, Fort Worth

GOVERNMENT AUDIT STANDARDS: REVISIONS PLANNED
W. A. Broadus, Jr.—GAO, Washington, D.C.
Donald L. Scantlebury—GAO, Washington, D.C.

". . . auditors must not be in the business of producing reports—we must be in the business of producing results."

Kathryn J. Whitmire, City Controller of Houston, Texas

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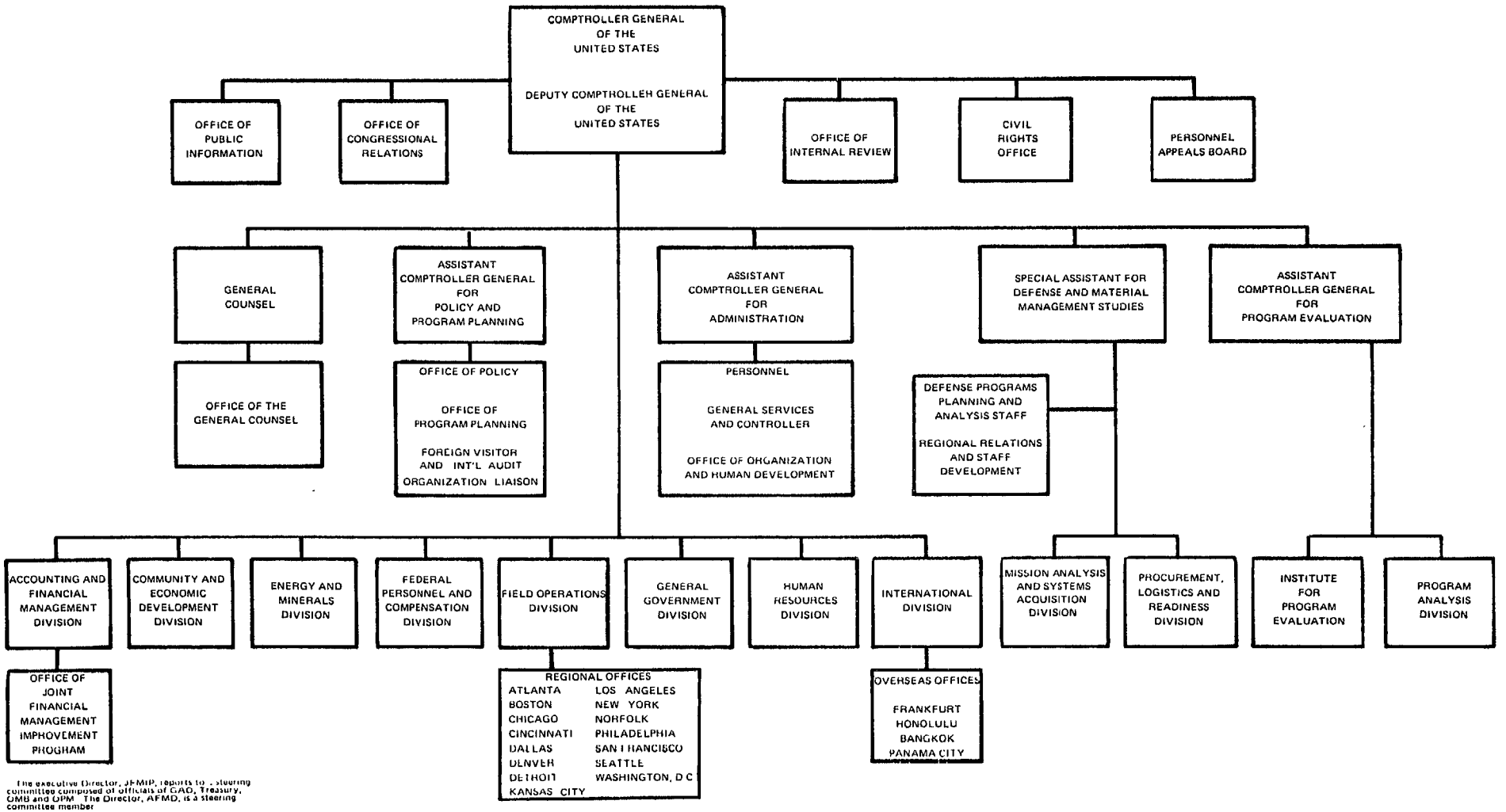
UNITED STATES GENERAL ACCOUNTING OFFICE

GAO

Charles A. Bowsher
Comptroller General of the United States

UNITED STATES GENERAL ACCOUNTING OFFICE



The executive Director, JFMIP, reports to a steering committee composed of officials of GAO, Treasury, OMB and OPM. The Director, AFMD, is a steering committee member

Date September 30, 1981

COMPTROLLER GENERAL OF THE UNITED STATES

B-119600

March 4, 1982

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

In accordance with section 312(a) of the Budget and Accounting Act of 1921, I respectfully submit the annual report on the activities of the U.S. General Accounting Office during the fiscal year ended September 30, 1981.

In this transitional year, Elmer B. Staats was Comptroller General until March 7, 1981; Milton J. Socolar was the Acting Comptroller General between March 8, 1981, and September 30, 1981; and I assumed leadership of the General Accounting Office on October 1, 1981. I look forward to working with the Congress in the years ahead.

Charles A. Bowsher

Comptroller General
of the United States

For sale by the Superintendent of Documents, U.S. Government Printing Office
Washington, D.C. 20402

The Comptrollers and Deputy Comptrollers General[1] are appointed to their 15-year terms by the President. In determining whom to nominate, the President considers selecting one of at least three nominees provided by a Commission of the House and Senate leaders. The Comptroller General also serves on the Commission which develops a list of nominees for the Deputy Comptroller General position. The Senate must confirm both appointments.

Comptrollers General of the United States

John R. McCarl
July 1, 1921 - June 30, 1936

Fred H. Brown
April 11, 1939 - June 19, 1940

Lindsay C. Warren
November 1, 1940 - April 30, 1954

Joseph Campbell
December 14, 1954 - July 31, 1965

Elmer B. Staats
March 4, 1966 - March 3, 1981

Charles A. Bowsher
October 1, 1981 -

Assistant Comptrollers General of the United States[1]

Lurtin R. Ginn
July 1, 1921 - November 11, 1930

Richard N. Elliott
March 9, 1931 - April 30, 1943

Frank L. Yates
May 1, 1943 - June 29, 1953

Frank H. Weitzel
October 12, 1953 - January 17, 1969

Deputy Comptrollers General of the United States

Robert F. Keller
October 3, 1969 - February 29, 1980

[1]Public Law 92-51 (approved July 9, 1971) changed the title Assistant Comptroller General to Deputy Comptroller General.

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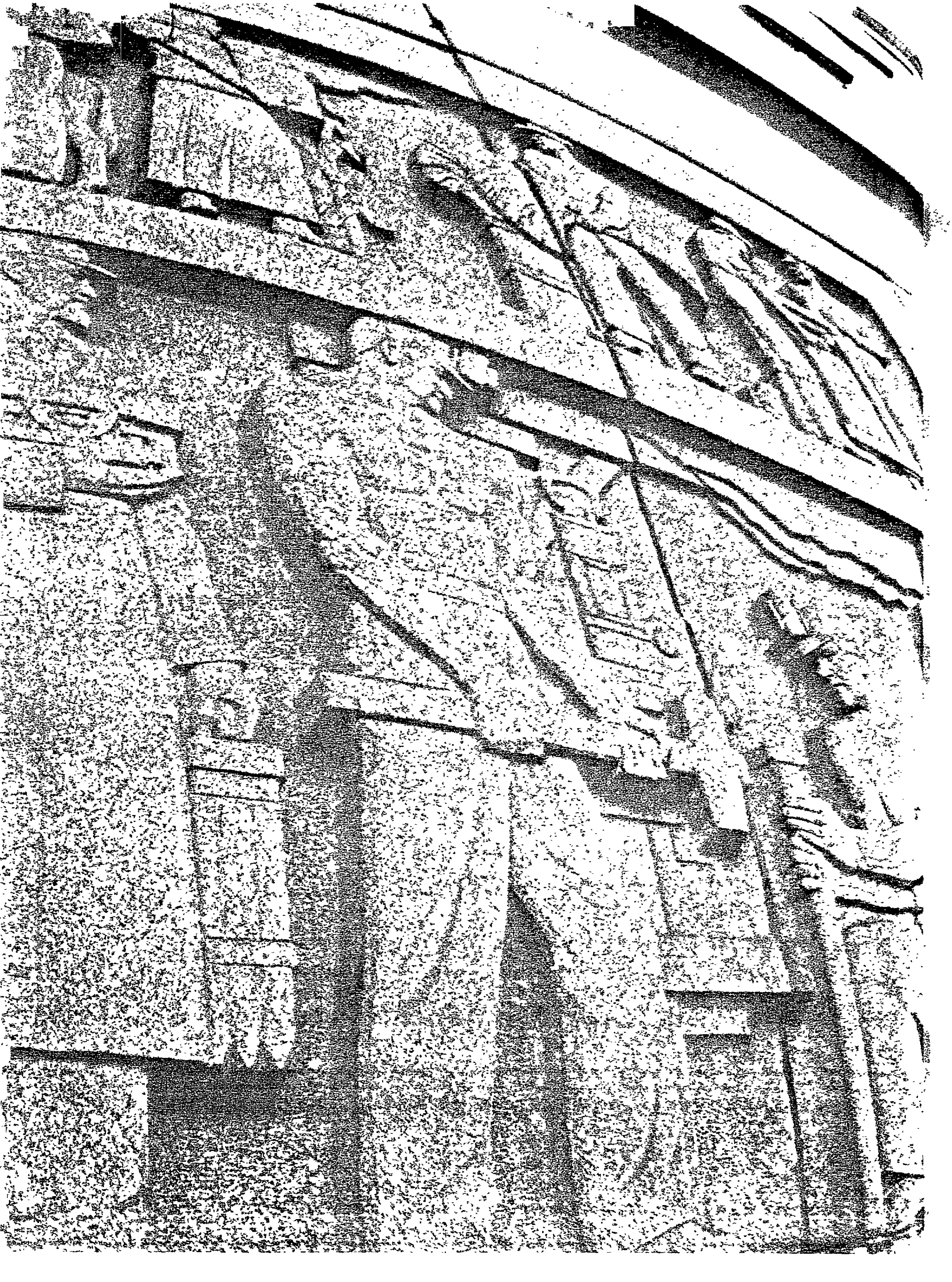
Graphic Designers: Ken Psira & Heidi Kitchen



HIGHLIGHTS OF ACTIVITIES

Fiscal year 1981, our 60th year of operation, has seen widespread public, congressional, and executive branch concern in improving Government performance and cutting back on Federal spending. The structure and functions of the Federal Government are being questioned now as at no time in the past. War has been declared on waste, fraud, abuse, and mismanagement. "Cutting the budget" and "doing more with less" are phrases being heard throughout the Federal Government.

The Congress is being asked to make difficult decisions on the national budget, taxes, and many other issues of great concern to taxpayers. Once again the work of the General Accounting Office proved to be an important resource for the Congress in carrying out its responsibilities.

GAO, headed by the Comptroller General of the United States, was created by the Budget and Accounting Act of 1921, "independent of the executive departments," to assist the Congress in its oversight of the executive branch in carrying out programs enacted by the Congress. The Congress recognized that our form of government, with its separation of powers, needed an organization that could provide unbiased information about executive branch activities. Thus, GAO was established as an independent, nonpartisan agency in the legislative branch of the Federal Government.

Although GAO's responsibilities have been defined more specifically and expanded greatly since 1921, its major functions still are to

- assist the Congress in its legislative and oversight responsibilities,
- audit and evaluate programs, activities, and financial operations of Federal departments and agencies, and
- carry out financial control and related functions with respect to most Federal Government programs and operations including legal services, accounting, and claims settlement work.

GAO's mandate is to assist the Congress by examining essentially all activities of the Federal Government in Washington, D.C., in the United States, and around the world. That is why GAO maintains—in addition to its headquarters office and about 80 audit sites in the Washington, D.C., area—15 regional offices throughout the United States, a branch office (Honolulu), and foreign branch offices in Frankfurt and Panama City.

Eliminating waste and inefficiency and thereby reducing Federal expenditures has been GAO's primary mission since its beginning. Our objective is to assist the Congress in its desire that Government be run more economically, more efficiently, and more effectively; that Government do well those things which it is supposed to do; and that it not do things which it is evidently incapable of doing in an economical, efficient, and effective manner.

As was done last year, we concentrated on identifying significant budget reductions that the Congress and the President could act on during budget considerations. In February 1981, the Comptroller General directed that GAO continue to give priority to starting and staffing assignments with potential budgetary savings. In May 1981, the importance of this emphasis was again stressed along with the need to make sure that our work (1) has a direct bearing on improved management or more effective redistribution of existing Federal funds for Federal programs or activities or (2) makes a direct and important contribution to debate on a major issue expected to be before the Congress within the next 2 to 3 years.

Assistance to the Congress

We view all of our work as assisting the Congress in its mission. Our work is undertaken pursuant either to the requirements of our basic statutes, to specific legislative mandates, or to specific requests by committees or Members of Congress. Work in the latter two categories accounted for about 35 percent of the total effort of our professional staff during fiscal year 1981 and included

- doing specific one-time studies directed by law,
- answering committee and Member requests for audits or special studies,
- testifying at congressional hearings,
- assigning staff to congressional committees, and
- providing legal opinions and comments on proposed legislation.

During the fiscal year we issued 976 reports on audits and special studies. About 74 percent of these were submitted to the Congress or to its committees and Members. In addition, copies of many of the reports addressed to Federal agency officials were also provided to interested committees or Members.

Statistics on the number of reports completed do not begin to tell the full story of GAO operations, but they do provide some indication of the work done. A breakdown of the number of reports issued in fiscal year 1981 follows. A summary of these reports by subject and addressee is included in Appendix I, with a detailed listing in Appendix 2.

Congressional reports.	Fiscal year ended Sept. 30, 1981
To the Congress	256
To congressional committees	331
To Members of the Congress	133
	720
Reports to Federal agency officials	256
TOTAL	976

Much of our assistance to the Congress involves briefing Hill staff on work in progress. Pictured are GAO staff from the Office of Congressional Relations and the Program Analysis Division meeting with a staff member from a Senate Governmental Affairs subcommittee.

Many of our reports recommend congressional or agency actions that we consider necessary to correct problems or improve Federal programs and activities. Our most important recommendations are summarized in annual publications. Chapter 2 of this report presents legislative recommendations that the Congress acted on this year, along with those on which final action has not been taken.

Two other special annual reports—one on civil, the other on defense activities—highlight matters deserving special congressional attention. Each January these reports summarize important GAO conclusions and recommendations on which satisfactory department or agency actions have not been taken and which should be considered during the appropriation process.

GAO cannot compel the agencies or the Congress to accept our recommendations. Our success in bringing about improvements depends basically on the adequacy of our factual analysis and the persuasiveness of our arguments. We must convince agency management and the Congress that it is in their interest to take the actions we recommend. We have no doubt that the agencies' awareness of the Congress' attention to our reports stimulates their interest in and attention to our recommendations.

As stated in last year's report, the Comptroller General, in March 1980, testified before the House Budget Committee and offered the Congress 22 major recommendations for potential savings. During the same month, GAO issued a supplement to an extensive Congressional Budget Office document prepared for the House Budget Committee, entitled *Reducing the Federal Budget: Strategies and Examples*. Similar efforts were made again this year. In February 1981, we issued a *Background Paper on Reducing the Federal Budget: Strategies and Examples*. In March 1981, we issued *Comments on the President's February 19, 1981, Budget Proposals and Additional Cost Savings Measures*. Both reports—compilations of recommendations from past GAO work—were distributed widely throughout the Congress and used to brief various appropriations subcommittees on cost-cutting measures.

A *Monthly List of GAO Reports* (required by the Legislative Reorganization Act of 1970) is sent to every committee and Member. This publication identifies and summarizes reports released each month and provides information for obtaining copies. This list is also published monthly in the *Congressional Record*.

GAO staff maintain close contact with congressional committees to communicate relevant, timely, and useful information. Our Office of Congressional Relations coordinates GAO's assistance to the Congress. This office maintains close and continuous contact with committees and Members.

Our professional staff at the Capitol audits House and Senate financial operations and private organizations doing business on the Capitol grounds. The staff advises committees, officers, and Members as needs arise.

Committee and Member Requests

The 1921 act requires that we perform investigations and furnish information and assistance to the Con-

gress and congressional committees having jurisdiction over revenue, appropriations, or expenditures. The Legislative Reorganization Act of 1970 directs us to review the results of Government programs and activities at the request of any committee having jurisdiction over such matters.

To the extent practicable, we comply with the requests of all committees, subcommittees, and individual Members of the Congress on a priority basis. In fiscal year 1981, our operating divisions received 767 requests from committees and 622 requests from Members for specific work. Some require substantial work; others are answered readily. In addition to formal written reports issued to committees and Members, we satisfied many requests through briefings, correspondence not classified as reports, or by furnishing the needed information informally.

Nearly every congressional committee and subcommittee has requested us to furnish information and assistance. Table 1 lists the committees for which formal written reports were completed during the year; some reports were addressed to more than one committee.

Table 1

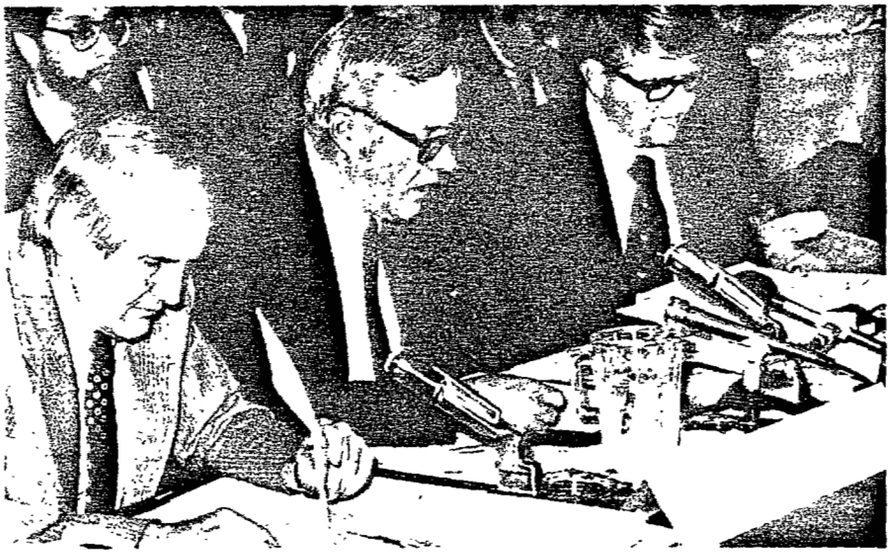
	Number of Reports
Senate Committees:	
Agriculture, Nutrition, and Forestry	2
Appropriations	19
Armed Services	6
Banking, Housing and Urban Affairs	1
Budget	2
Commerce, Science and Transportation	13
Energy and Natural Resources	17
Environment and Public Works	2
Finance	6
Foreign Relations	4
Governmental Affairs	14
Judiciary	12
Labor and Human Resources	9
Select Small Business	1
Special Aging	4
Veterans' Affairs	2
TOTAL	114
House Committees:	
Agriculture	5
Appropriations	18
Armed Services	4
Banking, Finance and Urban Affairs	4
Budget	5
Education and Labor	7
Energy and Commerce	21
Foreign Affairs	2
Government Operations	41
House Administration	2
Interior and Insular Affairs	13
Interstate and Foreign Commerce	14
Judiciary	4
Merchant Marine and Fisheries	7
Post Office and Civil Service	21
Public Works and Transportation	8
Science and Technology	15
Select Aging	1
Small Business	2
Veterans' Affairs	3
Ways and Means	9
TOTAL	206
Officers of the Congress	4
Joint Committees	
Economic	6
Taxation	1
TOTAL	7
TOTAL COMMITTEES AND OFFICERS	331

We also responded to 232 Member requests concerning claims by and against the U.S. Government involving Government contracts, employee pay and allowances, and travel and transportation.

Many requests from committees and Members concern information needed in their legislative and oversight roles. Others involve controversial matters affecting congressional districts and States. When requested work affects a wide audience, we usually arrange with the requester to issue the report to the Congress as a whole.

Testimony and Briefings

The Comptroller General and his principal assistants testified before congressional committees on 179 occasions during the fiscal year 1981. This compares to 139 occasions 5 years ago and only 30 a decade ago. This increase is an indication of our growing ability and capacity to



Increasingly complex global issues often require interdivisional cooperation. Testifying on the Nuclear Non-Proliferation Act of 1978 are GAO staff (left to right) William McGee, J. Dexter Peach, Director of the Energy and Minerals Division, Frank C. Conahan, Director of the International Division, and Joseph Murray.

serve the Congress on critical issues and pending legislation.

Our professional staff also brief congressional committees, Members, and their staffs on GAO work of interest to them. These briefings include the results of completed work or information on ongoing work which has progressed far enough to provide meaningful data. We also provide committees with questions for use during hearings.

Staff Assignments to Committees

On request, 82 GAO staff members were assigned to the staff of 15 committees and subcommittees during the year. As required by the Legislative Reorganization Act of 1970, details concerning these assignments are shown in Appendix 3.

Legal Opinions and Comments on Pending Legislation

Committees and Members frequently ask GAO for its

- formal and informal legal opinions, advice and assistance;
- views on contractual, fiscal and administrative provisions of law;
- opinions on drafts of or revisions to legislation; and
- views on administrative regulations.

Our continuing review of Government programs and activities and our expertise in law and the Federal legislative process enable us to give congressional committees objective comments on proposed legislation. During the year, we provided 277 reports on pending bills: 137 to the Senate, 113 to the House, and 27 to miscellaneous units. Table 2 shows a profile of this work.

Table 2

Senate Committees:	
Agriculture, Nutrition and Forestry	2
Banking, Housing and Urban Affairs	1
Commerce, Science and Transportation	2
Foreign Relations	2
Governmental Affairs	83
Labor and Human Resources	46
Judiciary	1
	137
House Committees:	
Agriculture	2
Armed Services	1
Education and Labor	1
Government Operations	51
Energy and Commerce	6
Judiciary	11
Merchant Marine and Fisheries	4
Post Office and Civil Service	30
Public Works and Transportation	2
Rules	1
Science and Technology	2
Veterans' Affairs	2
	113
Joint Committees	0
Miscellaneous units	27
TOTAL	277

Auditing/Evaluation

Our audits and evaluations of ongoing Federal programs, activities, and financial operations have as their basic objective helping the Congress and agency officials improve Government operations. We examine Federal departments and agencies and their contractors and grantees to

- evaluate the efficiency, economy, legality, and effectiveness with which they carry out their financial, management, and program responsibilities and
- provide the Congress and Federal agency officials with significant and objective information, conclusions, and recommendations that will aid them in carrying out their responsibilities.

We seek answers to questions such as

- Where are the opportunities to eliminate waste and the inefficient use of public money?
- Are Federal programs achieving their objectives?
- Are there ways of accomplishing the objectives of these programs at a lower cost?
- Are funds being spent legally and is the accounting for them adequate?

Our audits and evaluations involved over half of our professional staff working in almost every Federal agency. During fiscal year 1981, we performed assignments in the United States, American Samoa, Guam, the Northern Mariana Islands, the Trust Territory of the Pacific Islands, and 77 foreign countries. At any given time we had about 1,200 assignments underway.

Given the size of the Federal Government and the scope of its operations, we must be selective in determining which programs and activities we will review. We simply do not have the staff or the funds to do everything that needs to be done. In deciding what to review, we emphasize those Federal programs and activities having strong present or potential congressional interest and opportunities for improvement. As stated earlier, we are in continual contact with congressional committees to keep abreast of their interests. We also share information with the Congressional Budget Office, the Congressional Research Service, and the Office of Technology Assessment to enhance our products and avoid duplicate efforts.

Over the past several years, GAO has been improving its organization and planning to more effectively consider national issues and key management problems. In 1972, we reorganized toward greater program and functional specialization. Since then, our organization has been refined, but it still reflects the philosophy of assigning Government-wide responsibility for par-

ticular programs and functions to individual GAO operating divisions while retaining responsibility for specific agencies within these same divisions. Each of GAO's current organizational units is described in Appendix 4.

To help focus on important national issues, our Program Planning Committee, chaired by the Comptroller General, has specified 36 issue areas for attention. Each issue area is assigned to one of GAO's operating divisions. That division takes the lead in developing plans, identifying matters to be examined, and formulating approaches. The lead division or other operating divisions may carry out the actual audit. Table 3 lists the 36 issue areas and the responsible lead divisions.

Our mission, our organization, and our skills all point toward one target: finding ways to make the Federal Government work more economically, more efficiently, and more effectively. We believe this is critical in any long-term effort to control Federal spending.

During the year, the Comptroller General took several actions designed to demonstrate our commitment to improving accounting and financial management in the Federal Government and to strengthen our effectiveness in accounting and financial management matters. Likewise, action was taken to strengthen our effectiveness in fulfilling our audit responsibilities in the defense spending and management areas. To make our reports more useful to the Congress in achieving its budgetary objectives, we are currently developing a method for providing additional information so that savings which could result from adopting our recommendations can be linked to the congressional budget process.

Table 3

GAO Issue Areas and Responsible Lead Divisions

Accounting and Financial Reporting Automatic Data Processing Internal Audit National Productivity	Accounting & Financial Management Division
Food Domestic Housing and Community Development Programs Environmental Protection Program Land Use Planning, Management, and Control Transportation Systems and Policies Water and Water-Related Programs	Community and Economic Development Division
Energy Materials	Energy and Minerals Division
Federal Personnel Management and Compensation	Federal Personnel and Compensation Division
Federal Oversight of Financial Institutions Information Management Intergovernmental Policies and Fiscal Relations Law Enforcement and Crime Prevention Tax Administration	General Government Division
Administration of Nondiscrimination and Equal Opportunity Programs Consumer and Worker Protection Employment and Training Federally Sponsored or Assisted Education Programs Health Income Security and Social Services	Human Resources Division
International Affairs	International Division
Communications, Command, Control and Intelligence Mission Analysis Systems Development and Acquisitions	Mission Analysis and Systems Acquisition Division
Economic Analysis of Alternative Program Approaches Program and Budget Information for Congressional Use Science and Technology	Program Analysis Division
Facilities Acquisition and Management General Procurement Logistics Management Military Readiness, Mobilization Planning, and Civil Preparedness	Procurement, Logistics and Readiness Division
Evaluation Guidelines and Methodology	Institute for Program Evaluation

Audits Related to Fraud and Abuse

GAO's Governmental Internal Audit and Fraud Prevention Group continues to accept reports of alleged fraud and waste in Government on its national hotline (800–424–5454). GAO's regional offices also respond to calls of this nature. We preserve the anonymity of callers who have information on or allegations of kickbacks, overtime abuses, misuse of Government credit cards, illegal contract awards, and so forth.

One of our objectives is to determine the validity of the tips received and decide whether cases should be referred to appropriate agencies for investigation or audit. In fiscal year 1981, about 10,500 calls were received on the hotline. Of these, over 1,500 were referred for appropriate action. About 27 percent of the cases referred fell into the category of mismanagement, while 73 percent involved intentional wrongdoing.

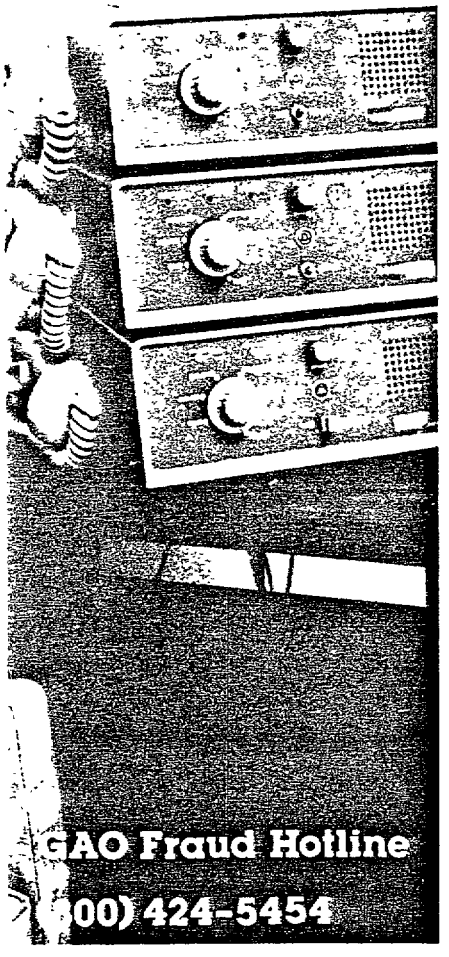
GAO does some followup work on the cases referred. Cases are also entered into a computer to track weaknesses in programs, agencies, and locations.

Certain cases received over the hotline are investigated by GAO where the agency has no statutory Inspector General or has not agreed to conduct an investigation. During the year, GAO investigated 69 such cases and found that in 8 (12 percent), waste or abuse was substantiated.

Legal Services and Decisions

GAO's legal work covers the full range of the Government's activities. We render legal decisions and advice to

- congressional committees, Members of the Congress, the Attorney General, the Office of Management and Budget, and other Federal officials;
- heads of Federal agencies and disbursing and certifying officers on the legality or propriety of proposed expenditures of public funds;
- officers or employees with delegated authority to request relief on behalf of accountable and certifying officers;
- contracting and procurement officers and bidders, in connection with Government contracts;
- debtors and creditors of the Government who are dissatisfied with the handling of their affairs by other agencies; and
- our evaluators in their reviews of agency programs and activities.



This year GAO's Governmental Internal Audit and Fraud Prevention Group received about 10,500 calls on the hotline.

The Comptroller General's decisions on the legality of expenditures are binding on the executive branch. Payments made contrary to them may be disallowed. Private firms and individuals have further recourse to the courts in most instances.

During fiscal year 1981, GAO's Office of General Counsel disposed of 5,362 separate legal matters as shown in Table 4.

Table 4

Legal Matters Resolved in Fiscal Year 1981

Procurement and Transportation Law	2,650
Personnel Law	1,254
General Government Matters	807
Special Studies and Analysis	651
Total matters disposed of	5,362

Financial Management Improvement

The Budget and Accounting Act of 1950 established and assigned basic responsibilities for financial management within the Federal Government. The act charges GAO with

- prescribing accounting principles, standards, and related requirements to guide the executive agencies;

• cooperating with executive agencies in the development and improvement of their accounting systems; and
• approving executive agency accounting principles, standards, and system designs when they are found adequate and in conformance with the prescribed principles, standards, and related requirements.

During fiscal year 1981, we approved 2 statements of accounting principles and standards in 2 agencies. One of the approvals was the result of changes in a previously approved statement. We also approved the designs of 13 systems in 12 agencies. By the end of the fiscal year, 328 of the 332 systems subject to our approval were covered by approved principles and standards and 209 of the 332 designs had been approved.

Under the Joint Financial Management Improvement Program, the Comptroller General, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Director of the Office of Personnel Management are charged by the Budget and Accounting Act of 1950 with improving financial management practices throughout the Federal Government. We continued our cooperative work in the program during the fiscal year. The program's progress is reported separately for use by the Congress, Federal agencies, and the public.

Settlement of Claims

Claims against the United States are referred to GAO for settlement because of statutory requirements or because they involve questions of law or fact. In fiscal year 1981, we settled 6,370 claims for $499.8 million. During the same period we
• disposed of 9,600 debt claims and collected over $3.6 million and
• granted 1,069 full or partial waivers of repayment of erroneous pay and allowances, out of 1,288 requests—a total of $1.8 million out of $2.6 million.

Savings and Other Accomplishments

It is not possible to determine the full effect of GAO activities in terms of quantifiable financial savings, improvements in Government operations, and increased effectiveness of Government programs and activities. However, we do record actions attributable to our work which results in measurable dollar savings or other benefits to the Federal Government, contractors, grantees, and the public. These actions are usually taken by the Congress, Federal agencies, and others in response to our suggestions and recommendations.

For fiscal year 1981, we identified an estimated savings of $8.4 billion attributable to our work; of that amount, about $3.7 billion involved actions advocated by others as well as GAO. These dollar accomplishments, however, are not the total of GAO's accomplishments. Many savings resulting from management improvements frequently cannot be measured; this is also the case for improvements which make programs work better, but not cheaper. For example, as a result of one of our reports, the Food and Drug Administration initiated a concerted effort to prevent the marketing of raw meat and poultry containing potentially harmful residues. In another report, we recommended that the Secretaries of Agriculture and the Interior take immediate action to correct health and safety problems in national parks and forests. Such improvements to Government operations are important results of our work.

Examples of savings and benefits from our work are in Chapter 3.

Tangible savings from GAO's report on preventing the marketing of contaminated meat and poultry are not, as with much of GAO's work, fully measurable. Pictured here are FDA inspectors checking for contaminated animal feed.

Impact of New Legislation on GAO Operations

New legislation continues to assign added responsibilities to GAO. As a result, we constantly adjust our work programs. Appendix 5 shows legislation enacted in fiscal year 1981 directly related to our work. Certain of these laws direct the Comptroller General to audit specific programs or activities. For example:

- Public Law 96-517 (Dec. 12, 1980) amends the patent and trademark laws and adds a new chapter to title 35 of the United States Code regarding patent rights in inventions made with Federal assistance. At least once a year the Comptroller General must report to the House and Senate Judiciary Committees on this chapter's implementation.
- Public Law 96-592 (Dec. 24, 1980) requires that GAO evaluate programs and activities authorized under the 1980 amendments to the Farm Credit Act of 1971. An interim report to the Congress is to be made no later than December 31, 1982, and a final report no later than December 31, 1984.
- Public Law 96-460 (Oct. 15, 1980) provides for an Office of Chesapeake Bay Research Coordination in the Department of Commerce. A Chesapeake Bay Research Board is also established to coordinate federally supported and conducted research efforts regarding the Bay. Upon termination of the act on September 30, 1984, GAO must submit to the Congress an evaluation of the effectiveness of the Office, Board, and the act itself.

Examples of other important legislation affecting our work follow:

- The Omnibus Budget Reconcilliation Act of 1981 contains 27 titles, 7 of which contain provisions relating to GAO. Among other things, the act established major new block grant programs in the education, health, human, and social services areas. Provisions of the act direct the Comptroller General to make such audits and reviews of the new programs as may be appropriate.
- Public Law 96-514 (Dec. 12, 1980) provides for GAO's audit of all financial transactions of the Territorial and local governments, including transactions of all agencies or instrumentalities established or used by such governments. The governments include the Offices of Government Comptroller of the Virgin Islands, the Government Comptroller of Guam, Trust Territory of the Pacific Islands, the Northern Mariana Islands, and the Comptroller of American Samoa.
- Public Law 96-533 (Dec. 16, 1980) established the African Development Foundation. The Foundation is a wholly owned Government corporation subject to audit by GAO under the provisions of the Government Corporation Control Act.

Noteworthy Activities

Fiscal year 1981 was a turning point in GAO history. It ended the 15-year tenure of one Comptroller General and witnessed the nomination and confirmation of a new Comptroller General. Anticipating this transition, GAO published a 300-page volume entitled *GAO 1966-1981: An Administrative History*. This book, published in March 1981, was the culmination of an 18-month project to document the developments affecting GAO's role and operations over the last 15 years. The Comptroller General, whose term ended in March 1981, believed that those concerned with developing and strengthening GAO in the future could profit from a coherent record of how the Office dealt with the problems and issues faced during this period.

The volume consists of three main sections. The first focuses on GAO's external relationship with the Congress and other governmental agencies, the second on internal management and organizational issues, and the last on operational matters affecting the scope, quality, and impact of GAO's work.

GAO is involved in a number of projects which expose its accounting and auditing standards and its way of doing business to an ever-widening audience. Discussed briefly here are some of our activities in the intergovernmental, international, and academic areas.

GAO helps the Congress oversee federally assisted programs by promoting and strengthening audits at State and local government levels. We provide direct and indirect assistance on auditing techniques to State and local audit organizations and professional and public interest groups interested in intergovernmental auditing.

Intergovernmental audit forums have promoted the acceptance and implementation of GAO's *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*. These standards, initially issued in 1972, were revised and reissued in 1981. The standards are generally recognized as authoritative guidance for Federal, State, and local government audit agencies as well as private sector auditors when auditing government programs, activities, and functions.

GAO is often looked to for guidance by auditing organizations in other nations, particularly those in less developed countries. The United States has a direct interest in strengthening the audit institutions in those countries which receive substantial financial assistance from us. Several times a month, members of foreign national audit offices and other governmental entities visit GAO to learn how we function or to study a

During this transitional fiscal year, Comptroller General Elmer B. Staats' tenure ended March 3, 1981, while Comptroller General Charles A. Bowsher underwent confirmation hearings in September 1981. Pictured are Senator William V. Roth, Jr. congratulating Mr. Bowsher at the hearing.

particular aspect of our work. This fiscal year we hosted over 200 such visitors.

During fiscal year 1981, we sponsored our third International Auditor Fellowship Program, the purpose of which is to share our knowledge of techniques for expanded scope audits with auditors from developing nations. Fifteen auditors arrived in July 1981 to begin the 3-month program. The participants were from Botswana, Costa Rica, Egypt, Greece, Guyana, Jamaica, Kenya, Nepal, Nigeria, Sierra Leone, Sri Lanka, Taiwan, Thailand, Trinidad, and Venezuela. At the end of their stay, the participants returned to their native countries to share what they learned with their fellow workers.

Under the GAO Doctoral Research Program, five doctoral students joined us during the year to work on projects related to their academic fields. The participants are doctoral students in political science, public administration, agricultural economics, educational administration, and environmental design. The intent of the program is to provide an exchange of information between GAO and the academic community.

Operating Expenses

The fiscal year 1981 appropriation for GAO was $220.6 million. Total operating expenses for the period were $215.8 million with an unobligated balance of $4.8 million lapsing back to the U.S. Treasury. Personnel compensation and benefits comprised $171.6 million, or 80 percent of total expenditures, while travel and other objects comprised 6 percent and 14 percent respectively.

During the year, we received approximately $587,400 in reimbursements for services rendered to House and Senate Committees, private organizations, etc., which we applied to our appropriation. We deposited $.6 million in receipts for audit services and other miscellaneous services in the U.S. Treasury.

Pictured are President Reagan presenting Mr. Staats with the Presidential Citizens Medal, only the third time such a medal has been awarded.

Staffing

Our greatest asset is a competent, dedicated, and enthusiastic staff. As of September 30, 1981, we had 5,100 employees, a slight decrease from last year. Of these, 4,130, or 81 percent, were members of our professional staff. Table 5 shows staff changes during the year.

Over the past several years, we have expanded our expertise to evaluate increasingly complex Government programs. We are employing and developing individuals with varied backgrounds and levels of expertise. A high priority is placed on maintaining high professional standards.

In fiscal year 1980, we began using a new "GAO evaluator" classification standard to classify all staff members engaged primarily in the mainline evaluation work of the agency. The new evaluator job series was adopted to describe more accurately the unique nature of a GAO professional's work. It takes into account the direct congressional contact, political sensitivity, and multiagency purview that characterize much of our work. For the most part, GAO evaluators were previously classified as accountants, auditors, and management analysts. Table 6 summarizes the composition of our staff at year's end.

Our diverse and complex responsibilities require staff members having functional expertise, supervisory capability, and versatility. Professional staff members can get wide experience and broaden their own perspectives of Government operations by auditing a variety of Federal programs, or they can expand their expertise by remaining in a functional area. We consider both individual and Office needs in making staff assignments.

Our equal employment profile has continued to improve. Minorities and women now comprise 44 percent of our total work force as compared to 40 percent last year. They account for 31 percent of the professional staff, compared to 28 percent last year and 18 percent in 1976.

Table 5
Analysis of Staff Changes

	Professional	Other	Total
Employees on rolls at Oct. 1, 1980	4,164	1,029	5,193
Appointments	183	183	366
Transfers between categories	87	−87	0
TOTAL	4,434	1,125	5,559
Separations:			
Retirements	38	16	54
Appointments in other agencies	145	54	199
Other separations	121	85	206
TOTAL separations	304	155	459
Employees on rolls at Sept. 30, 1981	4,130	970	5,100

Table 6
Composition of Staff (at Sept. 30, 1981)

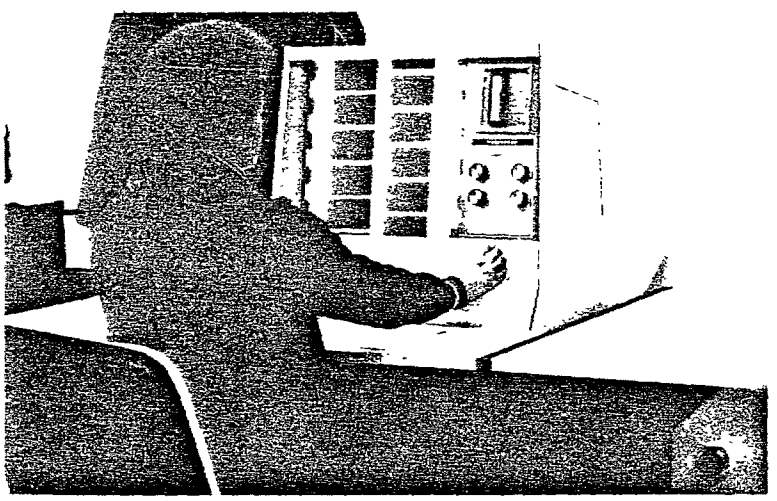
	Total
Professional:	
Evaluators[1]	3,129
Management auditors/analysts	90
Accountants and auditors	149
Program analysts	18
Attorneys	154
Actuaries and other mathematical scientists	64
Engineers	5
Computer and information specialists	61
Economists and other social scientists	85
Personnel management specialists	62
Writer-editors	56
Other	257
TOTAL professional staff	4,130
Other:	
Administrative and clerical	920
Wage board	50
TOTAL other staff	970
TOTAL	5,100

[1] *The title "evaluator" represents a series unique to GAO. It more accurately describes the role of our auditing staff. Evaluators are former management auditors/analysts, accountants, auditors, and program analysts.*

Participation on Boards, Councils, and Commissions

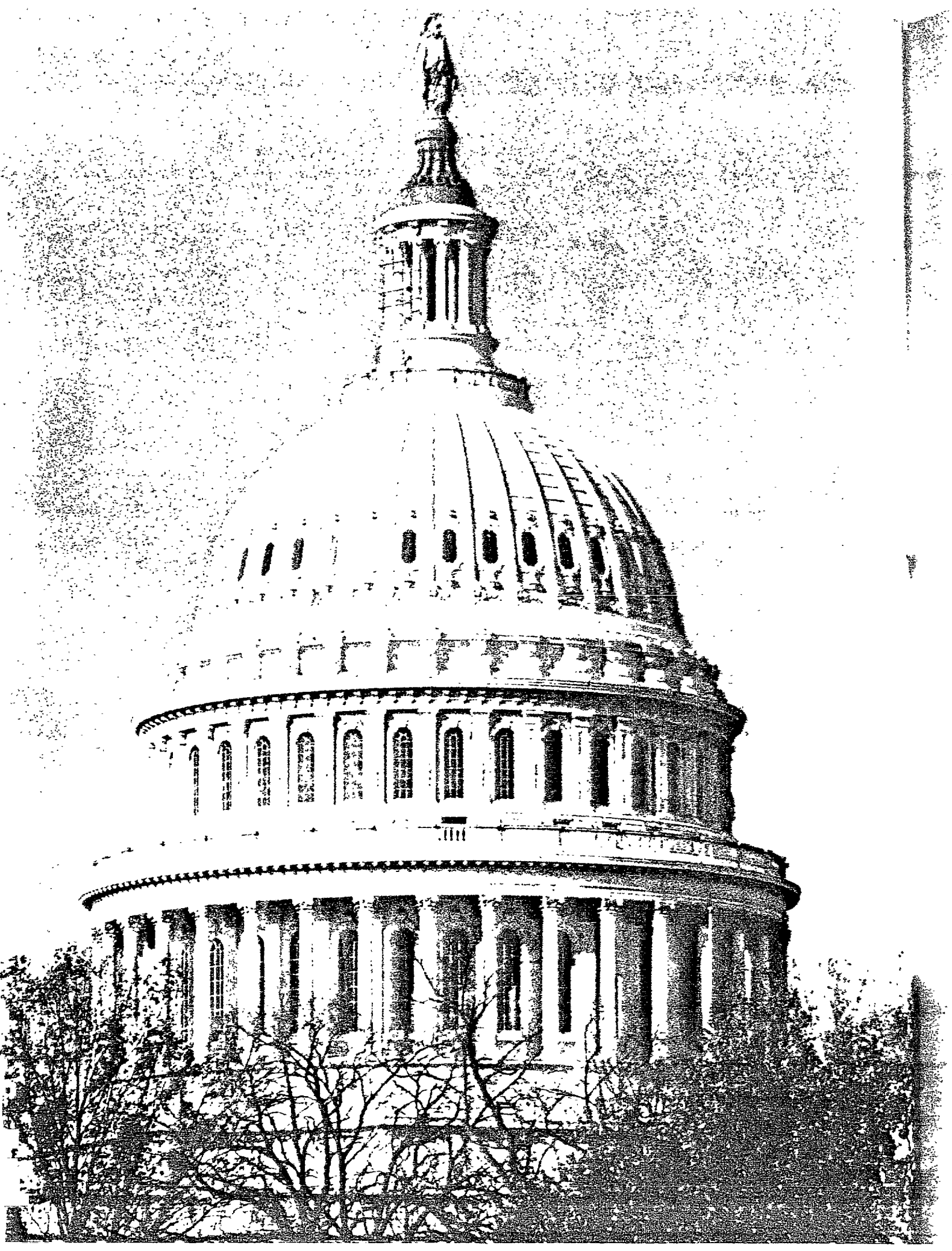
Periodically, statutes establishing special commissions or councils have named the Comptroller General as a member. Currently he serves as

- a member of the Advisory Council for the Office of Technology Assessment (Public Law 92-484, Dec. 13, 1972, 86 Stat. 800),
- a member of the President's Management Improvement Council (Executive Order No. 12157, Sept. 14, 1979),
- a member of the Chrysler Corporation Loan Guarantee Board (Public Law 96-185, Jan. 7, 1980, 93 Stat. 1324),
- chairman of the Railroad Accounting Principles Board (Public Law 96-448, Oct. 14, 1980, 94 Stat. 1935), and
- a member of the United States Railway Association Board (Public Law 97-35, Aug. 13, 1981, 95 Stat. 674).



GAO's greatest asset is a competent, dedicated, and enthusiastic staff.

Participants in the International Auditor Fellowship Program learn from GAO staff auditing and management techniques which they will later share with their developing countries' audit offices.



LEGISLATIVE RECOMMENDATIONS

The Budget and Accounting Act, 1921, requires GAO to make recommendations to the Congress "looking to greater economy and efficiency in public expenditures" and report such recommendations at the beginning of each congressional session or in special reports at any time. When an audit shows that corrective legislative action is required or desirable, the report includes a proposal for legislative consideration by the Congress or a recommendation to the affected agency to sponsor a legislative proposal.

This chapter summarizes the legislative recommendations considered by the Congress during the fiscal year ended September 30, 1981, and lists open legislative recommendations, made during this period and in prior years, which we still recommend to the attention of the Congress.

Legislative Recommendations Acted on by the Congress During the Fiscal Year Ended September 30, 1981

Administration of Justice

Taking the Profit Out of Crime—We recommended that the Congress amend the criminal forfeiture provisions of the Racketeer Influenced and Corrupt Organizations and Continuing Criminal Enterprise statutes to

- make explicit provisions for the forfeiture of profits and proceeds that are (1) acquired, derived, used, or maintained in violation of the RICO statute or (2) acquired or derived as a result of violation of that statute;
- clarify that assets forfeitable under the CCE statute include the gross proceeds of controlled substance transactions; and
- authorize forfeiture of substitute assets, to the extent that assets forfeitable under the statutes (1) cannot be located, (2) have been transferred, sold to, or deposited with third parties, or (3) have been placed beyond the general territorial jurisdiction of the United States.

As of September 30, 1981, three bills, S. 1455, S. 1126, and H.R. 4110, had been introduced, which contain verbatim our legislative recommendations. (GGD-81-51, Apr. 10, 1981)

Agriculture

More Authority to Assess User Charges—We recommended that, to help eliminate differences in the degree to which recipients bear the costs of the Department of Agriculture's special benefit services, and in keeping with the general Federal policy on user charges, the Congress require that all costs of many marketing and regulatory services, except any quantifiable public benefit costs, be financed with user fees. To accomplish this, we recommended that the Congress amend certain legislative provisions which required appropriations funding and/or limited user charges. We also repeated a 1977 recommendation that the Congress pass legislation authorizing user charges for cotton classing and tobacco grading services.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, August 13, 1981, included the following changes relevant to our recommendations. It:

- Amended the U.S. Grain Standards Act to authorize recovery of supervision and overhead costs of grain inspection and weighing services previously required to be financed with appropriated funds. (Amendment effective only for the period Oct. 1, 1981, through Sept. 30, 1984.)
- Amended the Cotton Statistics and Estimates Act to authorize user fee financing of cotton classing costs. (Amendment effective only for fiscal years 1982 through 1984. It also sets yearly ceilings for fees ranging from $12 million to $13 million.)
- Amended the Tobacco Inspection Act to authorize user fee financing of all tobacco inspection, certification, and standardization costs at designated auction markets.
- Amended the Naval Stores Act to authorize user fees to cover all grading and standardization costs for rosin and turpentine.
- Amended the U.S. Warehouse Act to authorize user fees to cover all commodity warehouse examination, inspection, and licensing costs. (Amendment sets yearly ceilings of $400,000 to $430,000 for cotton warehouse inspection fees for fiscal years 1982-84.)

These amendments do not coincide exactly with our recommendations, but they do address their basic purpose. (CED-81-49, Apr. 16, 1981, and CED-77-105, Aug. 2, 1977)

Reducing the Cost of Weighing Grain Arriving at Export Elevators—In implementing the Grain Standards Act of 1976, the Federal Grain Inspection Service instituted a requirement that all grain shipments arriving at export elevators be officially weighed; that is, that official personnel either weigh or physically supervise the weighing of all grain. In November 1979 we reported that the level of weight monitoring could be reduced while still maintaining reasonable controls over the accuracy of weights.

We recommended that the Congress amend section 5(a)(2) of the Grain Standards Act to provide the Service Administrator with the authority to reduce the amount of weight monitoring required on truck and rail shipments arriving at export elevators. Public Law 96-437, signed October 13, 1980, amended the U.S.

Grain Standards Act to permit grain delivered to export elevators by any means of conveyance other than barge to be transferred into such export elevators without official weighing. (CED-80-15, Nov. 30, 1979)

Commerce and Housing Credit

Impact of Foreign Corrupt Practices Act on U.S. Business—The Congress enacted the Foreign Corrupt Practices Act in December 1977 in response to widespread questionable corporate payments. The law contains significant internal control and recordkeeping requirements and makes the payment to foreign officials to obtain or influence business illegal.

In March 1981, we reported that we had solicited information from 250 corporations and that 55 percent of the companies believed that efforts to comply with the act's accounting provisions cost more than the benefits received. More than 30 percent of the corporations engaged in foreign business reported that they lost overseas business because of the act. Moreover, there was extensive dissatisfaction with the clarity of the act's accounting provisions. The act's antibribery provisions were criticized as being ambiguous.

We recommended that the Congress amend the Foreign Corrupt Practices Act to repeal the criminal penalties associated with the act's accounting provisions. To help assure against abuses, we recommended that the Congress consider criminal penalties for the willful falsification of corporate books and records. We also recommended that the Congress closely monitor the status of U.S. efforts to reach an international antibribery agreement.

S. 708 was introduced to amend and to clarify the Foreign Corrupt Practices Act as it pertains to the accounting provisions and the antibribery provisions and other matters. The Senate Committee on Banking, Housing and Urban Affairs ordered the bill to be reported favorably, with an amendment, on September 16, 1981. (AFMD-81-34, Mar. 4, 1981)

Developing a Fee Schedule—Since January 1977, the Federal Communications Commission has not charged fees for its services. One month earlier, the U.S. Court of Appeals overturned previous Commission fee schedules and called for it to clarify the justification for the schedules and recalculate its fees accordingly. In our 1977 report we stated that the Commission could and should recalculate previous fee schedules, refund excess fees collected, and establish a new fee schedule. We noted that the Congress could provide additional legislative guidance in this area by either amending the Independent Offices Appropriation Act of 1952 or enacting new legislation.

The House passed H.R. 3239 on June 9, 1981. This bill would amend the Communications Act of 1934 to require the Commission to impose fees to cover administrative costs of processing license applications, tariffs, construction costs, and other regulatory services. The bill further directs the Commission to develop fee schedules. (CED-77-70, May 5, 1977; GAO Testimony, May 1, 1981, Senate Committee on Commerce, Science and Transportation, Subcommittee on Communications; B-203297, June 9, 1981)

Improving the Broadcast Licensing Process—To make the broadcast licensing process more effective, we recommended, among other things, that the Congress amend the Communications Act of 1934 to (1) authorize the Federal Communications Commission to grant broadcast licenses for an indefinite period, (2) authorize any party interested to file with the Commission at any time a petition for revocation of a broadcast license, and (3) eliminate the requirement for the Commission to provide competing license applicants with an opportunity for a full comparative hearing.

The Senate Committee on Commerce, Science and Transportation passed S. 270 and S. 601. Sections of these bills established indefinite licenses for radio broadcast stations and 5-year licenses for television stations, allowed any party in interest to file with the Commission a petition to revoke a radio broadcasting license, and prohibited the Commission from considering competing applications for television licenses until first determining the present licensee to be unfit. These provisions were incorporated into the Omnibus Budget Reconciliation Bill (S. 1377), which passed the Senate. These provisions were consistent with our recommendations.

The bill, as approved by the House-Senate Conference Committee, required a license term for radio stations of 7 years and 5 years for television stations. This became Public Law 97-35.

We also recommended that the Congress (1) eliminate the requirement for the Commission to provide competing license applicants with an opportunity for a full comparative hearing since this hearing process has not acted as a competitive spur and is time-consuming and expensive and (2) authorize the implementation of a lottery or auction system for granting new broadcast licenses and licenses which have been revoked.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) directs the Commission to establish rules within 180 days of enactment of the legislation, setting forth the pro-

cedures to be followed in any Commission proceeding in which the Commission, in its discretion, decides to grant any initial license or construction permit on the basis of random selection. (CED-79-62, June 4, 1979)

Improving Management of the Federal Communications Commission—To improve the skill and efficiency of the Federal Communications Commission, we recommended, among other things, that the Congress amend the Communications Act of 1934 to (1) provide for a periodic rather than a permanent budget authorization for the Commission, (2) provide for the position of Managing Director at the Commission, and (3) require the Commission to provide the Congress with statements of the Commission's goals, objectives, and priorities as well as periodic reports evaluating progress in meeting these goals and objectives. Further, we stated that periodic authorization could be particularly valuable in overseeing the revision of the Commission's Uniform System of Accounts for common carriers.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) provides for a 2-year authorization for the Commission, requires the Commission to report annually its goals and objectives, requires the Commission to appoint a Managing Director, and requires the Commission to complete its rulemaking on a new Uniform System of Accounts as soon as practicable and to report its progress in revising the system to each house of Congress. (CED-79-107, July 30, 1979; GAO Testimony, May 1, 1981, Senate Committee on Commerce, Science and Transportation, Subcommittee on Communications; B-203297, June 9, 1981)

Analysis of Multifamily Assigned Mortgages—In January 1980, we reported that over 70 percent of the 2,032 multifamily housing project mortgages held by the Department of Housing and Urban Development were delinquent and that, in many cases, reinstatement was unlikely. We also reported that the Department was slow in foreclosing on seriously delinquent mortgages and that it takes an average of 2½ years to do a foreclosure. Extended proceedings in the foreclosure process result in increased losses to the Federal Government and may result in hardships on tenants because projects often deteriorate after the mortgagor became aware of potential foreclosure actions.

We recommended that the Secretary of Housing and Urban Development work with the Department of Justice and the Internal Revenue Service to identify causes of delays and alternatives, including legislative remedies if appropriate, for reducing the delays and Federal losses (including those through the income tax process) resulting from lengthy foreclosure proceedings.

Public Law 97-35, August 13, 1981, contained provisions establishing the Multifamily Mortgage Foreclosure Act of 1981 providing HUD with a uniform Federal nonjudicial foreclosure procedure. (CED-80-43, Jan. 16, 1980)

Community and Regional Development

The Community Development Block Grant Program Can Be More Effective in Revitalizing the Nation's Cities—In April 1981, we reported that, while the block grant program's legislative history provides for local flexibility in administering the program, our review had identified shortcomings which raised questions as to whether local flexibility should be tempered with more Federal guidance on the overall limitations within which cities can operate their block grant programs.

Because of the deficiencies identified in our review and recognizing that the Federal resources available to meet the revitalization needs of our Nation's cities are limited, we recommended that the appropriate congressional committees examine the overall impact of assistance provided under the block grant program and identify additional measures needed to meet the objectives of the Housing and Community Development Act of 1974. We specifically recommended that the Congress consider

- the need for all grantees to concentrate their block grant funds in distressed geographic areas,
- the need to reduce the broad list of activities currently eligible under the program,
- the need to develop overall income eligibility requirements for recipients of block grant-supported rehabilitation, and
- the need to limit eligible rehabilitation work to that which is essential to restore the housing unit to a safe, decent, and sanitary condition.

Title III of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, includes a provision requiring the Secretary of Housing and Urban Development to report to the Congress on administrative and legislative steps that can be taken to implement the recommendations contained in our report. (CED-81-76, Apr. 30, 1981)

Education, Training, Employment, and Social Services

Restricting Trade Act Benefits to Unemployed Import-Affected Workers Can Save Millions—We recommended that the Congress amend the Trade Act of 1974 to require that import-affected workers exhaust

unemployment insurance benefits before receiving up to 52 weeks of cash payments under the Trade Act. We also recommend that, to minimize the possibility that the additional weeks of income protection under this approach would provide a disincentive to employment, the act be amended to provide that Trade Act benefits be continued at an amount comparable to that received under unemployment insurance, rather than 70 percent of a worker's average weekly gross wage as was prescribed in the Trade Act.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, adopted these recommendations. (HRD-80-11, Jan. 15, 1980)

The Davis-Bacon Act Should Be Repealed—On April 27, 1979, we reported that repealing the Davis-Bacon Act and removing its wage determination requirements would result in substantial savings on Federal or federally financed construction projects. The Davis-Bacon Act and 77 related Federal statutes require that wages paid on most federally assisted construction projects be based on wages determined by the Secretary of Labor to be prevailing for the laborers and mechanics employed on projects of similar character in the area in which the work is to be performed. This requirement results in unnecessary construction costs of between $200 and $500 million annually and has an inflationary effect on the economy as a whole.

More recently, we reviewed one of the largest Federal construction projects which would benefit from repealing the Davis-Bacon Act—the Washington Regional Rapid Transit System (METRO). In a report issued on October 1, 1980, we found that setting prevailing wages for METRO construction—as required by the Davis-Bacon Act—may increase the construction cost by about 6.8 percent, and future METRO construction costs could be increased by about $149 million.

Since the 97th Congress convened in January 1981, several Senate and House Members introduced bills to either repeal, amend, waive, or delete the Davis-Bacon Act and related Copeland Anti-Kickback requirements and certain of the 77 related statutes which require use of the Davis-Bacon Act requirements on federally assisted construction projects. Some of the proposed legislation would repeal the Davis-Bacon Act wage rates used on (1) METRO construction, (2) military construction, and (3) low-rent subsidized housing programs.

On May 27, 1981, for example, H.R. 3708 was introduced, which would amend the Urban Mass Transportation Act of 1964 to remove the applicability of the Davis-Bacon Act to construction contracts financed with assistance loans or grants to METRO. The Congress had not acted on this bill as of September 30, 1981.

On June 22, 1981, the Senate Armed Services Committee reported out S. 1408, which authorizes certain construction at military installations for fiscal year 1982. This bill contained a provision eliminating the requirement that Davis-Bacon Act prevailing wages be used for military construction. As of September 30, 1981, the Senate had not acted on S. 1408.

All of the proposed legislation on the Davis-Bacon Act in the 97th Congress made extensive use of our reports. (HRD-79-18, Apr. 27, 1979, and HRD-81-10, Oct. 2, 1980)

Energy

Federal Electrical Emergency Preparedness Is Inadequate—The Department of Energy is responsible for preparing national emergency plans and preparedness programs covering electrical power generation, transmission, distribution, and utilization. Despite past criticism, DOE had not developed adequate emergency electrical preparedness plans. We recommended that, if DOE did not indicate that it would develop national/regional plans for electrical emergencies, the Congress enact legislation requiring that appropriate plans be developed by a specified date.

As a result of our recommendation, H. R. 3704 was introduced on May 27, 1981, to require the Secretary of Energy to develop emergency electrical plans within 180 days after the effective date of the act. The legislation was pending as of September 30, 1981. (EMD-81-50, May 12, 1981)

Allowing Oil and Gas Leasing in Future Wilderness Legislation—We recommended that the Congress allow leasing in future wilderness areas beyond 1983 to allow for adequate oil and gas exploration in these areas. We also recommended that the Congress consider whether it has sufficient information to allow existing wilderness areas to be closed to leasing after 1983.

Several bills were introduced in the Congress in response to our report to extend or abolish deadlines on mineral leasing in wilderness areas. Among these, H.R. 3364 and S. 842 have been the subject of hearings but had not been reported out by the respective committees as of September 30, 1981. (EMD-81-40, Feb. 12, 1981)

Streamlining the Process for Oil and Gas Development—Four Federal agencies are involved in issuing permits before energy exploration or development can begin in the Outer Continental Shelf. The most serious delays in this process occurred in agencies where timeframes to issue permits are not legislatively man-

dated. We recommended that the Congress enact legislation to establish a standard, reasonable time within which all Federal agencies are required to complete approvals and issue OCS permits.

Our report was used extensively in hearings by the Subcommittee on Panama Canal and OCS of the House Committee on Merchant Marine and Fisheries in its efforts to amend the OCS Lands Act Amendments. A bill was subsequently introduced (H.R. 4597) proposing a 90-day turnaround for OCS permit approvals. (EMD-81-48, Feb. 27, 1981)

Pacific Northwest Searches for New Sources of Electric Energy—We recommended that the Congress recharter the Bonneville Power Administration and charge it with responsibility for working with State and regional interests to conserve electric power, institute more realistic pricing of electricity, develop renewable energy technologies, and increase public involvement in power planning and policymaking. Subsequently, legislation was introduced along these lines. In followup reports entitled "Impacts and Implications of the Pacific Northwest Power Bill" and "Comments on Pacific Northwest Electric Power Planning and Conservation Act-H.R. 8157" and in testimony, we made specific recommendations on provisions of this legislation.

The Pacific Northwest Power Planning and Conservation Act (Public Law 96-501, dated Dec. 5, 1980) incorporated many of our recommendations by providing for a regional mechanism through BPA to balance supply and demand for electric power in the Pacific Northwest. (EMD-78-76, Aug. 10, 1978; EMD-79-105, Sept. 4, 1979; and EMD-81-28, Oct. 29, 1980)

Small Business Participation in the Solar Energy Program—The Department of Energy Act of 1978, Civilian Applications, requires the Secretary of Energy to provide a realistic and adequate opportunity for small business concerns to participate in Department of Energy's programs, consistent with the size and nature of the projects and activities involved. Although we made no legislative recommendations to the Congress, we reported to the Chairman, Senate Select Committee on Small Business, that DOE needs to take additional steps to encourage small business participation in solar energy programs.

We recommended that the Secretary of Energy establish formal goals for using small business for the overall solar program area as well as for each solar energy program. In addition, we recommended that (1) priority attention be given to correcting problems with the Department's Integrated Procurement Management Information System so that small business participation can be more closely monitored and (2) emphasis be placed on providing special training for solar program officials to help them better understand small business problems.

S. 881 was introduced to strengthen the role of small business firms in federally funded research and development programs, with emphasis on the Department of Energy programs. This bill was favorably reported, with amendments, by the committee on September 25, 1981. (EMD-80-119, Sept. 25, 1980)

Federal Assistance to Clean Up Commingled Radioactive Mill Tailings—Radioactive wastes from uranium mills that were generated for both Government and commercial use are called "commingled" uranium mill tailings. As of December 31, 1977, there were 99 million tons of these tailings, of which 54 million tons (54 percent) were produced under Federal contract. We recommended that the Congress provide assistance to the active mill owners to share in the cost of cleaning up that portion of the mill tailings that were generated under Federal contract.

The Department of Energy National Defense Programs Authorization Act of 1981, Public Law 96-540, included a requirement that the Secretary of Energy develop a plan for a cooperative program to provide assistance on the stabilization and management of the Federal portion of the commingled mill tailings. (EMD-79-29, Feb. 5, 1979)

The Department of Energy's Water-Cooled Breeder Program—Should It Continue?—The Department of Energy's water-cooled breeder program, which began in 1965, is aimed at proving that existing types of nuclear powerplants—called water-cooled reactors—can produce more fuel than they consume. Through the end of fiscal year 1981, the Federal Government will have spent $518 million to develop this breeder concept.

In our report to the Chairman, Subcommittee on Energy Research and Production, House Committee on Science and Technology, we concluded that DOE should discontinue its current program plans and instead concentrate on the major focus of the program—demonstrating the reactors' breeding potential. Although the report did not contain legislative recommendations, our report was used by the House in its deliberations on the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), which reduced funding for the program. (EMD-81-46, Mar. 25, 1981)

Allowing Leasing of Intermingled Minerals—We recommended that the Congress allow leasing of other minerals leasable under the Mineral

Leasing Act of 1920 when those minerals are intermingled with or are unlikely to be economically recoverable except with oil shale deposits. A bill (H.R. 4053) to amend the Mineral Leasing Act with respect to oil shale passed the House in July 1981. This bill included an amendment adopting our recommendation. (EMD-79-65, Sept. 5, 1979)

General Government

Need for Legislation to Reduce Paperwork—We have recommended in briefings, comments on legislation, and testimony before congressional committees that legislation be enacted to reduce paperwork and enhance the economy and efficiency of the Government and the private sector by improving Federal information policymaking. In testimony before the Subcommittee on Legislation and National Security, House Committee on Government Operations, on February 7, 1980, the Comptroller General stated that GAO strongly supported the objectives of H.R. 6410, the Paperwork Reduction Act of 1980. These objectives were to create a central office in the Office of Management and Budget responsible for setting Government-wide information policies and for providing oversight for the agencies' information management activities.

H.R. 6410 was passed by the House on March 24, 1980, and by the Senate on November 19, 1980. The bill was signed into law on December 11, 1980, as Public Law 96-511. (GAO Testimony, Feb. 7, 1980, House Committee on Government Operations, Subcommittee on Legislation and National Security)

Increasing the Accountability for Agencies' Internal Financial Controls—On August 28, 1980, we reported on internal control weakness in 157 fiscal offices of 11 Federal agencies. We recommended that, to help ensure the correction of such weaknesses on a Government-wide basis, the Congress enact legislation to place greater responsibility upon the heads of Federal agencies for the soundness of their organizations' system of internal financial control.

H.R. 1576, a bill to amend the Accounting and Auditing Act of 1950 by requiring agency heads to undertake annual evaluations of their organizations' internal control systems and report the results of such evaluations to the Congress and the President, was passed by the House on May 18, 1981. This legislation is consistent with the above recommendation and with our statement at hearings on February 25, 1981, before the Subcommittee for National Security and Legislation, Committee on Government Operations. A similar bill, S. 864, was introduced in the Senate on April 2, 1981. (FGMSD-80-65, Aug. 28, 1980)

Federal Agencies Should Be Given Multiyear Contracting Authority for Supplies and Services—In January 1978, we assessed the advantages and disadvantages of multiyear procurement. We reported that most Federal agencies are prohibited from contracting for more than 1 year, but where authority for multiyear contracting did exist, substantial savings and benefits accrued. We recommended that the Congress enact legislation authorizing general multiyear contracting authority for Federal agencies.

The House and Senate Defense Authorization Bills for fiscal year 1982 (H.R. 3519 and S. 815) both contain provisions for expanded use of multiyear contracting within DOD. S. 816 was passed by the Senate and House and was being considered by a conference committee as of September 30, 1981. (PSAD-78-54, Jan. 10, 1978)

Stronger Federal Efforts Needed to Foster Private Sector Productivity—In February 1981, we reported to the Congress that the National Productivity Council, established by executive order, was ineffective. A need still existed, however, for a productivity organization to effectively guide and coordinate Federal programs for improving national productivity and to work with the private sector in developing a national productivity plan. This organization should be established by legislation, with a presidentially appointed chairperson and its own budget authorization.

S. 489 and H.R. 2412 were introduced on the basis of our recommendation. (AFMD-81-29, Feb. 18, 1981)

Improving the Federal Buildings Fund Operations—In an October 1979 report, we recommended that, if the Congress wants to provide the General Services Administration with a financing alternative to direct Federal construction and leasing, it should limit the agency's financing authority to direct loans from the Treasury or the Federal Financing Bank. The thrust of our recommendation was included in S. 533 and H.R. 1938. Both bills would authorize GSA to borrow from the Treasury for periods up to 30 years to construct public buildings. This mechanism was referred to as time financing. S. 533 passed the Senate in May 1981 but the time financing provision was eliminated from the bill before passage because of the Administration's plans to reduce direct borrowings from the Treasury by all Federal agencies. To date, no action has been taken on H.R. 1938.

In our report, we stated that Government-owned buildings have a more favorable long-term budgetary impact than leasing, but leasing has a short-term budgetary advantage. Large, up-front, cash outlays

are required for a construction project. Since the full funding concept (i.e., recording the total project cost as budget authority in the first year) applies to construction projects, there is a sizeable impact on the budget the first year. Over the longer term, however, the impact on the budget for a construction project is less than for leasing. Leasing has a short term budgetary advantage because total rent payments are not recorded in the budget the first year, but are spread over the lease period and recorded annually.

Both S. 533 and H.R. 1938 would apply the full funding concept to leases. The maximum cost of such leases over the entire term would be recorded as budget authority in the first year. As a matter of budget policy, we favor the full funding concept because it more accurately discloses the total obligations associated with a project. Also, the full funding concept should be applied consistently to both leasing and construction projects. (LCD-80-7, Oct 17, 1979)

Status, Progress, and Problems In Federal Accounting During Fiscal Year 1980—We recommended that, when an appropriation is requested by an agency, the Congress require the head of the agency to report on the status of and progress made toward gaining approval of its accounting systems. The recommendation has been included in section 4 of the Federal Managers' Accountability Act of 1981 (H.R. 1526). The bill has been passed by the House. A similar bill, the Financial Integrity Act of 1981 (S. 864), was being considered in the Senate but did not include a provision similar to our recommendation. We supported the inclusion of a provision identical to section 4 of H.R. 1526 in S. 864 or in the final bill when H.R. 1526 and S. 864 were to be considered in conference. (AFMD-81-58, June 25, 1981)

GSA's Multiple Award Schedule Program Is a Costly, Serious, and Longstanding Problem—The General Services Administration's multiple award schedules program involves 4 million products, 8,000 yearly contracts, and $2 billion in annual purchases. Within the program, there was little price competition, slight monitoring of items ordered, too many items on the schedules, and too many suppliers. In general, GSA did not have the capability to protect the Government's interests. Because of the longstanding nature of the problem, we recommended that the Congress enact legislation to (1) put GSA under a mandatory deadline to accomplish management improvements and (2) strengthen GSA's position as a primary supplier of products for Federal agencies.

As a result of our report, H.R. 2580 was reintroduced on March 18, 1981. The purpose of the bill is to provide administrative remedies and reforms for abuse and waste in GSA procurements. (PSAD-80-53, Aug. 22, 1980, and PSAD-79-71, May 2, 1979)

Limited Progress in Implementing Subcontracting and Surety Bond Waiver Provisions—The Small Business Administration has not issued procedures needed to identify surety bond waiver candidates and process their applications. To allow SBA time to (1) implement the surety bond waiver provision, (2) resolve, if found substantiated, the surety bond waiver concerns perceived by its field offices, and (3) determine how effective the provision will be in assisting small and small minority businesses, we suggested that the Congress extend the surety bond waiver provision 2 years, to September 30, 1983, and require SBA to report to the Congress on the provision's effectiveness before the revised expiration date.

S. 1620 amends section 8(a) (1) of the Small Business Act to change the expiration date of the surety bond waiver provision to March 31, 1983. This bill was reported favorably by the Senate Committee on Small Business on September 28, 1981, S. Rept. 97-195. (CED-81-15, Sept. 18, 1981)

The 8(a) Pilot Program for Disadvantaged Small Businesses Has Not Been Effective—The legislative objective of using the program to help the Small Business Administration secure 8(a) procurements has not been fully tested because the Department of the Army, the leading agency in offering contracts to the 8(a) program, was selected for pilot program participation. We recommended that the Congress amend the authorizing legislation to allow for further testing of the pilot program in an additional Federal agency that has yet to demonstrate its complete support for the 8(a) program.

S. 1620 amends section 8(a) (1) of the Small Business Act to require that an agency "other than the Department of Defense or Army component thereof" be designated to participate in the pilot program. This bill was reported favorably by the Senate Committee on Small Business on September 28, 1981, S. Rept. 97-195. (CED-81-22, Jan. 23, 1981)

Proposed Changes in Maintenance-Of-Effort Requirements for State and Local Governments—We reported that maintenance-of-effort requirements serve a central Federal purpose by ensuring that Federal grant funds are used to support additional program activities as intended by the Congress, not to replace State or local support for these activities. When substitution occurs, categorical grants enacted to provide services in the given program are in effect transformed into general fiscal assistance grants and used by States

and localities for their own discretionary purposes. Most existing requirements, however, are not strong enough to prevent a significant amount of fiscal substitution by State and local governments. Therefore, stronger maintenance of effort provisions are needed if the Congress is to adequately ensure the supplementary nature of Federal grant funds.

We recommended that the Congress amend the Intergovernmental Cooperation Act of 1968 to enact a standard maintenance-of-effort requirement applicable to those programs where the Congress wants to prevent fiscal substitution.

S. 807, (S. Rept. 97-136), approved by the Senate Committee on Governmental Affairs, contains a provision which would implement this recommendation. (GGD-81-7, Dec. 23, 1980)

Federal Assistance System Should Be Changed to Permit Greater Involvement by State Legislatures—For State legislatures which have taken an active role in the Federal grant process, Federal grant programs have been made accountable to the public, and legislatures are more likely to provide the support necessary to effectively carry out the Federal grant programs. In spite of these benefits, State legislative involvement is generally discouraged by the restrictive nature of the Federal grant process itself as well as by specific provisions of grant programs that assign legislative responsibilities to the State executive branch.

We recommended that the Congress amend the Intergovernmental Cooperation Act of 1968 to ensure that grant provisions assigning various administrative responsibilities to State executive officials not be construed as limiting or negating the exercise of powers by State legislatures as determined by State law to appropriate Federal funds, to designate agencies to implement grant programs, and to review State plans and applications for Federal assistance.

S. 807, (S. Rept. 97-136), approved by the Senate Committee on Governmental Affairs, contains a provision which would implement this recommendation. (GGD-81-3, Dec. 15, 1980)

Improving the Federal Employees Group Life Insurance Program—We concluded that changes to the insurance program were needed to make it more attractive to younger employees and more equitable for all. We recommended (1) continuing premium payments to age 65 rather than terminating at retirement, (2) establishing a maximum 50-percent reduction in retiree coverage in lieu of the current 75-percent reduction, (3) providing greater amounts of optional insurance coverage to employees, and (4) providing dependent coverage.

In line with our May 1977 recommendations, the Federal Employees Group Life Insurance Act of 1980 (Public Law 96-427) included the following changes: (1) employees retiring after December 31, 1989, will be required to pay premiums until age 65 or retirement, whichever occurs later, (2) employees retiring may elect and pay for either a 50-percent reduction or no reduction in the amount of basic life coverage, (3) employees up to age 45 will receive extra benefits, (4) employees can choose additional life insurance coverage equal to one, two, three, four, or five times annual basic pay, and (5) employees can elect coverage on spouses and eligible children. These changes improved the program's benefit structure and increased the amount of insurance in force.

We also recommended that the Congress rescind the requirement that Group Life pay State premium taxes since Group Life is, in effect, a self-insured program. Section 405(a), title IV of the Omnibus Reconciliation Act of 1980 (Public Law 96-499) exempted Group Life insurance premiums paid on or after December 5, 1980. (FPCD-77-19, May 6, 1977)

New Policy Needed of Charging Federal Agencies for Unemployment Compensation Payments—Funds to pay benefits to former employees and servicemen were appropriated by the Congress to the Secretary of Labor, who allocated the funds to the States according to their expected needs. Benefit payments have been substantial in recent years, totaling $455 million in 1979 and $498 million in 1980.

We concluded that charging Federal agencies their fair share of program costs should provide the necessary incentive for them to police the program and should pay for itself through better administration, better personnel management, and prevention of fraud and abuse.

We recommended that the Department of Labor study and report on the feasibility and costs of implementing a new policy requiring each Federal agency to budget and pay for any unemployment compensation payments made to its former, furloughed, or active employees. Although the Department of Labor did not endorse our recommended policy change, the Senate Committee on Finance did and the Congress included the change in the Omnibus Reconciliation Act of 1980 (Public Law 96-499, approved Dec. 5, 1980). (FPCD-78-19, June 5, 1979)

Revising the Lump Sum Annual Leave Payment Policy—By law, an employee who leaves the Federal service is entitled to a lump-sum payment for any unused annual leave accumulation. The lump-sum payment is equal to the pay the employee

would have received had he/she chosen to use that leave before separating from service. The payment is to include pay for any holidays and any premium pay the employee ordinarily would have received during that period. We estimated that the 618,282 employees who left the Federal service or retired in fiscal year 1977 received, as part of their lump-sum payment, at least $20 million for holidays that occurred after their date of separation. We concluded that the existing policy was overly generous and unnecessarily costly and recommended to the Congress that the law be changed to eliminate from lump-sum leave payments any pay for holidays occurring after an employee's date of separation from the Federal service.

The Omnibus Reconciliation Act of 1980, Public Law 96-499, approved December 5, 1980, eliminates pay for holidays from the lump-sum annual leave payments of all employees leaving the Federal service on or after December 5, 1980. (FPCD letter to the Chairwoman of the Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service, May 29, 1980)

Revising the Frequency of Cost-of-Living Adjustments for Federal Retirees from Semiannually to Annually—Since 1976, Federal retirees' annuities have been automatically adjusted each March 1 and September 1 for the increase in the Consumer Price Index during the preceding 6-month period ending December 31 and June 30, respectively.

The automatic full indexation of the Federal retirees' annuities is not only costly but also highly inequitable to others not similarly treated. This adjustment process is far superior to those enjoyed by the retirees of private industry and State and local governments. The only non-Federal retirees who receive comparable purchasing power protection are those who receive only social security benefits. Perhaps more importantly, the annuity adjustment provisions result in Federal retirees receiving far greater increases than active Federal employees. No doubt this has contributed significantly to the increased number of high-level civil servants who have retired in recent years.

We have reported on the cost and equity issues of the adjustment process several times and made legislative recommendations. Finally, the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35, Aug. 13, 1981) changes the frequency of the adjustments from semiannually to annually. (FPCD-76-80, July 27, 1976)

Repealing the "Lookback" Annuity Guarantee and Prorating Cost-of-Living Adjustments of Civil Service Retirees—Prior to the enactment of the Omnibus Budget Reconciliation Act of 1981, Federal retiree annuities were automatically adjusted each March 1 and September 1 for the increase in the Consumer Price Index during the preceding 6-month period ending December 31 and June 30, respectively. By law, cost-of-living adjustments are applicable to all civil service annuities payable on the effective date of the increase. Thus, retiring civil service employees benefited from cost-of-living increases that occurred before their date of retirement. Such increases elevated the already high costs of retirement by inflating the basic annuity upon which succeeding adjustments were applied, thereby encouraging valuable, experienced employees to retire rather than continue to work.

At the heart of the problem was a 1973 law which guaranteed that retiring employees would receive a basic annuity at least equal to the annuity they could have earned if they had retired as of the effective date of the last cost-of-living increase.

We have reported on this several times before, recommending that the law be changed to repeal the "lookback" provision and to prorate new retirees' adjustments to reflect only Consumer Price Index increases after their effective date of retirement.

Finally, the Omnibus Reconciliation Act of 1980 (Public Law 96-499, Dec. 5, 1980) repealed the lookback provision and instituted a new policy of prorating the initial adjustment of new civil service retirees. (FPCD-78-2, Nov. 17, 1977)

Determining Whether Federal Participation in International Expositions Should Include Construction of a Permanent Pavilion—Knoxville, Tennessee, will host an international exposition on energy—Expo '82—from May to October 1982. The Department of Commerce, responsible for the design, construction, and operation of U.S. pavilions at such expositions, is building a permanent rather than temporary pavilion, even though no adequate Federal plans exist for its use after Expo '82. In March 1981, we reported that the construction of the more costly permanent building was not justified and was attributable in part to weaknesses in the law governing reuse of U.S. pavilions. For example, the law does not mandate construction of a less costly temporary structure when there are no plans for its later use. Nor does it direct Commerce to design a pavilion that will meet the immediate needs of the exhibition as well as the subsequent needs of the Federal Government. For these and other weaknesses, we recommended changes in the law to maximize the residual use of U.S. pavilions and to avoid unnecessary expenditures.

On July 14, 1981, S. 1482 was introduced to amend certain provisions of the act of May 27, 1970, to provide a procedure for determining whether a plan for the Federal Government to participate in an international exposition should include construction of a Federal pavilion and whether the pavilion should be a permanent structure and used for other purposes. The amendments were in line with the recommendations included in our report. (PLRD-81-11, Mar. 20, 1981)

Inappropriate Use of Indian Trust Fund to Subsidize BIA Activities—We recommended that the Congress repeal legislation authorizing the trust fund known as "Indian Moneys, Proceeds of Labor." The Senate Appropriations Committee Report (S. Rept. 97-166) on the Department of the Interior and Related Agencies Appropriation Bill for Fiscal 1982 stated that provisions had been made in the bill to adopt the recommendation. (FGMSD-80-78, Oct. 7, 1980)

Need for Changes to the Disclosure Provisions of the Internal Revenue Code—Through the Tax Reform Act of 1976, the Congress tightened the rules governing disclosure of tax information, thereby affording taxpayers increased privacy. However, the disclosure provisions also affected coordination between IRS and other members of the law enforcement community.

We recommended that the Congress amend the disclosure provisions set forth in section 6103 of the Internal Revenue Code with a view toward striking a better balance between legitimate privacy concerns and equally legitimate law enforcement information needs.

These matters were discussed in a report to the Joint Committee on Taxation (GGD-78-110, Mar. 12, 1979) and in testimony before the Senate Permanent Subcommittee on Investigations (Dec. 13, 1979). Subsequent to our testimony, Senate Bills 2402, 2404, and 2405 were introduced and referred to the Committee on Finance for consideration. The bills, if enacted, would substantially revise the disclosure provisions. We support these bills with certain suggested modifications.

S. 732, which incorporated most of our specific legislative suggestions, was passed as part of the Senate version of the Economic Recovery Act of 1981. Although the Conference Committee deleted these provisions from the act, it noted the need for additional hearings. (GGD-80-76, June 17, 1980)

Need to Eliminate the Requirement for a Declaration of Estimated Tax—Each year taxpayers submit declaration vouchers to the Internal Revenue Service to comply with the estimated tax provision. IRS has no need for vouchers received without remittances and each year destroys hundreds of thousands of nonremittance vouchers submmitted by taxpayers who have sufficient tax credits from a previous year. On the basis of incomplete IRS data for the estimated tax filing year ending January 15, 1980, we estimated that IRS destroyed about 234,500 vouchers at an estimated cost of about $11,400. It cost the taxpayers about $35,200 in postage to file the vouchers.

We recommended that the Internal Revenue Code be amended to remove the requirement that individual taxpayers make declarations of estimated tax.

On April 1, 1981, the Senate Committee on Finance introduced a bill, S. 850, which contained our proposed amendment in its entirety. The bill was pending in committee as of September 30, 1981. (GGD-80-61, May 8, 1980)

Need for Civil Penalty to Deter Fictitious Tax Deposit Claims—Employers' failure to pay employment taxes—income tax withheld and social security tax—is one of the most serious delinquency problems facing the Internal Revenue Service. Employers can delay IRS collection efforts by falsely claiming on their quarterly tax returns that the taxes were deposited to the Federal bank account. The Internal Revenue Code contains no specific provision for a civil penalty for claiming fictitious deposits of these taxes.

In an earlier report we recommended that the Congress should enact a civil penalty to be used as a deterrent to filers who claim false deposits on their tax returns. Our recent report recommended that the Commissioner, IRS, should pursue the enactment of such a penalty—possibly as much as 25 percent of the fictitious deposits—on employers who claim fictitious deposits on their employment tax returns.

Section 724 of the Economic Recovery Act of 1981 (Public Law 97-34, Aug. 13, 1981) provides for a 25-percent penalty. (GGD-81-45, Apr. 28, 1981, and GGD-78-14, Feb. 21, 1978)

Need for Changes to the Summons Provisions of the Internal Revenue Code—Through the Tax Reform Act of 1976, taxpayers gained the right to be notified of the issuance of a third-party IRS summons. Taxpayers were further authorized to stay summons compliance by third parties pending a court action in which they could participate. However, actual experience with the law showed that many taxpayers were staying compliance solely for the purpose of delaying an IRS investigation.

We recommended that the Congress amend the summons provision set forth in section 7609 of the Internal Revenue Code by adopting the stay of compliance procedures contained in section 1105 of the Right to Financial Privacy Act of 1978 (Public Law 95-630, Nov. 10, 1978). Taxpayers

would retain the rights granted them in the Tax Reform Act but no longer could use these rights as delaying tactics.

This matter was discussed in a report to the Joint Committee on Taxation (GGD-78-110, Mar. 12, 1979) and in testimony before the Permanent Subcommittee on Investigations, Senate Committee on Governmental Affairs, on December 13, 1979. Subsequent to our testimony, S. 2403 was introduced and referred to the Committee on Finance for consideration. We supported the bill, which, if enacted, would have essentially implemented our recommendation.

During fiscal year 1980 we issued a report on illegal tax protesters. In that report we reaffirmed our past position concerning the need for the Congress to revise the summons provisions of the 1976 Tax Reform Act by requiring taxpayers to expeditiously show cause to a court for not complying with a summons.

S. 2403 was not passed during fiscal year 1980. An identical bill, S.1010, was introduced on April 27, 1981. (GGD-80-76, June 17, 1980, and GGD-81-83, July 8, 1981)

New Formula Is Needed to Calculate Interest Rate on Unpaid Taxes— The interest rate assessed by Internal Revenue Service fails to properly reflect two elements necessary to any interest rate determination—the cost of the lender's funds and the cost of the lender's credit administration. Also, since IRS' rate is currently lower than the rate at which most taxpayers can borrow money, it provides little incentive for taxpayers to pay taxes promptly.

A new formula is needed that calculates an interest rate for unpaid taxes which includes the Government borrowing rate plus an overhead factor for administrative costs. Not only would this new formula appropriately compensate the Government for the costs related to unpaid taxes, it would provide a greater incentive for taxpayers to pay taxes promptly.

We recommended that the Congress amend the Internal Revenue Code to require IRS to (1) establish an interest rate reflecting the prevailing Government borrowing rate plus a factor for administrative expenses and (2) establish semiannual adjustments of the interest rate stating it to two decimal places and limiting charges to 0.25 percent.

Section 711 of the Economic Recovery Tax Act of 1981 (Public Law 97-34, Aug. 13, 1981) provides for an interest rate at 100 percent of the prime rate, to be adjusted each year. (GGD-81-20, Oct. 16, 1980)

More Equitable Tax Treatment Needed for the "Innocent Spouse" in Community Property States—In seven community property States, each spouse is liable for taxes on one-half of the income of the married couple. In cases where the couples are separated, each spouse is liable for taxes on one-half of the couple's income even though one spouse may actually receive little or none of the community income.

We recommended that the Internal Revenue Code be amended so that the separated spouse who does not receive the one-half of community income to which he or she has a vested right under State law is relieved of tax liability on the income not received.

The Miscellaneous Revenue Act of 1980, Public Law 96-605, Dec. 28, 1980, amended the Internal Revenue Code to provide that community income earned by separated spouses in community property States be taxed to the person who has earned the income. (GGD-77-56, July 12, 1977)

Health

Consolidating the Sudden Infant Death Syndrome Program with Related Health Programs—Since 1975, the Federal Government has awarded grants to public and nonprofit private agencies to provide information and counseling services to families of victims of sudden infant death syndrome. We recommended that the Congress consolidate the SIDS program and the Maternal and Child Health program authorized under title V of the Social Security Act. Such consolidation would provide greater program stability, since title V authorizing legislation, unlike that for the SIDS program, does not expire at set intervals. Program flexibility could be retained through subgrants or contracts from State health departments. Furthermore, consolidating these programs would also help to reduce the number of separate Federal programs having similar or closely related objectives.

Consolidation for this purpose was discussed and a similar recommendation made in our January 1980 report concerning infant mortality, and the SIDS program was specifically identified as a candidate for such consolidation. This issue was also discussed in our testimony before the Senate Committees on Finance and on Labor and Human Resources. The Omnibus Budget Reconciliation Act on 1981, August 13, 1981, consolidated the Maternal and Child Health program and several related health programs, including SIDS, into a single Maternal and Child Health block grant. (HRD-81-25, Feb. 6, 1981)

Federal Funding for State Medicaid Fraud Control Units Still Needed—Because State Medicaid fraud control units can be an effective force in combating fraud, we recommended that the Congress provide funding for these units beyond September

1980. We stated that HHS should be required to annually certify, for continued funding, only those units that have demonstrated effective performance based on reasonable standards established by HHS.

The Omnibus Reconciliation Act of 1980, Public Law 96-499, extended the Federal funding of fraud control units. HHS, through its regulatory program, has initiated performance evaluations of these units and is taking action to eliminate units not meeting their standards. (HRD-81-2, Oct. 6, 1980)

Formation of a Civilian-Military Contingency Hospital System—We reported that the Department of Defense was developing a civilian-military contingency hospital system to treat returning battlefield casualties because it had insufficient resources of its own. In our opinion, the most important issue regarding DOD's implementation of the plan was the extent of support the Veterans Administration health care system could provide. In VA's opinion, it could not support DOD without modifications to its current legislative authority and responsibilities. Therefore, we recommended that the Congress enact the needed legislation.

Legislation (H.R. 8133) was introduced in the 96th Congress to address the major concerns raised in our report but was not enacted. This legislation was again introduced in both Houses of the Congress (S. 266 and H.R. 3502). S. 266 has been reported favorably by the Senate Governmental Affairs (S. Rept. 97-137) and Veteran's Affairs (S. Rept. 97-196) Committees. H.R. 3502, (H. Rept. 97-72) a bill similar in purpose to S. 266, has been reported by the House Veterans' Affairs Committee. These bills also contain several provisions which address many of the recommendations we made in an earlier report concerning legislation needed to encourage peacetime interagency sharing of medical resources. (HRD-78-54, June 14, 1978, and HRD-80-76, June 22, 1980)

Income Security

To Increase the Integrity of the Social Security Number—Crimes based on false identification, which frequently include false and legitimate Social Security numbers, are estimated to cost the American taxpayers more than $15 billion annually. We recommended that the Congress enact legislation making it a felony to alter, reproduce, counterfeit, buy, or sell a Social Security number or card.

Our recommendations were incorporated into S. 179, a bill to provide penalties for the misuse of Social Security numbers. (HRD-81-20, Dec. 23, 1980)

Changing the Accounting Period—Present legislation requires the Social Security Administration to determine eligibility for Supplemental Security Income and benefit payments on a quarterly prospective basis. This requirement has resulted in substantial overpayments to Supplemental Security Income recipients.

We recommended that the Congress amend the Social Security Act to change the basis for determining Supplemental Security Income eligibility and benefit payment amounts from a quarterly accounting period to a retrospective monthly accounting period, with a 1-month lag. In our followup report to the Congress, we again recommended a change from a quarterly prospective to a retrospective accounting period.

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35, Aug. 13, 1981) provides for determining the Supplemental Security Income benefit amount on a monthly retrospective basis. Eligibility, however, will be determined on the basis of income and other circumstances in the current month. This provision will result in savings of $30 million in the first year and $60 million each year thereafter. (HRD-78-114, May 26, 1978, and HRD-81-37, Dec. 31, 1980)

Social Security Student Benefits for Postsecondary Students Should Be Discontinued—The Social Security Administration pays benefits to postsecondary students who are the dependents of survivors of insured wage earners. The program is an unnecessary burden on the trust funds, contributes to other Federal education aid programs paying unneeded benefits, and is an inequitable system for dispensing education aid.

We recommended that the Congress amend the Social Security Act to discontinue payments to postsecondary students. The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) provides that Social Security benefits for students at institutions of higher education or other postsecondary schools will be phased out beginning in August 1982. No benefits to postsecondary students will be paid after July 1985. This provision will result in an estimated $7.5 billion in savings to the Social Security trust funds for the fiscal years 1982-86. (HRD-79-108, Aug. 30, 1979, and HRD-81-37, Dec. 31, 1980)

Savings to the Social Security System If Benefits Were Calculated to the Nearest Penny—Section 215(g) of the Social Security Act (42 U.S.C. 415(g)) requires calculation of Social Security Retirement and Survivors Insurance benefit amounts which are not a multiple of $.10 to be rounded to the next higher $.10. We estimated that $386 million could be saved by the Retirement and Survivors Insurance Program for the period 1980 through 1986 if section 215(g) were amended to provide that benefits be calculated to the nearest penny. A smaller savings would also be achieved for

the Disability Insurance Program.

We reported to the House Subcommittee on Social Security that the Congress should amend section 215(g) of the Social Security Act to require calculation of social security benefit amounts to the nearest penny rather than to the next higher dime.

The rounding proposal passed by the Congress is more stringent than our proposal. The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, requires that social security benefits be rounded to the lower 10 cents at each stage of benefit computation, except at the last step—the actual benefit amount payable per beneficiary. This would be rounded to the next lowest dollar. This provision will result in an estimated $1.6 billion in savings to the Social Security trust funds for the fiscal years 1982-1986. (HRD-78-160, Sept. 8, 1978, and HRD-81-37, Dec. 31, 1980)

Savings to the Social Security System if the Minimum Benefit Were Eliminated—We recommended that the Congress approve the President's proposal to eliminate the minimum benefit provision of the Social Security Act for new beneficiaries. This provision, intended to help the poor, has mainly benefited retired government workers with pensions and homemakers supported by their spouse's income. Furthermore, the need for the minimum benefit was greatly reduced in 1974 with the enactment of the Supplemental Security Income Program. To minimize the hardship to those few needy beneficiaries who would not qualify for the Supplemental Security Income payment after the minimum benefit was eliminated, the Congress could authorize a limited Supplemental Security Income payment to replace the lost portion of the minimum benefit, provided the beneficiaries are needy and meet the program's eligibility requirements except for age.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, eliminates the minimum benefit for all present and future beneficiaries. In addition, persons aged 60 to 64 who are entitled to a minimum benefit before December 1981 would become eligible for a special Supplemental Security Income payment if they qualified under the program rules, except that rule pertaining to age. The scope of this legislation is broader than the legislation we recommended. This provision will result in an estimated $953 million in savings to the Social Security trust funds for the fiscal years 1982-86. (HRD-80-29, Dec. 10, 1979, and HRD-81-37, Dec. 31, 1981)

Need to Increase Efficiency of Federal Domestic Food Assistance Programs—We recommended that, to eliminate the principal benefit gaps and duplications in Federal food assistance programs and to improve their overall coordination, the Congress should

- adopt a uniform definition of the term "needy" and establish consistent criteria and procedures for determining who is eligible for Federal food assistance;
- approve an explicit national policy on how much food assistance should be provided to needy Americans by the Federal Government;
- consolidate Federal food programs;
- authorize the Secretary of Agriculture to implement individualized food stamp allotments nationwide, if demonstration projects show the feasibility of such allotments;
- eliminate duplicative benefits by allowing consideration of benefits from one Federal food program when determining eligibility and benefit levels under others; and
- require a single State/local agency to be responsible for certain administrative aspects of designated Federal food programs to help ensure a more efficient delivery of food assistance to needy Americans.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, contained provisions relating to our recommendations. The act changed food stamp eligibility standards, allowable deductions, income accounting methods, claims collection incentives, and disqualification penalties and set up a food stamp block grant for Puerto Rico. The act also permits States to treat the value of food stamp coupons as income for the Aid to Families with Dependent Children program. For the school lunch and other child nutrition programs, the act lowered reimbursement rates, reduced commodity assistance, revised State matching requirements, terminated food service equipment assistance, limited the special milk program to schools not having meal services, reduced the size of the summer feeding program, and limited the number of meals and reimbursement rates for the child care food program. Another bill, S. 1107, passed by the Senate on June 10, 1981, would direct a study of the feasibility of individualized food stamp allotments. (CED-78-113, June 13, 1978)

Food Stamp Workfare Design Needs Improvement—The workfare concept cannot be fairly tested until a sound program design is achieved and tested. In March and April 1981 congressional testimony, we pointed out the need to amend food stamp legislation to

- eliminate the automatic exemptions for registrants in the Aid to Families with Dependent Children-Work Incentive Program, recipients of unemployment insurance benefits, and certain students and wage earners;

• eliminate mandatory job search periods before workfare job assignments can be made; and
• strengthen the sanctions that can be imposed for noncompliance with workfare requirements.

S. 1007, passed by the Senate on June 10, 1981, and H.R. 3603, which was reported out of committee on June 19, 1981, would allow States to implement workfare for the Food Stamp Program under a design which reflects our recommendations. (GAO testimony before the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, House Committee on Agriculture, Mar. 19, 1981, and before the Senate Committee on Agriculture, Nutrition and Forestry, Apr. 2, 1981)

Legislation Authorizing States to Reduce Workers' Compensation Benefits Should Be Revoked—The Social Security Act provides that, when disabled workers receive both State workers' compensation and Social Security Administration disability benefits, the combined payments can be reduced by either SSA or the State, but not by both. If a State elects to reduce its benefits—as 11 States have done—Social Security benefits cannot be reduced. Allowing States to reduce their workers' compensation benefits causes the responsibility for compensating disabled workers for work-related injuries to be shifted from State compensation programs to Social Security taxpayers.

We reported that the language of the offset provision was not precise as to whether SSA could apply its offset retroactively when recipients did not accurately and promptly report their workers' compensation benefits. In 1976, after getting an opinion from Health and Human Service's Office of General Counsel, SSA adopted a policy of offsetting for workers' compensation benefits only in the months after receiving notification of entitlement from the disabled worker. As a result, disabled workers who fail to report their workers' compensation benefits promptly or accurately can receive excessive benefits.

To prevent further losses to the Social Security trust fund and reduce the potential for excessive payments, we recommended that the Congress amend the Social Security Act to

• revoke the section 244(d), which allows States to offset their portion of disability benefits and
• require that the Social Security offset be made effective when workers' compensation benefits are awarded, rather than when SSA is notified of the award.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, revoked the provision allowing States to reduce workers' compensation benefits except those 11 States that now do. This provision should save the Social Security trust fund $147 million annually.

The act also requires that the Social Security offset be made effective when workers' compensation benefits are awarded rather than when SSA is notified of the award. (HRD-80-31, Mar. 6, 1980, and HRD-81-37, Dec. 30, 1980)

Government and Railroads Need to Clarify Roles and Responsibilities to Avert a Financial Shortfall—The Railroad Retirement Board predicts that it may not be able to pay total benefits by 1982. To ensure that railroad beneficiaries will receive, at least, the Social Security portion of their retirement benefits, the Congress should require that funds for that portion be used for that purpose only and that railroad employees and employers pay taxes for those benefits on the same basis as employers and employees under Social Security.

To help ensure that total benefits will be paid, the Congress should decide to what extent the Federal Government will fund windfall benefits for dual beneficiaries. The Congress also should consider whether certain groups, such as railroad beneficiaries' remarried widows and divorced spouses, who are not covered under railroad retirement, should be.

As part of the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, and the Economic Recovery Tax Act of 1981, Public Law 97-34, the Congress passed amendments to the Railroad Retirement Act which dealt with the Railroad Retirement Board's financial problems. These amendments create a new basis for benefit computations, a dual benefit payment account from which all windfall benefits must be paid, categories of beneficiaries, and increased tax contributions for railroad employers and employees. The Congress also gave the Railroad Retirement Board the authority to borrow from general revenues when the balance in the Railroad Retirement Account is insufficient to pay benefits for any month. (HRD-81-27, Mar. 9, 1981)

Need to Improve Management and Control of the Section 8 Program—We recommended that the Secretary of Housing and Urban Development (1) take steps to increase incentives for high-quality management and long-term ownership of new section 8 projects, (2) build more modest size section 8 housing with fewer amenities, (3) get better use out of recently completed housing, and (4) improve program administration including using certified financial statements submitted by project owners to evaluate regularly the reasonableness of formula-based annual rent increases given to housing owners.

The Omnibus Budget Reconcilia-

tion Act of 1981, Public Law 97-35, directs the Secretary to ensure that newly constructed section 8 housing is modest in design. The act also directs the Secretary to limit increases in contract rents for newly constructed or substantially rehabilitated section 8 projects to the amount of operating cost increases incurred by owners of projects in the same market areas having comparable dwelling units of various sizes and types which are suitable for occupancy by assisted families.

The act further requires the Secretary to determine the number of section 8 assisted projects owned by developers and sponsors with 5-year contribution contracts who plan to withdraw from the section 8 program at contract expiration and who will increase rents beyond a level affordable by current tenants. Residents affected by possible rent increases are to be notified by the Secretary. The Secretary is also required to make a report to the Congress indicating alternative methods for recapturing front-end Federal investment in section 8 projects that are removed from the program. (CED-81-54 and CED-82-54A, Mar. 6, 1981)

Increasing the Section 8 Family Rental Fee—In June 1980 we reported that the section 8 Rental Assistance Program cost more than it should and was serving only a fraction of those families in need. We recommended that the Secretary of the Department of Housing and Urban Development increase tenant contributions toward rents as authorized by the 1979 legislation.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, provides that assisted section 8 families shall pay as rent the highest of (1) 30 percent of the family's monthly adjusted income, (2) 10 percent of the family's monthly income, or (3) that part of a family's welfare payment that is specifically designed to cover housing costs, where payments are so designated and are adjusted according to actual housing costs. (CED-80-59, June 6, 1980)

International Affairs

Improving Americans' Competitiveness for Employment Abroad—We reported that employment of a large force of U.S. citizens abroad was viewed as essential to promote and service U.S. products and operations in foreign countries. Special tax provisions applicable to foreign earned income, however, were regarded as a major disincentive to employment of U.S. citizens abroad. Most of the companies we surveyed reimbursed U.S. employees living abroad for excessive taxes, making them more costly than citizens of competing countries, who generally are not taxed by their home countries.

We recommended that the Congress place Americans working abroad on an income tax basis comparable with that of citizens of competitor countries by providing a tax exclusion—either complete, or limited but generous—of foreign-earned income for qualifying taxpayers.

The Economic Recovery Tax Act of 1981 (Public Law 97-34, Aug. 13, 1981) provided a generous exclusion of foreign earned income ($75,000 in 1982, increasing incrementally to $95,000 in 1986) plus a deduction for excessive housing costs overseas. This provision, which is consistent with our recommendation, should eliminate U.S. tax liability on foreign earned income for a large majority of Americans employed abroad. (ID-81-29, Feb. 27, 1981)

Foreign Assistance Act Clarified to Allow Acquisition of Nonexcess Property—Due to the changes in the law governing the Government-wide excess property system, the Agency for International Development has been forced to acquire nonexcess property needed by foreign assistance recipients. We questioned whether such acquisitions were permissible under the language in the Foreign Assistance Act. As a result, H.R. 3566 provides a clarifying amendment to allow for the acquisition of nonexcess property. The bill was reported by the House Committee on Foreign Affairs but had not been voted on by the House as of September 30, 1981. (ID-80-32, July 31, 1980)

NATO Collaboration Versus U.S. Arms Export Control—The United States has faced a conflict between the desire for increased NATO collaboration to standardize weapons and the need to maintain control over weapons systems made from U.S. technology. We concluded that alternatives existed to upgrade congressional prerogatives. From the alternatives we presented, the Congress developed two legislative changes that increased its controls over foreign military sales.

First, the International Security and Development Cooperation Act of 1980 (Public Law 96-533, Dec. 16, 1980) amended section 3(d) of the Arms Export Control Act to require that, if a defense article meets or exceeds a certain dollar threshold and is proposed to be transferred to a third country through commercial channels, the President must transmit a report to the Congress at least 30 days before he intends to consent to the transfer. Second, the same law also amended section 36(c) of the Arms Export Control Act by providing that the Congress may veto, by concurrent resolution, commercial arms sales meeting or exceeding the dollar threshold. Commercial arms sales or exports to NATO, NATO countries, Australia, New Zealand, and Japan are ex-

empt from the legislative veto requirements but still have to comply with section 36(c) reporting requirements. (C-ID-80-4, Aug. 26, 1980)

Funds Proposed for Agricultural Extension Services in Egypt—We recommended that future Agency for International Development agricultural assistance to Egypt include effective extension services to transfer technology to farmers. H.R. 3566, which would authorize appropriations for development assistance for fiscal years 1982 and 1983, provides that up to $50 million in economic support funds to Egypt for each year could be spent for building agricultural extension services. The bill (H. Rept. 97-58) was reported by the House Committee on Foreign Affairs but had not been acted upon by the House as of September 30, 1981. (ID-81-9, Mar. 16, 1981)

The Roles and Functions of Overseas Security Assistance Offices Need to Be Clarified—Reviewing the activities of Department of Defense overseas Security Assistance Offices, we found that they performed a wide range of functions, some of which may not be recognized by the Foreign Assistance Act. The act lists management functions the offices are authorized to perform. The offices also provide, however, advisory assistance on a routine basis and engage in activities not directly related to managing the security assistance program. We recommended that the Secretaries of State and Defense identify the roles and functions of the overseas Security Assistance Offices and recommend to the Congress changes to the act to better recognize their activities.

Both the Senate Foreign Relations and the House Foreign Affairs Committees adopted substantial revisions to the authorized functions of the overseas Security Assistance Offices in their respective bills, S. 1196 and H.R. 3566, entitled the International Security and Development Cooperation Act of 1981. The language included in the reported bills parallels the functions described in our report as currently being performed by these offices. (ID-81-47, May 9, 1981)

National Defense

Financial and Legal Implications of Canceling Arms Purchases and Agreements—We recommended that the Congress amend the Arms Export Control Act to require foreign customers to have funds on hand at all times to cover potential termination costs in the event of any canceled foreign military sales agreement. Public Law 96-533, December 16, 1981, which amended the Arms Export Control Act, partially adopted our recommendation. While our recommendation addressed all foreign customer sales, these amendments require that only contracts for design and construction services include provisions for potential termination costs. (FGMSD-79-47, July 25, 1979)

Improving Procedures for Leasing Defense Property to Foreign Governments—Legislation originally intended to aid the industrial facilities' standby programs of the military services following World War II by authorizing the lease of defense plant production equipment and real property to domestic private commercial interests has been used in recent years to transfer military equipment to foreign governments. For example, in 1980, equipment valued at $48.4 million was leased rent-free to Turkey, Honduras, and the Dominican Republic under the authority of 10 U.S.C. 2667. We recommended that the Congress amend 10 U.S.C. 2667 to prohibit rent-free or nominal-rent leases of defense property to foreign governments. Transfers of military equipment on this basis should be done exclusively under the Foreign Assistance Act.

In response, the Senate Foreign Relations and House Foreign Affairs Committees moved to assert stricter control over leases of military equipment to foreign countries. The House and Senate Committees included identical provisions in the International Security and Development Act of 1981, H.R. 3566, S. 1196, that would apply all restrictions in the Arms Export Control Act and the Foreign Assistance Act to defense leases outside the United States. The bills would also specify restrictions on loan terms, require the President to report to the Congress on long-term leases before they are approved, and provide a legislative veto over high-value leases by adoption of a joint resolution disapproving the lease proposal. (ID-81-36, Apr. 27, 1981)

M-60A3 Tank Conversion Program—To meet one of its major goals of having the most modern tanks available to counter the ever-increasing threat of the Warsaw Pact Forces to Western Europe, the Army initiated a program to convert M-60A1 tanks to the more modern M-60A3 configuration. We found that the conversion program had slipped because of late delivery of laser range finders and computers and because foreign orders for M-60A3 tanks were placed ahead of U.S. needs. On the basis of our report and Army testimony, the House Committee on Appropriations recommended a $232 million reduction to the Army's fiscal year 1981 budget request. This reduction was reflected in the 1981 Department of Defense appropriation, Public Law 96-527. (LCD-80-79, June 30, 1980)

Adjustments Recommended in Army Ammunition Procurement and Modernization Program—We reported that the Army had requested $1.2 billion for

procurement of conventional ammunition items and $251.2 million for modernizing and expanding their ammunition production base in fiscal year 1981. We concluded that (1) it was premature to fund three ammunition items, (2) there was no longer a need to procure five items, and (3) the funds needed for five items were less than the amounts requested.

The House Committee on Appropriations cited our report in making reductions totaling $51.7 million for items for which we had recommended reductions. On the basis of our recommendations, the committee increased the appropriation by $19.5 million for 13 other items.

These changes were contained in the Department of Defense appropriation for fiscal year 1981, Public Law 96-527. (LCD-80-62, June 12, 1980)

More Equitable Travel Reimbursements for Uniformed Personnel—Civilian and uniformed travelers receive different entitlements for similar travel. The differences are most striking for permanent change-of-duty moves where uniformed personnel incur expenses similar to civilian employees but receive different reimbursements. Differences also occur in per diem ceilings for the two groups.

We recommended that the Secretary of Defense, to make travel reimbursements more equitable, should propose legislation to provide authority for a househunting trip for uniformed personnel under orders for a move within the coterminous United States and provide a temporary lodgings and subsistence allowance when uniformed personnel occupy temporary quarters due to a move.

The Senate and House passed S. 1181 and H.R. 3380, respectively, in September 1981. These bills authorize the services to pay or reimburse a uniformed service member for subsistence expenses actually incurred by the member and the member's dependents during the period not exceeding 4 days while occupying temporary quarters incident to a change of permanent station. This is consistent with our recommendations. (FPCD-81-13, Dec. 24, 1980)

ROTC Scholarship Dropouts Should Reimburse the Government for Education Costs Incurred—Many Reserve Officer Training Corps program participants on full scholarship drop out of the program in their junior or senior year. Since the services do not generally call these individuals to active duty, the Government receives no benefit from the resources invested in them.

We recommended that the Congress enact legislation which would permit the services to require reimbursement of education costs as an alternative to active duty.

Public Law 96-357, September 24, 1980, provides the service secretaries the authority to require individuals who leave the program and choose not to serve on active duty to reimburse the Government for the education costs incurred. (FPCD-77-15, Mar. 15, 1977)

Establishing Maritime Industry Placement Goals—Those graduating as merchant marine officers were not legally obligated to a service commitment in the U.S. Navy or the merchant marine even though their education at the U.S. Merchant Marine Academy was free or they received a $1,200-a-year Federal stipend while attending a State maritime academy.

We recommended that the Secretary of Commerce direct the Maritime Administration to establish maritime industry placement goals for officer graduating classes of the U.S. Merchant Marine Academy and the six State maritime academies receiving Maritime Administration funds.

The Maritime Administration responded to the recommendation with proposed legislation which was ultimately incorporated in Public Law 96-453, October 15, 1980. The new law requires those entering the U.S. Merchant Marine Academy and the six State maritime academies to sign an obligatory statement committing them upon graduation to serve as licensed officers in the merchant marine or as a military officer in the U.S. Navy. It defines those segments of the merchant marine industry considered acceptable for this service obligation. The law authorizes the Secretary of the Navy to order those graduates not meeting their merchant marine obligation to serve in the U.S. Navy for periods of up to 3 years and gives the Secretary of Commerce the available legal machinery needed to pressure the graduate into appropriate service in return for Federal financial support they receive. (FPCD-77-44, June 15, 1977)

Commissary Receipts Should Be Credited to the Annual Defense Department Appropriations—We recommended that the Secretary of Defense direct the Air Force Commissary Service to deposit discount coupon handling fees in the Treasury's miscellaneous account. We made this recommendation because the Secretary lacked the authority to credit the chargeable appropriation. We suggested to the Office of the Secretary of Defense that the annual Defense appropriation's general provision on commissary funding be revised to provide the necessary authority to credit handling costs to the appropriation charged.

We submitted a legislative proposal to the appropriate committees of Congress and suggested budget reductions of the estimated total $3 million the commissaries expected

to receive during fiscal year 1980. Deposited in the appropriated fund operating costs would have been $1.6 million or more. The Army and Navy would have credited $1.4 million to the Treasury's miscellaneous receipts account where it would not be used to directly affect appropriation charges. The Department of Defense Appropriation Act, 1981, Public Law 96-527, requires the services to credit such receipts directly to the appropriation, if any, to which handling costs are charged. (FPCD-80-1, Jan. 9, 1980)

Natural Resources and Environment

Some Secondary Treatment Facilities Can Be Waived—In many locations discharges of primary treated municipal wastes are not harmful to the marine environment. Giving waivers to coastal communities in these locations so they do not have to build federally required secondary treatment facilities could save billions in Federal, State, and local construction and in operation and maintenance dollars. We recommended that the Congress

- eliminate the requirement that treatment facilities must have an existing marine outfall to qualify for a waiver,
- remove the statutory deadline for filing waiver applications and provide for a continuous waiver process, and
- indicate that the waiver provision is not intended to preclude communities already achieving secondary treatment from obtaining waivers in cases where primary treatment is both cost effective and environmentally sound.

Our recommendations were adopted as part of H.R. 4503, a bill to amend the Federal Water Pollution Control Act, which had been referred to the Committee on Public Works and Transportation, as of September 30, 1981. (CED-81-68, May 22, 1981)

Transportation

Improving the Highway Safety Grant Program—Since 1966, the Department of Transportation has administered this program to help reduce traffic accidents and related losses. By 1979, although nearly $1.3 billion in Federal grants had been provided to State and local governments, the program achieved only limited success in meeting its objective.

We suggested that the Highway Safety Act of 1966, which created the grant program, be amended to

- establish a single program direction for the States to follow that would specifically spell out what safety objectives and goals are to be accomplished and how this is to be done and
- prevent States from digressing from that established program direction.

In line with this alternative, the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, amended the Highway Safety Act of 1966 to require the Secretary of Transportation to begin, not later than September 1, 1981, a rulemaking process to determine those programs that are most effective in reducing traffic accidents, injuries, and deaths. When a rule is promulgated in accordance with the act, only those programs established by such rule as most effective will be eligible to receive Federal financial assistance under the grant program. (CED-81-16, Oct. 15, 1980)

Problems in the Northeast Corridor Railway Improvement Project's Cost-Sharing—Since Amtrak acquired the tracks and facilities of the Northeast Corridor rail system in 1976, the system users have been unable to agree on how to share millions of dollars of joint costs. Applicable law on how the costs should be shared is vague and there is no "best" cost-sharing method. We recommended that the Congress take two steps to help settle the dispute. First, the Congress should decide, in general terms, how the various users should share the corridor's joint operating and maintenance costs. Second, the Congress should encourage the parties to negotiate. The Congress can do this by directing the Interstate Commerce Commission to settle the dispute using congressional guidance.

Section 1163 of Public Law 97-35, the Omnibus Budget Reconciliation Act of 1981, provides the necessary steps to be followed by the Interstate Commerce Commission to settle the Northeast Corridor cost dispute. (CED- 81-97, Apr. 30, 1981)

Federal Funding Proposed for Privately Owned Reliever Airports—Many major U.S. airports have peak, congested periods when air traffic exceeds runway capacity and causes aircraft delays. In 1977, these delays detained and inconvenienced the traveling public, caused the airlines to use an additional 700 million gallons of fuel, and cost the airlines over $800 million.

We recommended that the Congress amend section 207 of the Federal Aviation Act of 1958 to direct the Secretary of Transportation to use peak surcharges and/or quotas to reduce aircraft delays at congested major U.S. airports. If peak surcharges or quotas were used to divert general aviation from major airports, the development and continued operation of privately owned relievers would be even more necessary. We also recommended that the Congress amend section 14(a) and 15(a) of the Airport and Airway Development Act of 1970 to make privately owned reliever airports eligible for Federal funds.

H.R. 2643 (H. Rept. 97-24) a bill to

authorize funding for airport development and programs through 1985, was approved by the House Committee on Public Works and Transportation on May 19, 1981. The bill provides that airport development and planning funds may be used under certain conditions at privately owned reliever airports. (CED-79-102, Sept. 4, 1979)

Veteran's Benefits and Services

Education Loan Program Should Be Terminated—We reported that the cumulative loan default rate on the Veterans Administration's education loan program increased from 44 percent as of December 31, 1977, to 65 percent as of September 30, 1980, and that the default rate on matured loans for fiscal year 1980 was 81 percent. We also indicated that (1) veterans were not reporting all available resources when applying for VA education loans and (2) the Department of Education Student Aid Programs could satisfy veterans' financial needs. We recommended that the Congress terminate VA's education loan program.

The Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, terminated VA's education loan program except for (1) veterans continuing their full-time training during the first 2 years after the expiration of the GI Bill delimiting period and (2) veterans enrolled in flight training on August 31, 1981, only for as long as the veterans are continuously enrolled in an approved flight training program. (HRD-81-128, Aug. 28, 1981)

GI Bill Benefits for Flight and Correspondence Training Should Be Discontinued—We reported that the Veterans Administration flight and correspondence training programs had not achieved their intended purpose, in that these programs tended to serve avocational, recreational, or personal enrichment rather than basic readjustment and employment objectives. Accordingly, we recommended that the Congress adopt VA's legislative proposal to terminate GI Bill benefits for flight and correspondence training.

In August 1981, the Omnibus Budget Reconciliation Act of 1981, Public Law 97-35, terminated education benefits for the pursuit of flight training as of October 1, 1981, except for veterans enrolled in approved training programs as of August 31, 1981, and only for as long as the veterans remain continuously enrolled. This law also reduced the reimbursement rate for veterans enrolled in correspondence courses from 70 percent to 55 percent. (HRD-79-115, Aug. 24, 1979)

Open Legislative Recommendations Made During the Fiscal Year Ended September 30, 1981

Administration of Justice

The Congress should consider enacting legislation to allow agencies to assess civil monetary penalties against persons who defraud Federal programs. The authority to assess these penalties would be triggered when the Department of Justice declines to prosecute a case. (AFMD-81-57, June 25, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
Judiciary
House: **Government Operations**
Judiciary

The Congress should amend the Speedy Trial Act of 1974 (Public Law 93-619) to clarify

- how and under what circumstances preindictment dismissals followed by an indictment affect the Interval I time limit,
- the starting date for Interval II,
- the 30-day minimum period before trial, and
- whether dismissal waivers in advance of time limit expirations are allowable and, if not, their effect on other provisions of the act. (GGD-81-1, Nov. 18, 1980)

Committee jurisdiction:
Senate: **Judiciary**
House: **Judiciary**

The Congress should amend title VII of the Civil Rights Act of 1964 to provide that the Equal Employment Opportunity Commission may initiate litigation on a charge against a State or local government if the Department of Justice decides not to sue within a specified time. (HRD-81-29, Apr. 9, 1981)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Education and Labor**

Agriculture

To help eliminate differences in the degree to which recipients bear the costs of the Department of Agriculture's special benefit services, to make financing of the Department's services more consistent with the general Federal policy on user charges, and to reduce the Department's need for appropriated funds, the Congress should

- either amend the User Charge Statute (title V of the Independent Offices Appropriation Act of 1952, 31 U.S.C. 483a) or enact new general user charge legislation to clarify that an agency may set fees to recover the full cost of a program that primarily benefits identifiable users,
- discontinue providing special appropriations to defray a portion of the supervision costs incurred in the poultry and fresh fruit and vegetable grading programs,
- amend existing legislation to authorize the Department to charge importers' fees which cover all costs of inspecting and testing imported

birds (both commercial and pet) and other animals;
• repeal the Tobacco Seed and Plant Exportation Act of 1940 (7 U.S.C. 516–517);
• amend the Federal Meat Inspection Act (21 U.S.C. 601 *et seq.*) and the Poultry Products Inspection Act (21 U.S.C. 451 *et seq.*) to authorize the Secretary of Agriculture to require all federally inspected meat and poultry processing plants to develop and implement quality control systems. (CED-81-49, Apr. 16, 1981)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

The Congress should amend Title XIV, Food and Agriculture Act of 1977, to improve planning for agricultural research and development by requiring the Secretary of Agriculture to
• develop a long-term needs assessment for foods and fibers in conjunction with the States, land-grant colleges, and State directors of agricultural research stations and cooperative extension services;
• determine the research required to meet the identified needs; and
• prepare a report to Congress on this assessment by February 1, 1983. (CED-81-141, July 24, 1981)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

Because the Extension Service's resources are limited and demands for its services are increasing, appropriate congressional committees should examine the Cooperative Extension Service's mission, which has been expanded into new and more socially oriented programs from its original focus on agriculture and home economics programs in primarily rural areas. As part of this process, the Congress could take the following actions:
• Direct the Secretary of Agriculture to prepare, in cooperation with the State Extension Services, an updated statement of the Extension Service's mission. The committees could also require the Extension Service to provide periodic progress reports on meeting its goals and objectives.
• Hold oversight hearings on the Cooperative Extension Service to review current extension programming and to consider and focus on the mission that the committees want the Extension Service to carry out. The hearings could provide the basis to develop legislation, if necessary, to more clearly define the Cooperative Extension Service's mission.

The appropriate congressional committees, as part of their examination, should also consider the role that they want the U.S. Department of Agriculture's Federal Extension Service to play in providing extension program leadership and guidance. (CED-81-119, Aug. 21, 1981)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

Education, Training, Employment, and Social Services

The Congress should consider the conflict between (1) the statutory purpose and timetable for providing each handicapped child with a free, appropriate public education as stated by Public Law 94-142, and (2) the problems States and local education agencies are having, and will probably continue to have, in meeting those objectives. If considerable additional delays in reaching the goals are not acceptable, the Congress should (1) provide incentives to stimulate increased State and local funding, (2) provide increased Federal funding for the program, or (3) modify the act's timetables or scope of coverage. (HRD-81-34, Feb. 5, 1981)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Education and Labor**

The Congress should amend section 7 of the Service Contract Act of 1965 (41 U.S.C. 356 (1976)) to exclude act coverage for automatic data processing and other high-technology industries' commercial product-support services; i.e., services procured by the Government from these industries on the basis of established market prices of commercial services sold in substantial quantities to the public. (HRD-80-102, Sept. 16, 1980; HRD-80-102(A), Mar. 25, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
Labor and Human Resources
House: **Education and Labor**
Government Operations

The Congress should amend the Fair Labor Standards Act (29 U.S.C. 201, *et seq.*) to
• give Labor the authority to assess civil money penalties large enough to deter recordkeeping violations,
• eliminate the act's section 16(c) liquidated damage provision and in its place give Labor the authority to deter minimum wage and overtime violations,
• give Labor the authority to formally assess a violation of the act as well as the amount of illegally withheld back wages, including interest, and provide for a formal administrative process to adjudicate cases when employers appeal Labor's assessments.

The Congress should also amend section 6 of the Portal-to-Portal Pay Act of 1947 (29 U.S.C. 255) so that the statute of limitations tolls when a violation of the Fair Labor Standards Act is formally assessed by Labor. (HRD-81-60, May 28, 1981)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Education and Labor**

The Congress should amend the Fair Labor Standards Act to require that back wages (resulting from act violations) found to be due employees who cannot be located should be deposited in the U.S. Treasury as miscellaneous receipts. (HRD-81-15, Jan. 30, 1981)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Education and Labor**

The Congress should determine whether the Federal Mediation and Conciliation Service's involvement in State and local public employee disputes is appropriate. If so, the Congress should amend the Taft-Hartley Act to specify the conditions under which the Service's involvement would be appropriate. If not, congressional committees should assure that the Service end its involvement in State and local public employee disputes. (HRD-81-14, Oct. 30, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Labor and Human Resources
House: **Appropriations**
Education and Labor

There is no Government-wide policy regarding the pensions of contractor employees who work at Federal installations. If the Congress determines that the pension benefits of contractor employees who work for long periods of time at Federal installations should be protected, it should direct the Administrator for Federal Procurement Policy to establish a Government-wide policy and implement regulations to help ensure such protection. The Department of Energy's pension protection arrangements would provide a good model for such a policy. (HRD-81-102, Sept. 31, 1981)

Committee jurisdiction:
Senate: **Finance**
Labor and Human Resources
House: **Education and Labor**
Ways and Means
Joint: **Taxation**

In support of the Employee Retirement Income Security Act and Internal Revenue Code policies protecting the rights of pension plan participants to promised benefits, the Congress should enact legislation that would make pension plan determinations by IRS mandatory for tax qualification of terminating private pension plans before plan dissolution. (HRD-81-117, Sept. 30, 1981)

Committee jurisdiction:
Senate: **Finance**
Labor and Human Resources
House: **Education and Labor**
Ways and Means
Joint: **Taxation**

If the Bureau of Labor Statistics requests additional funds for the purpose of modifying the homeownership components of the Consumer Price Index, the Congress should consider the request favorably. If the Bureau revises the index of price change for all urban households (CPI-U) but continues to publish the index for urban wage earner and clerical worker families (CPI-W) in its present form, we recommend that the Congress rely on the revised CPI-U in forming economic policy. Congress should also amend the legislation, if necessary, to use the revised CPI-U as the index by which Social Security payments, Civil Service and other Government retirement pensions, and other entitlement and transfer programs indexed by the CPI are adjusted. (PAD-81-12, Apr. 16, 1981)

Committee jurisdiction:
Senate: **Appropriations**
Finance
Governmental Affairs
House: **Appropriations**
Post Office and Civil Service
Ways and Means

Energy

The Congress should authorize production at Elk Hills above current maximum efficient rates during oil supply emergencies when there is minimum risk of damage to the oil fields. This change would make it possible to "surge" the production of Federal oil at Elk Hills if needed to combat an energy emergency. (EMD-81-117, Sept. 29, 1981)

Committee jurisdiction:
Senate: **Armed Services**
Energy and Natural Resources
House: **Armed Services**
Energy and Commerce

The Congress should replace the expiring Emergency Petroleum Allocation Act authority with a standby system to help assure oil availability during disruptions. Whatever system is chosen should not embody overall domestic oil price control and should be fully developed, tested, and maintained in readiness for future disruptions. (EMD-81-117, Sept. 29, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Energy and Commerce**

The Congress should provide for the Secretary of Energy to maintain, after expiration of the Emergency Petroleum Allocation Act on September 30, 1981, the authority to require companies to adjust oil stock levels to increase oil available during times of an energy emergency. (EMD-81-117, Sept. 29, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Energy and Commerce**

The Congress should continue the Department of Energy's authority to require refiners to contribute oil to the Strategic Petroleum Reserve if other acquisition strategies fail after expiration of the Emergency Petroleum Allocation Act on September 30, 1981. This will enable fill activities to continue during an oil market disruption if the Federal Government decides that it would be in the national interest. (EMD-81-117, Sept. 29, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Energy and Commerce**

The basic law authorizing Federal and State emergency energy conservation efforts during oil supply disruptions was found to be inadequate. We recommended that the Congress amend the law to provide for implementation of the Federal Emergency Energy Conservation Plan in any State if (i) 60 days after the Governor has been notified of an emergency energy conservation target, the President determines the State plan is not working effectively, or (ii) immediately, if a State plan has not been approved. We also recommended that the Department of Energy be required, within 60 days, to provide States with criteria by which their plans will be reviewed. These should include how much reduction in energy consumption State demand restraint programs should be capable of realizing within specific time periods. Finally, we recommended that the Congress require State plans to be submitted for approval to DOE within 9 months. (EMD-81-117, Sept. 29, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Energy and Commerce**

The Congress should (1) ensure, through the appropriations process, that the Department of Energy has sufficient priority to prepare and submit its third annual report to the President and the Congress in a timely fashion, (2) repeal the annual reporting requirement (section 116) of the Public Utilities Regulatory Policies Act effective after the completion of Energy's third annual report to reduce the paperwork burden on both the Federal Government and the private sector and eliminate the cost to the individual taxpayer. If there is future interest in the ratemaking status of States and utilities that is not satisfied by available reports, Congress can request the preparation of such reports at future times. (EMD-81-105, Sept. 14, 1981)

Committee jurisdiction:
Senate: **Appropriations**
Energy and Natural Resources
House: **Appropriations**
Energy and Commerce

The Congress should determine whether it wishes to be excluded from reviewing decisions to close lands to mineral leasing. If not, Congress should

- amend section 202(e) of the Federal Land Policy and Management Act to provide that management decisions closing lands to mineral leasing affecting smaller tracts be reported to the Congress and
- amend section 3 of the Engle Act so that the withdrawal information for military applications conforms with FLPMA section 204(c)(2). (EMD-81-40, Feb. 12, 1981)

Committee jurisdiction:
Senate: **Armed Services**
Energy and Natural Resources
House: **Armed Services**
Interior and Insular Affairs

The Congress should consider establishing a statutory Office of Inspector General at the Nuclear Regulatory Commission. Such an office could help ensure that the Congress and the Commissioners receive objective information on problems within NRC and might enhance public trust in the regulation of commercial nuclear power. (EMD-81-72, July 9, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Government Operations**

The Congress should consider legislation requiring the Nuclear Regulatory Commission to review and evaluate a number and variety of the Department of Energy's nuclear facilities and processes, including plant operations, the contractor's safety analysis methodology and reports, and actions taken to mitigate hazards. These evaluations should also examine the adequacy of Energy's safety analysis document review. NRC should be required to report the results of its review and evaluation to the Congress within 1 year. (EMD-81-108, Aug. 4, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Science and Technology**

The Congress should (1) amend the Price-Anderson Act to provide protection for the Department of

Energy's contractor activities that is equal to the protection for licensed commercial operations and (2) amend the definition of a nuclear incident to include coverage for precautionary evacuations that result because a radioactive release appears imminent but then does not occur. The legislative committees for Energy and the Nuclear Regulatory Commission should require both agencies to assess the potential consequences that could occur from activities performed at both facilities. On the basis of these studies, the Congress should determine whether a new limit needs to be set and whether the limit should be tied to an index to allow for periodic readjustment. (EMD-81-111, Sept. 14, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Banking, Finance and Urban Affairs**
Energy and Commerce
Interior and Insular Affairs
Science and Technology

The Congress should adjust the Department of Energy's Schools and Hospitals Conservation Program to fund additional energy audits so that these audits may be available to all institutions that want and could benefit from them. If this is done, overall energy savings could increase without increasing program funding. (EMD-81-47, Mar. 23, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Energy and Commerce**

The Congress should provide for an allowance of 4 cents per mile to Federal employees using their privately owned bicycles on official business. An 8-cents-per-mile allowance should also be provided for the use of privately owned mopeds. These allowances would establish the principle of reimbursement for those using their privately owned bicycles and mopeds for official business. Given limited cost data, the recommended rates of reimbursement are at the low to mid-range of the data available and are consistent with existing precedents set by State and local government entities. (EMD-81-41, Jan. 19, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Government Operations**

General Government

The Congress should consider, as an interim measure, legislation which would minimize funding of sole-source contracts for management support services and funding the contracts resulting from unsolicited proposals. One way to accomplish this might be to establish quotas for a period of 2 to 4 years. For example, the Congress might provide that not more than 50 percent of the total dollars spent by an agency for management support service contracts may be used to fund sole-source contracts. This figure could be adjusted in future years until a more acceptable balance is achieved. (MASAD-81-19, Mar. 31, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should enact legislation requiring Federal agencies to fully disclose when consulting service contractors assist in preparing congressionally mandated reports. Congress should act on GAO's earlier recommendation to legislate a national policy of reliance in the private sector for goods and services. (FPCD-81-43, June 19, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should amend title V of Public Law 95-134 to address the following questions:

- Should Federal agencies be required to consolidate grants to U.S. Insular Areas, and which financial assistance grants should be required to be included in the consolidations?
- May Federal agencies properly modify existing rules and regulations of programs included in consolidated grants for Insular Areas, and what is the scope of their authority to do so?
- Should all Federal agencies be required to waive all matching requirements for Insular Areas?
- May restrictions properly be placed on the Insular Areas' flexibility to allocate funds under a consolidated grant? (GGD-81-61, July 10, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Interior and Insular Affairs**

The Congress should amend 5 U.S.C. 2302(a)(2)(c)(i) by deleting the term "Government Corporation" and inserting instead the following:
****Government Corporations exempted from Civil Service law and regulations governing the appointment and removal of officers and employees of the United States.* (FPCD-81-28, Apr. 7, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

To avoid interruptions in the normal functions of Federal agencies when appropriation bills are not passed on time, the Congress should

- consider shifting more programs to authorization and appropriations cycles of 2 or more years,
- consider establishing and adhering to a reserve for fall and spring adjustments for emergencies and uncontrollable cost growth, and
- enact permanent legislation to allow all agencies to incur obliga-

tions, but not expend funds, when appropriations expire (except where program authorization has expired or the Congress has expressly stated that a program should be suspended pending legislative action). (PAD-81-31, Mar. 3, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Government Operations**

The Congress should amend the Bank Secrecy Act to require a reauthorization of the act's reporting requirements in 1984. On the basis of current progress, we believe that Treasury should be able to provide sufficient data before then, for the Congress to make a decision on the act's continuation, modification, or elimination. (GGD-81-80, July 23, 1981)

Committee jurisdiction:
Senate: **Banking, Housing and Urban Affairs**
House: **Banking, Finance and Urban Affairs**

Congress should enact legislation requiring the Secretary of Labor to establish an organizational unit at the Assistant Secretary level as a focal point for Federal efforts to increase private sector productivity through more effective use of human resources, while at the same time protecting and promoting the economic and social well-being of workers. The legislation should require the organizational unit to develop and coordinate a department-wide human resources and productivity plan, coordinate and evaluate human resources productivity programs which affect the private sector, and perform other functions necessary to the support, liaison, and evaluation of this effort. (AFMD-81-10, Dec. 4, 1980)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Education and Labor**

The Ethics in Government Act of 1978 was enacted to require public financial disclosure of Members of the Congress and other high-level officials in all three branches of Government. Because of the absence of both a well-defined disclosure system and strict enforcement, the Congress should

- conform the ethics law definition of a candidate to that of the Federal Election Campaign Act,
- amend the law to lower the required filing salary to the pay ceiling of $50,112 or some other specific pay level to allow those individuals equivalent to a GS-16 to continue to file,
- determine whether the law should be amended to impose a civil penalty to discourage late filing, and
- consider legislation to delete the requirement that Member and candidate disclosure reports be forwarded to the appropriate States. (FPCD-81-20, Mar. 4, 1981)

Committee jurisdiction:
Senate: **Select Committee on Ethics**
House: **Standards of Official Conduct**

The Congress should direct the Office of Personnel Mangement, in coordination with the Department of Defense, to study the feasibility of (1) having the Bureau of Labor Statistics do the nonappropriated fund wage surveys or (2) linking or indexing nonappropriated fund wages to the Federal Wage System appropriated fund pay system. The Congress should also

- amend the Federal Pay Comparability Act of 1970 (5 U.S.C. 2305) to eliminate the requirement to conduct the comparability survey each year and to provide for interim-year pay adjustments by using the BLS Employment Cost Index and
- amend the Prevailing Rate Systems Act of 1972, making BLS responsible for conducting the blue-collar appropriated fund surveys as part of its area wage survey programs. (FPCD-81-50, June 23, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should ensure that the Office of Personnel Management analyzes locality benefits and, if they vary materially, should require OPM to consider local benefits in any locality compensation adjustment. The Congress should also

- require OPM to provide (1) detailed information and justification for the major assumptions used in its benefit measurements, including the cost implications of the assumptions, (2) assurance that benefit provisions can be gathered and accurately classified, and (3) some method for ensuring that benefit differences by employee type are considered in its total compensation comparability analysis and
- amend proposed legislation (S. 838) to require OPM to assess the extent of secondary benefits and, if feasible, develop appropriate measures of these benefits so they may be included in any assessment of total compensation comparability between the Federal and non-Federal sectors. (FPCD-81-12, Dec. 5, 1980)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should assess the current master plan for alternative work schedules and agree on the (1) specific evaluation objectives, (2) criteria for measuring attainment of those objectives, (3) costs and benefits of various experimental approaches, and (4) desired levels of precision and confidence.

The Congress should hold oversight hearings on the status and adequacy of AWS implementation and evaluation. In conducting this oversight, the Congress should consider the (1) need for and costs and benefits associated with modifying the existing master plan or developing a new one, (2) necessity for extending the 3-year plan experiment, and (3) desirability of establishing a joint executive agency task force to redesign and execute the master plan and to provide the needed experimental control.

The Congress should also consider the desirability and need for (1) using scientific sampling procedures which would allow findings and conclusions to be projected to the overall Federal work force, (2) analyzing multiple variables which may affect AWS impact and adjusting for variables which affect the results, (3) gathering public views about AWS and its effects on the degree and quality of the Federal Government's service to the public, and (4) establishing a "true scientific experiment" in which program design is carefully controlled, units are randomly assigned to program formats and to a control condition, and standardized data is collected on the effectiveness of the program. (FPCD-81-2, Nov. 14, 1980)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should amend the Federal Employees' Group Life Insurance Act to

- increase the minimum post-age 65 coverage to 50 percent of the coverage at retirement and correlate postretirement benefits with length of participation in the Group Life program and
- rescind the requirement that Group Life pay insurance company risk charges. (FPCD-81-47, Aug. 21, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should repeal the early retirement provisions included in the Civil Service Reform Act and mandate that the Office of Personnel Management establish controls necessary to ensure that before early retirement authorization is granted, OPM would

- correct staffing difficulties which could otherwise only be corrected by a reduction in force and
- save other employees' jobs. (FPCD-81-8, Dec. 31, 1980)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Office of Personnel Management should propose a change to 5 U.S.C. 8339 so that, upon remarriage, a retiree's survivor reduction would be determined according to the reduction formula applicable to other retirees. (FPCD-81-35, Feb. 26, 1981)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

To provide the Internal Revenue Service with the authority to require the information it needs from foreign-controlled U.S. corporations, the Congress should amend section 6038 of the Internal Revenue Code to further provide that every U.S. person, as presently defined by the code, shall furnish such information as the Secretary may prescribe by regulation with respect to any foreign corporation which controls such person. (GGD-81-81, Sept. 30, 1981)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**
Joint: **Taxation**

If the Congress wishes to continue using development ceilings to control costs of national park units, it should (1) establish ceilings for all units, (2) review them on a cyclical basis, and (3) require proper accounting to make them effective in controlling development costs. Another option is to eliminate development ceilings altogether, but that would diminish Congress' control.

If ceilings are to be continued, the Service and interested congressional committees should agree upon precise definitions of the types of expenditures to be charged against the ceilings. (AFMD-81-31, Apr. 10, 1981)

Committee jurisdiction:
Senate: **Environment and Public Works**
House: **Interior and Insular Affairs**

Health

The process for developing health plans results in duplicate health plans being prepared in States that have statewide health systems agencies. If the Congress decides to continue the health planning program under the same or similar structures, the National Health Planning and Resources Development Act should be amended to allow the health planning organizations (HSAs, State agencies, and statewide councils) in States with statewide HSAs to jointly develop one health plan for the State. (HRD-81-93, June 22, 1981)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Energy and Commerce**

The Congress should amend title 10, section 1087, United States Code to permit a change in the Department of Defense's policy for sizing military health facilities. Such a policy should be based on (1) cost-effectiveness, (2) projected staff availability, (3) realistic beneficiary workload projections, and (4) teaching and training requirements. Our report contains proposed language for such an amendment. (HRD-81-24, Dec. 17, 1980)

Committee jurisdiction:
Senate: **Armed Services**
House: **Armed Services**

Construction of new or replacement surgical suites in Veterans Administration medical centers is not cost effective if operating room requirements are based on VA's current criterion. The Congress should not approve any funding requests for new or replacement surgical suites in VA centers based solely on room-to-bed ratios, unless the planning is so far along that adjusting the surgical suite(s) planned would not be economically feasible. (HRD-81-54, Mar. 3, 1981)

Committee jurisdiction:
Senate: **Appropriations**
Veterans' Affairs
House: **Appropriations**
Veterans' Affairs

Congress should amend the Social Security Act to require States to deposit Social Security taxes semimonthly or biweekly and deposit Social Security taxes using the same schedule that States now use to deposit withheld income taxes. Such a requirement would enable the trust funds to earn additional interest income over the $339 million which could be earned by requiring remittances semimonthly or biweekly. (HRD-81-37, Dec. 31, 1980)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**

To maximize service of the section 8 program to its intended beneficiaries, the Congress should consider whether a stricter limitation should apply to admission of ineligible households to section 8 projects already under contract. This could be achieved by either enacting legislation to apply a 5-percent limitation to completed projects already under contract or directing HUD to change its regulations to have the same effect. (CED-81-74, Apr. 27, 1981)

Committee jurisdiction:
Senate: **Banking, Housing and Urban Affairs**
House: **Banking, Finance and Urban Affairs**

International Affairs

The financial condition of the Export-Import Bank of the United States has been deteriorating because Eximbank has been attempting to match the financing terms of its foreign competitors in a period of unusually high domestic interest rates. As a result, Eximbank's average borrowing costs have been exceeding its lending rates by several percentage points. We concluded that the situation threatened Eximbank's traditional self-sufficiency and that the Congress should, by clarifying legislation, direct Eximbank to emphasize either its statutory mandate to be competitive or its longstanding and congressionally accepted policy of remaining self-sustaining. (ID-81-48, June 24, 1981)

Committee jurisdiction:
Senate: **Banking, Housing and Urban Affairs**
House: **Banking, Finance and Urban Affairs**

The Congress should amend the Trade Act of 1974, as amended, to delete an unnecessary report currently required by section 264, to require that petitioners submit specific adjustment strategies and to prohibit one segment of the manfacturing process to petition, e.g., labor or management, unless it is evident that this segment is the only one from which specific adjustment commitments will be sought. (ID-81-42, Aug. 5, 1981)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**

The Congress should amend the antidumping law to include two methods for valuing products from nonmarket economies and two methods for suspending investigations of dumping by nonmarket economies. (ID-81-35, Sept. 3, 1981)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**

The Congress should make selective modifications to the Nuclear Non-Proliferation Act of 1978. To help improve the export licensing process, the Congress should amend the law to

- revise the licensing delay notification requirements to require the executive branch and the Nuclear Regulatory Commission to better account for licensing delays and inaction,
- state that it is U.S. policy to provide expedited review procedures for exports under new or renegotiated agreements for cooperation,
- exempt exports from complying with licensing criteria that do not conform with requirements of a new or renegotiated agreement for cooperation,
- transfer the Department of Energy's authority to approve all nonmilitary Government exports of

nuclear materials to the Nuclear Regulatory Commission, and

• require the Nuclear Regulatory Commission to refer to the President for decision those export license applications for which the Commission has had a favorable executive branch recommendation under review for at least 120 days, if the applicant requests such a referral.

To further help improve regulation of foreign commercial nuclear activities of U.S. firms and individuals, the Congress should amend the act to require the Department of Energy to

• limit general authorizations of significant transfers of nuclear technology to those non-nuclear weapon nations that adhere to full-scope safeguards,

• provide for withdrawing the Department's general authorizations in the event the President terminates other nuclear exports,

• allow the Secretary of Energy to delegate approval authority for granting U.S. firms and individuals authorizations for certain commercial nuclear activities abroad, and

• provide a better public accounting of authorizations granted.

The Congress should also

• clarify to what extent the effectiveness of international safeguards should be considered by the Nuclear Regulatory Commission in export licensing,

• eliminate the need for an annual extension of the exemption to certain export licensing criteria provided by European allies, and

• delete title V. (OCG-81-2, May 21, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
Foreign Relations
Governmental Affairs
House: **Foreign Affairs**

The Congress should exercise greater control over the State Depart-

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Committee jurisdiction: iling for the Lake Chelan
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To improve water-rela ent prepared a land ac-
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Policy. This committee to administer a safe drink-
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volved in water resource program, we recommend.
We also recommended the Congress consider
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• require the Secretary of Agriculture to establish procedures for periodically reviewing project operations and deauthorizing projects which are no longer active or can continue operating without Federal involvement.

In addition, the Congress should direct the Secretary of Agriculture to establish several pilot projects where sub-State organizations would assume the resource conservation and development projects. Upon completing such tests, the Secretary should be required to provide the Congress (1) an evaluation of the test results, (2) recommendations for transferring additional project functions to sub-State organizations, or (3) the reasons for retaining the functions within the existing program structure. (CED-81-120, Aug. 11, 1981)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

To improve water-related research and development efforts scattered among 28 Federal organizations, we recommended that the Congress amend section 406 of the Water Research and Development Act of 1978 to require the Water Resources Council to coordinate water-related research, if the Congress desires an independent, full-time Council chairperson and resolves the issue of the Council's continued existence. Otherwise, we recommended that the Congress amend section 406 to establish a water resources research committee reporting directly to the Office of Science and Technology Policy. This committee should be composed of representatives from the major Federal organizations involved in water resources research. We also recommended that the Congress amend section 406 to require the Federal organization chosen to coordinate research to

• establish priorities for water conservation and augmentation technologies based upon the results of overall comparative assessments of these technologies;
• provide leadership and guidance to other agencies in developing formal multiagency and single-agency plans for the technologies with specific objectives, milestones, technology transfer goals, and provisions for independent, periodic evaluations;
• make recommendations annually to the Congress concerning the adequacy of the funding levels of water research, development, and technology transfer activities; and
• consider the data developed pursuant to section 103 of the act in coordinating research and establishing research priorities. (CED-81-87, June 5, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
Environment and Public Works
House: **Interior and Insular Affairs**
Public Works and Transportation

To provide broad water resource planning input, to ensure continued State participation in river basin commissions, and to encourage more participation in resolving regional and national water resource problems, we recommend that the Congress amend
• title III of the Water Resources Planning Act to require State membership in river basin commissions or other regional planning arrangements prior to authorization of title III funds and
• title II of the Water Resources Planning Act to require that information regarding priorities established by river basin commissions or other regional planning arrangements be included in the appropriate Federal agencies' annual budget submissions to the Congress. (CED-81-69, May 28, 1981)

Committee jurisdiction:
Senate: **Environment and Public Works**
House: **Public Works and Transportation**

Because both the Corps of Engineers and the Soil Conservation Service have built water projects that primarily benefit only a few landowners or businesses, we recommend that the Congress clarify its intent regarding cost sharing for future water resource projects which provide significant special local benefits. Congress should also give additional guidance to the Federal agencies involved in water resource development concerning such projects. (CED-81-12, Nov. 13, 1981)

Committee jurisdiction:
Senate: **Environment and Public Works**
House: **Public Works and Transportation**

To develop an effective policy toward the U.S. steel industry, the Congress should
• enact legislation to define a performance objective for the domestic steel industry,
• consider the need for labor and management commitments to industry revitalization,
• review the Administration's latest steel program to relate performance objectives to specific program proposals, and
• enact legislation to require the Executive Office of the President or other executive branch agencies to undertake a biannual assessment of steel capacity conditions. (EMD-81-29, Jan. 8, 1981)

Committee jurisdiction:
Senate: **Banking, Housing and Urban Affairs**
Commerce, Science and Transportation

Environment and Public Works
House: **Banking, Finance and Urban Affairs**
Energy and Commerce
Science and Technology

Materials recovered from industrial waste could make major contributions to the Nation's requirements for metals and paper. However, two programs established by Congress to encourage recycling through Federal procurement guidelines and industrial targets are not succeeding. The Congress should

- consider enacting legislation establishing a preference program for recycled products in Federal agency procurements,
- direct the Administrator of the Office of Federal Procurement Policy to take a more active role with the Environmental Protection Agency,
- require evidence that new programs will increase recycling before funds are appropriated for industrial target programs,
- enact legislation establishing a Federal conflicts-of-interest contracting policy, and
- strengthen its oversight of contracting for consulting services. (EMD-81-7, Dec. 5, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Energy and Natural Resources
Governmental Affairs
House: **Appropriations**
Energy and Commerce
Government Operations

The Congress should accept the President's proposed elimination of funding to States for recreation projects from the Land and Water Conservation Fund because States are becoming dependent on Federal funding sources for planning, acquiring, developing, operating, and maintaining their outdoor recreation facilities.

If the fund continues, the Congress should review the Land and Water Conservation Fund Act's matching requirement and the act's corollary restriction against using Federal funding sources to satisfy the match. Also, the Congress should amend the act to give the Secretary of the Interior explicit authority to discontinue funding projects in whole or in part in States where existing projects are not adequately operated and maintained. (CED-81-32, Apr. 22, 1981)

Committee jurisdiction:
Senate: **Appropriations**
Energy and Natural Resources
House: **Appropriations**
Interior and Insular Affairs

Facilities in many national parks and forests do not meet health and safety standards and to correct these deficiencies would cost well over $1 billion. The Congress should give priority to funding projects for repairing and upgrading facilities with the most serious health and safety hazards at our national parks and forests.

The Congress should also repeal section 402 of Public Law 96-87 (93 Stat. 666) to permit the Park Service to increase entrance fees and direct that the Park and Forest Services use funds from increased entrance and camping fees for health and safety projects in the parks and forests where they are collected. (CED-80-115, Oct. 10, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Energy and Natural Resources
House: **Appropriations**
Interior and Insular Affairs

The recommendations that the Secretary of the Interior submitted to the Congress in 1979 regarding the acquisition of certain mining claims in Death Valley and Glacier Bay National Monuments are based on vague and misleading information. Any action by Congress to implement these recommendations could result in court awards or settlements which could substantially exceed the Government's acquisition cost estimates. Therefore, we recommended that the Congress base no decision on the Secretary's recommendations. Before taking any action, the Congress should await new recommendations by the Secretary based on more adequate analysis. (EMD-81-119, Sept. 24, 1981)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Interior and Insular Affairs**

The Congress should not increase the statutory land acquisition appropriation ceiling for the Lake Chelan National Recreation Area above the $4.5 million already approved until the National Park Service has defined compatible and incompatible development, prepared a land acquisition plan justifying the need to acquire land from private owners, and spent the funds obtained from selling back all compatible land to private individuals. (CED-81-10, Jan. 22, 1981)

Committee jurisdiction:
Senate: **Appropriations**
Energy and Natural Resources
House: **Appropriations**
Interior and Insular Affairs

Because the Safe Drinking Water Act is unclear concerning the Environmental Protection Agency's authority to administer a safe drinking water program in States which are unable or unwilling to establish their own program, we recommended that the Congress consider amending the act to clarify EPA's authority in day-to-day operations of a drinking water program in these

States. If authorized to operate such a program, EPA may require additional resources. (CED-81-58, Apr. 23, 1981)

Committee jurisdiction:
Senate: **Environment and Public Works**
House: **Energy and Commerce**

The Congress should require EPA to report annually on (1) how many wastewater treatment plants constructed with Federal funds are experiencing serious operational problems, (2) what is being done to ensure necessary repair to these facilities; and (3) whether the Government or the private sector will bear the financial burden for making such repairs. Congress should require EPA to test various alternatives to the current construction grant funding program concept. (CED-81-9, Nov. 14, 1980)

Committee jurisdiction:
Senate: **Environment and Public Works**
House: **Public Works and Transportation**

Transportation

In addressing mass transit legislation and funding, the Congress should consider the full cost impact of a large transit capacity expansion along with the types and magnitude of benefits that are likely to be realized in deciding what level of support, if any, to provide for such expansion.

The Congress should also consider separate Federal funding of ridesharing activities because (1) separate Federal funding should help overcome State and local government reluctance to fund ridesharing activities since they would not be competing for Federal funds with the more conventional highway and transit projects that have strong local constituencies; (2) ridesharing is the only practical alternative to driving alone for most commuters; (3) if serious gasoline shortages occur, ridesharing would have to become the predominant commuting method; and (4) doubling ridesharing would save at least three times as much energy as a 50-percent increase in transit commuting. It would also remove 9 million automobiles daily from commuter traffic, avoid the exhaust emissions that 9 million daily round trips would produce, and make use of available space in automobiles already on the road. (CED-81-13, Nov. 14, 1980)

Committee jurisdiction:
Senate: **Banking, Housing and Urban Affairs**
Environment and Public Works
House: **Public Works and Transportation**

The Congress should reassess the Federal-aid highway program, considering priority needs and funding levels. Specifically, the Congress should address

- preserving existing highways with emphasis on the interstate system;
- determining whether the current preservation policy needs to be modified to ensure that resurfacing, restoration, and rehabilitation work on Federal-aid highways is carried out;
- eliminating preservation funds from sanctions;
- assessing the goal of interstate completion as currently defined, possibly giving priority to funding essential gaps;
- analyzing State efforts and capabilities to increase highway revenues and to preserve highways;
- using highway revenues to fund the Federal-aid highway program; and
- revising highway revenue sources to be more responsive to highway needs and the inflationary trends in highway costs. (CED-81-42, Mar. 5, 1981)

Committee jurisdiction:
Senate: **Appropriations**
Environment and Public Works
House: **Appropriations**
Public Works and Transportation

The Congress should require Federal agencies that own bridges to comply with the National Bridge Inspection Standards and report bridge data to the national bridge inventory for monitoring by the Federal Highway Administration. (CED-81-126, Aug. 11, 1981)

Committee jurisdiction:
Senate: **Environment and Public Works**
House: **Public Works and Transportation**

Open Legislative Recommendations from Prior Years

Administration of Justice

The Congress should amend the Tariff Act of 1930 to permit a new approach for administering manifest penalties designed to provide incentive to carriers to submit accurate manifests and report discrepancies. (GGD-80-22, Apr. 10, 1980)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**

The Congress should strike the reference to $5,000 from the law (18 U.S.C. 2314) so that Federal jurisdiction can be directed to those quality offenses where an expenditure of Federal resources would have the most effect on the Nation's property crime problem. This would bring interstate transportation of stolen property violations in line with other property statutes in not requiring a mone-

tary standard for determining Federal jurisdiction. (GGD-80-43, May 8, 1980)

Committee jurisdiction:
Senate: **Judiciary**
House: **Judiciary**

Agriculture

The Congress should (1) formulate a national policy on protecting and retaining prime and other farmland, (2) set a national goal for the amount and class of farmland that should be preserved to meet current and future needs, (3) periodically assess whether the loss of farmland is eroding the maintenance of established goals, and (4) delineate the role the Federal Government can and should play in guiding and helping State and local efforts to retain farmland. (CED-79-109, Sept. 20, 1979)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

If the Congress decides to keep the current parity price standard as a basis for establishing the milk support price, it should amend the Agricultural Act of 1949 to

- shift the base period from 1910-14 to a more recent period that is comparable with other national indexes;
- authorize the Secretary of Agriculture to eliminate the family living component from the parity index to more accurately reflect the cost of milk production;
- eliminate the requirement to set the milk support price at a level between 75 and 90 percent of parity;
- require the Secretary to set the support price at the level of parity that will balance the interests of producers, consumers, and taxpayers after considering changes in the cost of producing milk, milk product stocks, and demand for milk products; and
- require the Secretary to adjust the price-support level if the 12-month moving total of Commodity Credit Corporation net removals of dairy products exceeds trigger levels established by the Secretary.

If the Congress decides to adopt a dairy parity price standard for the short term and a standard based on a more comprehensive formula for the long term, it should enact legislation to

- direct the Secretary, in conjunction with milk producer and consumer groups and with input from the Congress, to perform the research to select factors and assign weights needed to develop a comprehensive formula that will balance the interests of producers, consumers, and taxpayers and then, if appropriate, implement the formula and
- authorize the Secretary, until such a comprehensive formula can be developed and implemented, to (1) base the support price on 100 percent of the dairy parity price using a base period comparable with other national indexes, and (2) adjust the price-support level when CCC purchases of dairy products exceed trigger levels established by the Secretary.

To provide more uniform participation in funding programs to encourage and promote the use of milk and milk products, the Congress should establish a Federal nationwide milk-producer promotion program and set the contribution rate as a percentage of sales. However, if after considering these recommendations the Congress decides to retain promotion programs under current Federal milk-marketing orders, it should amend the Agricultural Marketing Agreement Act of 1937 to

- eliminate the refund provision in Federal orders,
- make mandatory promotion provisions a part of all Federal orders, and
- set the contribution rate as a percentage of sales. (CED-80-88, July 21, 1980)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

To provide an equitable basis for determining the national average price of Federal deficiency payments to rice farmers, the Congress should amend the Agricultural Act of 1949, as amended, to

- provide that the quantities and amounts the Department of Agriculture uses in computing the average price of rice be compiled on a common basis;
- invite comments from the Secretary of Agriculture and consult with industry, farmers, and other appropriate sources to establish the specific method for computing the price; and
- establish the national average price on a 12-month marketing-year basis. (CED-79-85, June 25, 1979)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

The Congress should amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to

- make periodic unannounced inspections of meat and poultry processing plants,
- require meat and poultry processing plants to develop and implement quality control systems, and
- withdraw inspections or impose civil penalties of up to $100,000 for plants failing to comply with inspection requirements. (CED-78-11, Dec. 9, 1977)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

The Congress should determine if it is in the Nation's best interest to continue to allow nonfamily farm corporations to be members of farm cooperatives. Such corporations can contribute management expertise and production volume which can help cooperatives better serve family farmer members, but their membership in cooperatives could (1) foster corporate expansion in agriculture, (2) hasten the movement of family farmers out of agriculture, (3) reduce competition in the marketing of agricultural products, and (4) keep family farmers from joining cooperatives. (CED-79-106, July 26, 1979)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

Commerce and Housing Credit

The Congress should amend the Securities Act of 1933 to better protect investors, while at the same time enabling legitimate promoters to raise capital through use of the private placement exemption. We offer the following alternatives for consideration:

- The Congress should amend the Securities Act of 1933 to provide guidance and criteria under which the private placement exemption may be used.
- The Congress should amend the act to provide the Commission with authority to establish mandatory rules governing the conditions for use of the private placement exemption.
- The Congress should amend the act to provide the Commission with pertinent information on the use of the exemption by requiring issuers, unless specifically exempted by the Commission, to (a) notify the Commission when they plan to issue privately placed securities and (b) provide the Commission with immediate access to promotional literature and other information relevant to the sale of the securities. (FGMSD-80-56, May 14, 1980)

Committee jurisdiction:
Senate: **Banking, Housing and Urban Affairs**
Small Business
House: **Energy and Commerce**
Small Business

To improve management of the Federal Communications Commission, the Communications Act of 1934 should be amended to

- make the FCC Chairman the administrative head of the agency;
- reduce the number of FCC Commissioners from seven to five;
- provide for Senate confirmation of the designation by the President of one Commissioner as Chairman;
- lengthen the term of FCC Commissioners and restrict the type of employment and activities in which Commissioners may engage after completing their service;
- increase the number of professional assistants available to each Commissioner from two to four and the number of secretarial assistants from one to two; and
- increase the opportunities for effective representation of the public interest in FCC proceedings by providing for an Office of Public Counsel or for direct public funding for public groups to participate in specified categories of FCC proceedings, particularly rulemaking and tariffmaking proceedings. (CED-79-107, July 30, 1979)

Committee jurisdiction:
Senate: **Commerce, Science and Transportation**
House: **Energy and Commerce**

To improve the broadcast licensing process, the Communications Act of 1934 should be amended to

- authorize the Federal Communications Commission to grant broadcast licenses for an indefinite period providing that, if the public interest requires, a licensee can at any time be placed on probation for a fixed period as determined by FCC;
- authorize any party in interest to file with FCC at any time a petition for revocation of a broadcast license; and
- place the burdens of evidence and proof on the licensee in a revocation proceeding unless FCC assigns those burdens to another party in interest.

Because of the controversy over FCC's role in ensuring equal employment opportunity in broadcasting, the Congress should define FCC's EEO responsibilities.

Recognizing that controversy also exists as to whether the equal opportunity requirements for political candidates contained in section 315 of the act and FCC's fairness doctrine are achieving their basic goals, the Congress should

- clarify the balance to be struck between promoting coverage of political events and providing equal opportunity for political candidates and determine the proper way to achieve this balance and
- amend the Communications Act to provide FCC legislative authority to consider and test alternative methods to determine whether market forces are adequate to ensure full and fair broadcast coverage of controversial issues. (CED-79-62, June 4, 1979)

Committee jurisdiction:
Senate: **Commerce, Science and Transportation**
House: **Energy and Commerce**

Education, Training, Employment, and Social Services

The Congress should repeal the Davis-Bacon Act and rescind the weekly payroll reporting requirement of the Copeland Anti-Kickback Act.

The Congress should also repeal the provisions in 77 related statutes which involve federally assisted construction projects and which require that wages paid to contractor employees be not lower than those determined by the Secretary of Labor to prevail in the locality, in accordance with the Davis-Bacon Act. (HRD-79-18, Apr. 27, 1979)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Education and Labor**

The Congress should establish uniform eligibility standards and methods for determining benefit amounts so that all unemployment insurance claimants are treated equally. (HRD-78-1, Apr. 5, 1978)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**

Congressional action is needed to ensure that all unemployment compensation recipients have adequate work incentives and benefit more equitably from the program. The following are possible solutions to the inequities and disincentives in the unemployment compensation program. The Congress should consider

- including unemployment compensation in taxable income and
- establishing a uniform methodology for determining compensation.

(HRD-79-79, Aug. 28, 1979)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**

The Congress should amend title II of the Redwood National Park Act of 1968, as amended, to

- delete the conclusive presumption provision in section 203 of the law and require the Secretary of Labor to certify that layoffs are related to a decrease in operations caused by park expansion before Redwood Employee Protection Program eligibility can be established;
- require the Department of Labor to identify program recipients whose eligibility has been established for reasons other than park expansion and terminate their eligibility for future benefits; and
- eliminate differences in eligibility requirements between union and nonunion employees.

We also suggested that the Congress consider legislative action to minimize disincentives to employment and help eliminate some of the administrative problems associated with the delivery of benefits to affected workers. Some options would be to

- require that workers exhaust unemployment benefits before receiving cash payments under the Redwood Employee Protection Program, and
- provide that monetary benefits be continued at an amount not more than available under unemployment insurance rather than replacing the full amount of workers' average weekly net wage.

(HRD-80-63, July 8, 1980)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
Finance
House: **Interior and Insular Affairs**
Ways and Means

To protect employees' interests and facilitate passing of capital ownership to workers participating in Employee Stock Ownership Plans, the Congress should enact legislation to provide that full and unrestricted voting rights be passed to plan participants for all employer stock allocated to their accounts and require plan provisions for redeeming, at fair market value, all company stock distributed by the plan. (HRD-80-83, June 30, 1980)

Committee jurisdiction:
Senate: **Finance**
Labor and Human Resources
House: **Education and Labor**
Ways and Means
Joint: **Taxation**

Energy

The Congress should enact new legislation on the issue of energy use and management in the Federal sector which consolidates various existing laws. The legislation should

- require the President to develop and implement, through the Department of Energy, an aggressive and comprehensive Federal Energy Management Program and clearly define the roles, authority, and responsibilities that DOE and other executive branch agencies are to fulfill in the program;
- require under FEMP's purview the development and implementation of specific plans and programs;
- require the President to complete action on the above items within 18 months after legislation is enacted and report to the Congress; and
- provide to DOE central funding and control over energy conservation funds, and earmark and restrict such funds to energy conservation use. (EMD-80-11, Dec. 12, 1979)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Government Operations**
Public Works and Transportation

The Congress should relieve the Western Area Power Administration

of its charter responsibility for encouraging the widest possible use of electricity and instead charge it to examine the most appropriate rate structures to encourage conservation.

The Congress should provide WAPA with (1) bonding authority, and make it the lead agency in its marketing area to help finance conservation, and (2) authority to exercise flexibility in power charges. Also, WAPA should report to the Congress and the executive branch annually as to its implementation of these recommendations. (EMD-79-73, Oct. 16, 1979)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Energy and Commerce**
Interior and Insular Affairs

The Congress should enact legislation giving the Department of Energy the necessary authority to minimize pipeline disruptions. This authority could include

- onsite visits to pipeline facilities to identify and analyze critical pipelines and
- periodic inspections to determine compliance and reassess physical security. (EMD-79-63, Aug. 27, 1979)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Interior and Insular Affairs**

To increase the incentives for administrative law judges to expedite the hearing process, we recommended that the Congress

- require regulatory agencies, such as the Commission, to develop administrative law judge performance standards and
- assign the responsibility for periodic evaluation to an organization other than the employing agency, such as the Office of Personnel Management or the Administrative Conference of the United States. (EMD-80-54, July 15, 1980)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
House: **Energy and Commerce**

Because of the time and money already lost, the Congress should designate one lead Federal agency to approve and monitor an overall decommissioning strategy for nuclear facilities. The Nuclear Regulatory Commission is uniquely suited for this role because of its charter to independently regulate commercial nuclear activities to assure public health and safety. (EMD-77-46, June 16, 1977)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
Environment and Public Works
House: **Interior and Insular Affairs**
Science and Technology

The Nuclear Regulatory Commission's authority to regulate waste management is incomplete and deficient because it does not have authority to regulate several classes of wastes controlled by the Department of Energy. To better ensure public health and safety, the Congress should correct the deficiency by amending the Energy Reorganization Act of 1974 to provide for independent assessments of DOE's facilities—including research and development facilities—intended for (1) the temporary storage and/or long-term storage or disposal of commercial and DOE-produced transuranic contaminated waste, (2) the temporary storage of DOE high-level waste, and (3) the temporary storage and/or long-term storage or disposal of commercial spent fuel. (EMD-77-41, Sept. 9, 1977)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
Environment and Public Works
House: **Interior and Insular Affairs**
Science and Technology

The Congress should enact legislation to adopt fair-value pricing of Federal uranium enrichment services. The pricing of Federal uranium enrichment services is presently established to recover only the cost of the services. The Department of Energy has sought to change the basis for charging its customers. Such a change would require amending the Atomic Energy Act of 1954 to depart from the cost-recovery basis and instead use a basis which would permit recovery of additional charges that a private enterprise would otherwise levy, such as return on investment. By adopting this method, known as fair-value pricing, uranium enrichment revenues through 1983 would increase by about $1.5 billion, including the recovery of nearly $700 million in foreign revenues. (EMD-78-66, Apr. 19, 1978)

Committee jurisdiction:
Senate: **Energy and Natural Resources**
Environment and Public Works
House: **Energy and Commerce**
Interior and Insular Affairs

General Government

The Congress should enact legislation authorizing multiyear procurement for Federal agencies and provide for the Office of Federal Procurement Policy to

- develop appropriate criteria for the use of the procurement method,
- require responsible agency officials to determine when the criteria are met, and
- provide for the payment of cancellation costs. (PSAD-78-54, Jan. 10, 1978, and PSAD-78-115, June 14, 1978)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Government Operations**

The Congress should amend Public Law 95-507 to exempt successful offerors on individual procurements for commercial items from submitting small business and disadvantage business subcontractor participation information. Successful offerors are either withdrawing or intending to withdraw from competition because of stated impracticalities in furnishing such information, and the Government is being deprived of quality products at competitive prices. (PSAD-79-66, May 11, 1979)

Committee jurisdiction:
Senate: **Governmental Affairs**
Small Business
House: **Government Operations**
Small Business

The Congress should resolve the
- open legislative recommendations of the Procurement Commission discussed in our July 1978 report (PSAD-78-100, July 31, 1978) and
- legislative matters in our 1979 report relating to architect-engineering services and patent policy. (PSAD-79-80, May 31, 1979)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Government Operations**

The Congress should improve the pay-setting process for Federal executives by
- allowing the annual adjustments for executives under Public Law 94-82 to take effect,
- discontinuing the practice of linking congressional and Executive Level II salaries, and
- allowing SES performance and rank awards to take effect without further restrictions on payments. (FPCD-80-72, July 31, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Governmental Affairs
House: **Appropriations**
Post Office and Civil Service

The Congress should allow the Senior Executive Service bonus and rank provisions to take effect, with one exception. The exception is that, for equity purposes among agencies, the Congress should change the basis for the percent limit on number of bonuses paid from percent of positions to percent of eligible career executives. This would stimulate SES members to achieve greater excellence in the Federal service and to fulfill the promise of one of the most innovative and appealing features of Civil Service reform. (FPCD-80-54, July 11, 1980, and FPCD-80-74, Aug. 15, 1980)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should reconsider title II of the Flexible and Compressed Work Schedules Act of 1978 (Public Law 95-390) with a view toward eliminating the extra fringe benefit by limiting the pay for holidays to 8 hours. (FPCD-80-21, Dec. 4, 1979)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should enact legislation to establish objectives, standards, criteria, and processes for achieving total compensation comparability between Federal and private sector employees, including both pay and benefits. (FPCD-78-60, July 21, 1978)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should amend the law to further limit the President's use of alternative plans for Federal white-collar comparability adjustments to ensure that they will be used in situations which are more indicative of national emergencies or economic conditions affecting the general welfare.

This recommendation can be accomplished in a number of ways. We are providing the following options to the Congress in order of preference:

1. Require a majority vote from both Houses of Congress in order for the President to implement an alternative plan.
2. Require the President to demonstrate how the plan contributes to remedying the national emergency or severe economic conditions and to ensure that Federal employees are treated consistently with private sector employees.
3. Specify in the law what constitutes a "national emergency or economic conditions affecting the general welfare" in justifying alternative plans.

We prefer the first option because it offers the best forum for debate and because it would require the Congress to consider the appropriateness of each alternative plan. (FPCD-80-17, Nov. 13, 1979)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

For Federal blue-collar employee pay-setting procedures to achieve comparability in both pay and benefits with the private sector, legislation is needed to revise
- the five-step system for each nonsupervisory grade with the average local prevailing rate equated to the second wage step even though 80 percent of Federal blue-collar employees are above this wage level;
- wage rates which are based on the private sector rates paid in another wage area; and

• night-shift differentials that are not determined in accordance with prevailing industry practices but are based on a percentage of the scheduled wage rate. (FPCD-78-60, July 21, 1978; FPCD-80-12, Oct. 29, 1979)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should establish an overall Federal retirement policy and a mechanism for coordinating the management of Federal retirement systems. We suggest

• establishing a Federal retirement policy which outlines the principles, objectives, and standards to be followed in providing retirement benefits to military and civilian personnel. The policy should cover such matters as benefit levels, social security coverage, costing and funding, vesting, and administration. While recognizing that special provisions may be justified for particular groups, the guiding principle should be that all Federal personnel are to receive consistent benefits; and

• adopting actuarial valuation methods and funding provisions that reflect the full cost of accruing retirement benefits and charges to agency operations all costs not covered by employee contributions. (FPCD-78-49, Dec. 29, 1978)

Committee jurisdiction:
Senate: **Armed Services**
Foreign Relations
Governmental Affairs
Judiciary
House: **Armed Services**
Foreign Affairs
Judiciary
Post Office and Civil Service

The civil service disability retirement provisions of title 5, section 83, of the United States Code should be amended to encourage retention of potentially productive disabled employees by requiring Federal agencies to reassign employees to other jobs they would be able to do. Also, the definition of economic recovery from disability should be revised to preclude annuitants earning more than their former Government pay and still retaining their annuities. In addition, the Congress should resolve by legislation whether Federal income tax returns should be used to independently verify reported income of disability retirees. (FPCD-78-48, July 10, 1978)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should reevaluate the need for special retirement benefits for Federal law enforcement and firefighter personnel. If the special retirement policy is continued, however, the Congress should (1) amend the law to require additional retirement contributions by employing agencies, and (2) reevaluate the eligibility criteria, the mandatory retirement provision, and the benefit structure. (FPCD-78-48, July 10, 1978)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **District of Columbia**
Post Office and Civil Service

Title 5, section 599(a) (1), of the United States Code should be repealed because the nontaxable cost-of-living allowance the law authorizes for Federal employees in Alaska, Hawaii, Guam, Puerto Rico, and the Virgin Islands is no longer an appropriate means of compensation in nonforeign areas. (FPCD-75-161, Feb. 12, 1976)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The law which provides for government-paid round trip travel for Federal employees and their families from nonforeign duty posts outside the continental United States to their place of residence at the time of appointment (5 U.S.C. 5728 (a)) should be amended to

• authorize Federal administrators to offer the travel benefits only when deemed necessary for retention of qualified personnel and

• limit the number of years that employees can receive the benefits. (FPCD-76-65, Mar. 2, 1977)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Post Office and Civil Service**

The Congress should enact legislation which would provide for separate pay and benefit systems for Federal and District of Columbia employees. (FPCD-77-71, Jan. 12, 1978)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **District of Columbia**
Post Office and Civil Service

The Administrative Procedure Act should be amended to assign specific responsibility for periodic evaluation of the performance of administrative law judges, establish an initial probationary period after their appointment, and clarify the role of the Civil Service Commission (now the Office of Personnel Management) in performing its normal personnel management functions as regarding them. (FPCD-78-25, May 15, 1978)

Committee jurisdiction:
Senate: **Governmental Affairs**
Judiciary
House: **Judiciary**
Post Office and Civil Service

The Congress should include Tennessee Valley Authority employees

in the coverage under labor-management relations legislation of either (1) those statutes applicable to the private sector, or (2) those applying to other Federal employees. (FPCD-78-12, Mar. 15, 1978)

Committee jurisdiction:
Senate: **Governmental Affairs**
Labor and Human Resources
House: **Education and Labor**
Post Office and Civil Service

To make the law regarding tax return filing more equitable and to encourage voluntary compliance, the Congress should consider various alternative ways to amend section 6651(a) of the Internal Revenue Code to provide for a late filing charge on nonfilers due refunds, as it imposes penalties on nonfilers who owe taxes.

To assist the Congress in its consideration, it should request the Commissioner of Internal Revenue to provide it with a series of alternative ways for imposing charges on nonfilers due refunds. (GGD-79-69, July 11, 1979)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**
Joint: **Taxation**

The Congress should address the problem of determining whether an individual is an employee or self-employed independent contractor by amending section 3121 of the Internal Revenue Code to exclude separate business entities from the common law definition of employee in those instances where they

- have a separate set of books and records which reflect items of income and expenses of the trade or business;
- have the risk of suffering a loss and opportunity of making a profit;
- have a principal place of business other than at the place of business furnished by the persons for whom he or she performs or furnishes services; and
- hold themselves out in their own name as self-employed and/or make their services generally available to the public.

The Congress should also amend section 3121 to require separate business entities to meet three of the four criteria before using common law criteria to determine employment status. If the independent contractor cannot meet three of the criteria, he should be considered an employee. (GGD-77-88, Nov. 21, 1977)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**
Joint: **Taxation**

The Congress should reassess the need to retain the personal casualty and theft loss provision (section 165(c)(3)) of the Internal Revenue Code in its present form.

The Congress should consider several alternatives:

- Repeal the personal casualty and theft loss deduction on the ground that it is inherently inadministrable.
- Repeal the personal casualty and theft loss deduction and allow a deduction for all or a percentage of the cost of premiums for casualty insurance covering real property and personal effects.
- Amend the statutory personal casualty and theft loss deduction provision to limit the allowable loss to an amount in excess of the stated percentage of adjusted gross income, restrict the category of loss events and loss property, repeal the netting rules of section 1231, and treat an excess casualty or theft loss as a net long-term capital loss carryforward.
- Amend the Treasury Regulations to limit the recognized loss to the amount of realized loss attributable solely to the casualty or theft. (GGD-80-10, Dec. 5, 1979)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**
Joint: **Taxation**

The Congress should amend section 117 of the Internal Revenue Code and add a new educational expense deduction section because that section is now difficult to understand and is sometimes confusing. (GGD-78-72, Oct. 31, 1978)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**
Joint: **Taxation**

The Social Security Act, section 205(c), should be amended so that persons who have not paid the required tax on income from self-employment are prohibited from receiving credits toward social security benefits. (GGD-77-78, Aug. 8, 1977)

Committee jurisdiction:
Senate: **Finance**
House: **Ways and Means**
Joint: **Taxation**

So that credit assistance through the Federal Financing Bank will be better reflected in the budget, the Congress should require that

- the Bank's receipts and disbursements be included in the Federal budget totals,
- the receipts and disbursements of off-budget agencies that borrow from the Bank be included in the budget, and
- certificates of beneficial ownership be treated as agency obligations and therefore as borrowing in the budget. (PAD-77-70, Aug. 3, 1977)

Committee jurisdiction:
Senate: **Banking, Housing and Urban Affairs**
Finance

House: **Banking, Finance and Urban Affairs**
Ways and Means

To improve congressional budgetary control over revolving fund loan programs, the Congress should place specific limits on the gross obligations, or gross loan obligations, allowed and require that such limits be treated as the relevant budget authority amounts. (PAD-80-29, July 2, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Budget
House: **Appropriations**
Budget

The Congress should retire Amtrak's debt to the Federal Government with a one-time appropriation. The guarantee authority backing the debt should also be cancelled. As a condition of retirement, the existing security in Amtrak's assets should be continued. (PAD-80-45, Mar. 28, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Commerce, Science and Transportation
House: **Appropriations**
Energy and Commerce

To improve the efficiency and equity of Federal user charge policy and practices, the Congress could (1) require agencies to determine correspondence between current user charges, whether mandated by statute or set by the agencies, and the principles presented in our report; (2) require agencies to present this information to it through the Office of Management and Budget and then decide what changes, if any, were necessary; and (3) amend existing legislation or instruct agencies to implement these changes, monitored and assisted by OMB. (PAD-80-25, Mar. 28, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Governmental Affairs
House: **Appropriations**
Government Operations

The Congress should enact legislation proposed by the Office of Federal Statistical Policy and Standards, Department of Commerce, (now in the Office of Management and Budget) to amend section 6103 of the Internal Revenue Code of 1954, as amended, and title 13 of the United States Code to allow the Bureau of the Census to provide certain information on business establishments to Federal and State cooperative agencies for statistical purposes. Amendments to these laws would help improve the quality and comparability of economic statistics and reduce business response burden from numerous Federal statistical surveys. (GGD-79-17, May 25, 1979)

Committee jurisdiction:
Senate: **Finance**
House: **Post Office and Civil Service**
Ways and Means

The Congress should enact a moratorium on future foreign acquisitions of U.S. banks with total assets of $100 million or more. The moratorium should continue until the basic policy issues, which have given some foreign purchasers of banks an advantage over potential U.S. purchasers of banks, are fully addressed. The moratorium should exclude foreign acquisitions necessary to prevent bankruptcy or insolvency of domestic banks. The moratorium should not continue indefinitely; rather, the Congress should set an expiration date for the moratorium and establish a specific timetable for the actions it will take to address the policy issues. (GGD-80-66, Aug. 26, 1980)

Committee jurisdiction:
Senate: **Banking, Housing and Urban Affairs**
House: **Banking, Finance and Urban Affairs**

The Congress should amend the Architectural Barriers Act of 1968 so that it clearly defines the Architectural and Transportation Barriers Compliance Board's role and so that it is consistent with the Rehabilitation Act of 1973.

Specifically, the Congress should
- establish the Board as the principal authority to provide leadership and ensure compliance;
- require HUD, DOD, GSA, and the Postal Service to consult with the Board and to obtain its concurrence that standards conform to the guidelines and requirements. (Consultation could be provided by the Department of Education, but only in an advisory role that would not impede the Board's statutory requirement); and
- require the Board, rather than GSA, to report all Federal activities pertaining to standards issued, revised, amended, or repealed under the Barriers Act. (FPCD-80-15, June 6, 1980)

Committee jurisdiction:
Senate: **Environment and Public Works**
Labor and Human Resources
House: **Education and Labor**
Public Works and Transportation

Health

Because so many States have difficulty complying with the Federal law regarding the claiming of Federal Medicaid sharing for the costs incurred in serving persons eligible for both Medicaid and Medicare and, as a result, the States have improperly claimed such Federal sharing, the Congress should change the

law to simplify program administration. The Congress should consider the options presented in our report when amending the law. (HRD-79-96, Oct. 2, 1979)

Committee jurisdiction:
Senate: **Finance**
House: **Energy and Commerce**
Ways and Means

The Congress should enact legislation disallowing the Railroad Retirement Board to select a nationwide carrier to process part B Medicare claims and should transfer responsibility for claims processing and payment to the area carriers handling those claims for other Medicare beneficiaries.

The Congress should also amend title XIX of the Social Security Act to require Medicare contractors to process Medicaid liability for crossover claims using integrated data processing systems, unless a State can present the Secretary of Health and Human Services with evidence that another system is equally efficient and effective. (HRD-79-76, June 29, 1979)

Committee jurisdiction:
Senate: **Finance**
House: **Energy and Commerce**

Under the Social Security Act, Medicare-allowed reasonable physician charges must not be higher than those allowed under Medicare carriers' private business for comparable services under comparable circumstances. The Congress should consider either (1) deleting the comparability language in the law or (2) defining comparability so that it applies to all private health insurance plans which reimburse on a current reasonable-charge basis. (HRD-79-111, Sept. 6, 1979)

Committee jurisdiction:
Senate: **Finance**
House: **Energy and Commerce**
Ways and Means

To achieve more uniform regulation of substances added directly to food and to give the public and industry more information about the regulation of direct additives, the Congress should amend the Federal Food, Drug, and Cosmetic Act to eliminate exemptions currently allowed for generally-regarded-as safe (GRAS) and prior-sanction substances. Changes to the law should encourage the use of information already available and recognize that different types of scientific evidence may be appropriate to support the safety of food additives. The amendment should also provide a date on which the safety of all GRAS and prior-sanction substances must be subject to Federal review and approval. (HRD-80-90, Aug. 14, 1980)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
Labor and Human Resources
House: **Agriculture**
Energy and Commerce

Because the Public Health Service Act and the Federal Food, Drug, and Cosmetic Act do not mention any standard of effectiveness for biological products, including allergenics, the Congress should amend the Public Health Service Act and the Federal Food, Drug, and Cosmetic Act to specifically require that biological products meet effectiveness standards promulgated in regulations to be prepared by the Secretary of Health and Human Services. (HRD-80-55, June 6, 1980)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Energy and Commerce**

The Congress should clarify the Indian Health Service's authorities and responsibilities for maintaining sanitation facilities transferred to Indian tribes and Alaska Native communities. In doing so, the Congress must be aware that if it is determined that the Indian Health Service should maintain such facilities, significant funding will be required. (HRD-80-14, July 28, 1980)

Committee jurisdiction:
Senate: **Select Committee on Indian Affairs**
House: **Interior and Insular Affairs**

Income Security

Because of the income security system's far-reaching social impact, deeply rooted difficulties, and projected future cost growth, the Congress should enact legislation to establish a national body—such as a National Income Security Commission—to provide central system leadership and bring about changes in its policymaking, management, and evaluation. In developing such legislation, the Congress should determine, with the assistance of the executive branch and others, the body's (1) most appropriate organizational form, structure, and location; (2) authorities and jurisdiction; (3) membership, staff, and tenure; and (4) specific goals and duties. The body should be an independent entity and serve the Congress and the executive branch in an overall advisory capacity. It should have a long-term, continuing charter, subject to periodic evaluation by the Congress.

Also, while the legislation is being developed, the Congress should establish select Senate and House committees or a joint committee to begin working toward improved management of the system. (HRD-80-33, Feb. 29, 1980)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
Appropriations
Banking, Housing and Urban Affairs
Budget
Finance
Governmental Affairs
Labor and Human Resources
House: **Agriculture**
Appropriations
Banking, Finance and Urban Affairs
Budget
Education and Labor
Government Operations
Ways and Means

The Congress should revise the authorizing legislation for the special supplement food program for women, infants, and children to clearly require that participants receive needed health services where such services are available, accessible, and acceptable, with possible exceptions based on participants' religious beliefs. (CED-79-55, Feb. 27, 1979)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Education and Labor**

The Congress should review the Department of Labor's determinations of what constitutes a compensable injury and provide any needed guidance on the Government's liability under the Federal Employee's Compensation Act. The Congress should consider whether (1) actual administrative practices conform to current legislative intent, (2) the Government's program is meeting its stated objectives, and (3) the circumstances that existed at the beginning of the century are relevant and appropriate today as guides for administering the act.

The Congress should also review Labor's guidelines for causal relation, in particular for disease. To better understand the guidelines' meaning and effect, the Congress should enact legislation directing the Secretary of Labor to report the results of the guideline's application and to document the report by specific references to cases. (HRD-79-78, Aug. 22, 1979)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Education and Labor**

The Congress should amend the Federal Coal Mine Health and Safety Act of 1969 so that comparable treatment will be provided to widows receiving benefits under the Department of Labor or Social Security Administration portion of the program and State workmen's compensation benefits due to them as a result of their husbands' black lung disease. (HRD-78-157, Sept. 6, 1978)

Committee jurisdiction:
Senate: **Labor and Human Resources**
House: **Education and Labor**

The Congress should take the following steps to improve cost efficiency of housing assistance programs and ensure greater equity of service to families and the working poor:

- Require the Department of Housing and Urban Development to use taxable bonds rather than tax-exempts for State agency section 8 financing.
- Require HUD to report periodically to the housing oversight committees during the next 2 years on how well the needs of families and nonpoverty, lower-income households are being met by the various housing programs. Such reports should compare the housing assistance provided to all income groupings in accordance with need on a national basis.
- Enact legislation requiring that some percentage of housing assistance funds go to nonelderly households and particularly larger eligible households above the poverty level. This would be based on HUD's national needs assessment.
- Provide necessary funding shifts to allow HUD to emphasize public housing, the least costly alternative over a 20-year subsidy life. (PAD-80-13, Sept. 30, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Banking, Housing and Urban Affairs
House: **Appropriations**
Banking, Finance and Urban Affairs

International Affairs

The Congress should amend the Food for Peace Act of 1966 to add conditions on the granting of short-term credits similar to those provided by the Agricultural Trade Act of 1978 for intermediate credit financing of agricultural exports. (ID-80-01, Oct. 26, 1979)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
House: **Agriculture**

National Defense

The Congress should amend the Arms Export Control Act to require that the Department of Defense (1) inform the Congress of the values and explanations of foreign military sales costs waived (i.e., not charged to the purchasing country) and (2) charge royalty fees on foreign military sales, except under certain circumstances as determined by the Congress. (FGMSD-78-48A, Sept. 26, 1978)

Committee jurisdiction:
Senate: **Foreign Relations**
House: **Foreign Affairs**

The Congress should enact legislation requiring that the Treasury be the depository for military nonappropriated funds and that such funds be invested in Treasury securities. The legislation should specify the interest policy pertaining to such investments. (FPCD-78-15, Jan. 19, 1978)

Committee jurisdiction:
Senate: **Armed Services**
House: **Armed Services**

The Congress should consider the direct funding of morale, welfare, and recreational (MWR) activities to reduce the cost to the taxpayers and to increase oversight in this area. As a basis for determining which funding method to adopt, the Congress should request the Department of Defense to submit data on the appropriated funds required for direct and indirect funding of MWR activities. If the present method of indirectly funding MWR activities is retained, the Congress should review the share of exchange profits being distributed and the use of these funds for investments and operation of MWR activities. (FPCD-80-50, July 18, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Armed Services
House: **Appropriations**
Armed Services

The Congress should establish a permanent independent military compensation board and direct the board to

- evaluate the alternatives, and recommend in legislation to the Congress which military pay principles should be established;
- see that pay principles are appropriately implemented, and
- continuously monitor and make recommendations for changing the military compensation system consistent with established principles.

We further recommend that the Congress eliminate the requirement for the quadrennial review of military compensation once the board is established. (FPCD-79-11, May 9, 1979)

Committee jurisdiction:
Senate: **Armed Services**
House: **Armed Services**

The Congress should require the executive branch to submit legislative proposals to convert the military base pay and allowances system to a salary system. (FPCD-77-20, Aug. 1, 1977)

Committee jurisdiction:
Senate: **Armed Services**
House: **Armed Services**

The Congress should
- revise the uniformed services severance pay programs so that the various separation pays will be calculated by the same formula and applied uniformly to all services,
- provide a severance pay program for enlisted personnel,
- base the military severance pay formula on the average regular military compensation of the grade of the separated member and bring uniformed services eligibility criteria in line with the Federal civilian severance pay program,
- eliminate the uniformed services' practice of providing severance pay to members separated for unsatisfactory performance, and
- provide uniform severance pay limitations for all Federal personnel reemployeed by the Government. (FPCD-78-68, Dec. 7, 1978)

Committee jurisdiction:
Senate: **Governmental Affairs**
House: **Armed Services**
Post Office and
Civil Service

The Congress should delete from Public Law 92-392, which established wage areas for nonappropriated fund activities pay surveys, the "immediate locality" provision so that wage data collected will be more representative of that area's prevailing market rate. The requirement that full-scale wage surveys be conducted every 2 years should also be modified to permit less frequent surveys with interim adjustments based on valid statistical indicators. (FPCD-77-51, Dec. 14, 1977)

Committee jurisdiction:
Senate: **Armed Services**
Governmental Affairs
House: **Armed Services**
Post Office and
Civil Service

The Congress should improve the administration of the Serviceman's Group Life Insurance program and make the program more equitable for all participating members by
- amending the law to allow the services to terminate coverage for members who fail to pay their premium payments within an appropriate grace period and
- deleting the provisions of the law requiring services to forward funds from their appropriations to cover all ready reservists participating in the program. (FPCD-80-45, May 1, 1980)

Committee jurisdiction:
Senate: **Armed Services**
House: **Armed Services**

The Congress should revise the military retirement system to base the length-of-service criterion on the type of duty performed and to provide vesting rights for those persons not completing full careers. (FPCD-77-81, Mar. 13, 1978)

Committee jurisdiction:
Senate: **Armed Services**
House: **Armed Services**

To help ensure the greatest possible degree of independence, efficiency, and uniformity in the administration of the military justice system, the Congress should review the Uniform

Code of Military Justice to remove any possibility that convening authorities will have the power to (1) detail the military judge, defense and trial counsel, and jurors; (2) act as the rating or reviewing official on the efficiency ratings of any person detailed to participate in a court-martial convened by him; or (3) control funds for witnesses required to attend the trial. However, convening authorities should retain responsibility for referring cases to trial and exercising clemency power.

In future defense appropriation acts, the Congress should provide separately for the operation of the military justice system by earmarking specific amounts to be used for construction, furnishing and maintenance of courtrooms, law libraries, and rehabilitation facilities; and official travel incident to judicial proceedings. (FPCD-78-16, Oct. 31, 1978)

Committee jurisdiction:
Senate: **Armed Services**
House: **Armed Services**

The Congress should revise article 56 of the Uniform Code of Military Justice to authorize the President to provide guidance for determining disposition levels and punishments for AWOL offenses. (FPCD-78-52, Mar. 30, 1979)

Committee jurisdiction:
Senate: **Armed Services**
House: **Armed Services**

The Congress should enact legislation to extend criminal jurisdiction over U.S. citizen civilian personnel and dependents accompanying the Armed Forces overseas. Extraterritorial jurisdiction should cover petty and less serious offenses as well as serious offenses. (FPCD-79-45, Sept. 11, 1979)

Committee jurisdiction:
Senate: **Armed Services**
Judiciary
House: **Armed Services**
Judiciary

Natural Resources and Environment

The Congress should amend the Federal Land Policy and Management Act to require a renewable resource program to provide for long-range, quantified resource production goals for the Bureau of Land Management, Department of the Interior. The Congress should also (1) revise the 1872 Mining Law to authorize the Secretaries of the Interior and Agriculture to permit or prevent development of mineral deposits on public lands; (2) modify the Federal Land Policy and Management Act to authorize Bureau employees to ticket persons violating Federal resources protection laws; (3) enact legislation authorizing the Forest Service to sell or give away small, scattered land holdings; (4) review Bureau and Service staffing and funding levels; and (5) provide for a more realistic balance between the agencies' responsibilities and capabilities by either reducing responsibilities or appropriating more funds. (CED-80-82, July 16, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Energy and Natural Resources
House: **Appropriations**
Interior and Insular Affairs

The Congress should amend the Declaration of Taking Act (40 U.S.C. 258a) by allowing landowners a more equitable rate consistent with prevailing conditions. (CED-80-54, May 14, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Energy and Natural Resources
House: **Appropriations**
Interior and Insular Affairs

To reduce potential problems from large possessory interests allowed park concessioners managing facilities in national parks, the Congress should finance construction of needed facilities to accommodate park visitors whenever possible. However, because the Congress may not always be able to provide the needed funds to lessen the effect that possessory interest can have on National Park Service management, the Congress should amend the Concessions Policy Act of 1965 to allow possessory interest only in those instances where no other alternative is available.

The Congress should also amend the act to eliminate the right of preference for contract renewal and preferential rights for new and additional services. Although the intent of the act is to encourage continuity of concessions operations, established concessioners already have a competitive advantage in seeking to continue in the park and do not need additional legal advantages. (CED-80-102, July 31, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Energy and Natural Resources
House: **Appropriations**
Interior and Insular Affairs

Because water resources and ground water depletion mitigation projects are individually authorized, the Congress should direct the Departments of the Interior, Agriculture, and the Army to require, before starting construction on any such projects, that the affected State or community implement or have specific plans to implement

- a program of other means for controlling ground water pumping and
- an active water conservation program. (CED-80-96, Sept. 12, 1980)

Committee jurisdiction:
Senate: **Appropriations**
Environment and Public Works
House: **Appropriations**
Interior and Insular Affairs

To cope effectively with future droughts, the Congress should direct the Secretaries of Agriculture, Commerce, and Interior and the Administrator of the Small Business Administration to assess the problems encountered in providing emergency relief during the 1976–1977 drought. Based on this assessment, a national plan should be developed for providing future assistance in a more timely, consistent, and equitable manner. (CED-79-26, Jan. 31, 1979)

Committee jurisdiction:
Senate: **Agriculture, Nutrition, and Forestry**
Commerce, Science and Transportation
Energy and Natural Resources
Small Business
House: **Agriculture**
Energy and Commerce
Interior and Insular Affairs
Small Business

To prevent unnecessary expenditures associated with constructing secondary treatment facilities, the Congress should amend the Federal Water Pollution Control Act to permit the Administrator of the Environmental Protection Agency to grant waivers, deferrals, or modifications when dischargers to fresh water can demonstrate that the environmental impact of secondary treatment will be minimal or insignificant. (CED-78-76, May 12, 1978)

Committee jurisdiction:
Senate: **Environment and Public Works**
House: **Public Works and Transportation**


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FINANCIAL SAVINGS AND OTHER BENEFITS

GAO cannot compel agencies to accept its recommendations. Action on our recommendations therefore rests on the persuasiveness of our arguments. Agency management and the Congress must be convinced that our analyses are sound and that it is in their interests to take the actions we recommend. Agencies' awareness of the Congress' attention to our reports no doubt stimulates their interest in and attention to recommendations made to them.

The full effect of GAO's activities on financial savings and improvements in the operations and effectiveness of Government programs and activities cannot be measured. The increase in governmental effectiveness from actions taken on some of our recommendations simply cannot be stated in dollars and cents.

When actions taken by the Congress or an agency lead to measurable savings, we record them. The following table summarizes the $8.4 billion in collections and other measurable savings attributable to our work which we identified during the year. Of the $8.4 billion listed, about $3.2 billion represent one-time savings, while the benefits of the other $5.2 billion will extend into future years as well. These amounts were $3.7 billion, $2.8 billion, and $900 million respectively for fiscal year 1981.

We believe it is only fair to recognize that often we are not alone in advocating a particular action leading to financial savings. Of the $8.4 billion in savings which we identified with our work, about $3.7 billion involved actions advocated by others as well as GAO. In the listing of Other Measurable Financial Savings, the savings comprising this total are indicated by asterisks.

This chapter also describes savings not fully or readily measurable and other benefits from GAO activities.

Collections and Other Measurable Savings Attributable to the Work of the General Accounting Office
Fiscal Year 1981
(000 omitted)

DEPARTMENTS	Collections	Congressional action involved	Agency action involved	Total
Agriculture	$ 151	$ 396,000	$ 47,900	$ 444,051
Air Force	72	15,900	15,048	31,020
Army		51,700	133,016	184,716
Commerce	14		33,268	33,282
Defense		1,369,000	6,982	1,375,982
District of Columbia Government		56,700		56,700
Education		29,800	18	29,818
Energy			17,500	17,500
Federal Judicial Center		376		376
General Services Administration		129,000	4,300	133,300
Health and Human Services	5,808	1,536,400	68,276	1,610,484
Housing and Urban Development	728	1,308,250	380	1,309,358
Interior		100,000	22,712	122,712
Justice		22,000	15,000	37,000
Labor	1,041	717,800	2,884	721,725
Navy		162,900	70,329	233,229
State			5,832	5,832
Transportation		5,720	631	6,351
Treasury			1,328	1,328
Veterans Administration		300,880	10,310	311,190
Government-wide	1,283	1,365,500	433,106	1,799,889
	9,097	7,567,926	888,820	8,465,843
General Claims Work	3,600			3,600
Total	$12,697	$7,567,926	$888,820	$8,469,443

Collections

Collections attributable to our activities totaled $12.7 million. Of this, $3.6 million represented our recovery of debts that Government agencies had been unable to collect. Progress in developing the capability of other agencies to refer uncollectible debts directly to the Department of Justice has greatly reduced GAO's direct collection activity.

Other Measurable Financial Savings

Other measurable savings consist largely of actual or potential savings from actions taken or planned by the Congress and Federal agencies. In most instances, the potential benefits are estimated. An asterisk indicates that GAO was not alone in advocating the action taken or planned.

Actions taken or planned	*Estimated savings*
Automatic Data Processing:	
Reduction in proposed computer acquisition for Austin Data Processing Center—Veterans Administration (nonrecurring)	$ 10,060,500
Reduction in planned Census Bureau computer acquisition—Commerce (nonrecurring)	27,116,000
Consolidation of telephone inventory and accounting systems—GSA (estimated annual savings)	500,000
Reduction in computer acquisition—Department of Transportation (nonrecurring)	5,400,000
Deferment of large computer acquisition—Immigration and Naturalization Service (nonrecurring)	22,000,000
Decrease in Federal Judicial Center Courtran budget for 1981—Judicial Branch (nonrecurring)	376,000
Cancellation of planned procurement of ADP resources—GSA (nonrecurring)	100,000,000
Option for extension of sole-source teleprocessing contracts not exercised—GSA (nonrecurring)	29,000,000
Reduction in appropriation request for Black Lung Program automated payment system that had not been approved—Labor (nonrecurring)	300,000
Closing of Labor's Washington Computer Center—Labor (nonrecurring)	5,500,000
Restructure of the BETA project to eliminate duplicate efforts by military services in developing automated systems for information management of intelligence data—Defense (nonrecurring)	190,400,000
Termination of plans to award sole-source contract for teleprocessing service—Bureau of Public Debt (nonrecurring)	1,328,100
Reduction in planned equipment purchase—Tennessee Valley Authority (nonrecurring)	21,000,000
Communications:	
Survey by Defense Telephone Service in St. Louis to identify station equipment savings—Army (estimated annual savings)	100,000*
Reduction of Tactical Satellite Terminal Systems—Defense (nonrecurring)	377,000,000
Community Development and Housing:	
Decision not to implement emergency program to stimulate housing construction—Housing and Urban Development (nonrecurring)	500,000,000*
Reduction in fiscal year 1981 supplemental funding for public housing authorities—Housing and Urban Development (nonrecurring)	39,000,000
Reduction in fiscal year 1981 funding for Community Development Block Grant Program—Housing and Urban Development (nonrecurring)	180,000,000
Increased rental contribution required from families participating in Federal housing assistance programs—Housing and Urban Development (estimated annual savings)	566,000,000*
Legislation enacted to maximize the occupancy of section 8 rental housing by eligible households—Housing and Urban Development (estimated annual savings)	23,250,000
Construction:	
Elimination of plan to construct new hospital in Camden, New Jersey—Veterans Administration ($32 million estimated annual savings and $70.2 million nonrecurring)	102,200,000

Actions taken or planned	*Estimated savings*
Cancellation of unneeded construction, alteration, and repair projects at Naval shore facilities—Navy (nonrecurring)	763,000
Application of new hospital sizing model to San Diego Naval Regional Medical Care Center—Navy ($12.1 million estimated annual savings and $15.8 million nonrecurring)	27,900,000
Rejection of plan to construct a University of the District of Columbia campus at Mount Vernon Square—District of Columbia Government (nonrecurring)	56,700,000*
Contracting Policies and Procedures:	
Elimination of mandatory bonding of subcontractors—Interior (estimated annual savings)	1,100,000
Award of blanket contract for Defense Base Act workers' compensation insurance covering AID-financed contracts between host governments and third parties—AID (estimated annual savings)	1,000,000
Elimination of duplicate claims under cost reimbursable contract for vocational education project—Education (nonrecurring)	18,155
Education:	
Reduction in funding provided for general grants to school districts under Emergency School Aid Act program—Education (nonrecurring)	29,800,000
Legislation enacted terminating most of the veteran's education loan program—Veteran's Administration (estimated annual savings)	5,000,000
Legislation enacted limiting educational assistance paid to incarcerated veterans to the costs of tuition, fees, books, equipment, and supplies—Veterans Administration (estimated annual savings)	4,680,000
Termination of veteran's education benefits for the pursuit of flight training—Veterans Administration (estimated annual savings)	17,000,000*
Employment and Training:	
Correction of basis for paying CETA participants in Philadelphia for classroom training—Labor (estimated annual savings)	1,391,000
Deobligation of funds provided for placing CETA participants in Federal jobs—Labor (nonrecurring)	1,272,000
Elimination of 13 CETA positions in Providence, R.I., not providing participants with meaningful employment—Labor (nonrecurring)	120,900
Establishment of internal client services unit to handle St. Louis County CETA participants instead of contracting—Labor (estimated annual savings)	100,000
Energy:	
Termination of Interior's oil and gas exploration program in National Petroleum Reserve in Alaska in favor of industry leasing program—Interior (estimated annual savings)	100,000,000*
Termination of ineffective contract mapping program for coal resources—Interior (nonrecurring)	10,000,000*
Financial Management:	
Reduction in overseas cash holdings by $31,000,000—Defense (estimated annual savings)	3,000,000
Reductions in grant funds on hand at local level—Various agencies ($2,101,200 estimated annual savings and $11,145,400 nonrecurring)	13,246,600

Actions taken or planned	*Estimated savings*
Change in method of applying payments on defaulted rehabilitation loans—Housing and Urban Development (estimated annual savings)	380,000
Change in regulations on reimbursing grantees for construction projects to preclude funds outlays before needed—Environmental Protection Agency (estimated annual savings)	6,000,000
Recovery of excessive balances held by fiscal intermediaries under the Civilian Health and Medicare Program of the Uniformed Services—Defense (estimated annual savings)	1,100,000
Requirement established for coupon handling fees to be credited to appropriation rather than to commissary stock fund—Defense (estimated annual savings)	1,600,000
Purchase of yen for Embassy in Tokyo through Defense contract instead of on the foreign exchange market—State (estimated annual savings)	32,000
Change in bill paying policy to avoid late payment charges for electric utility services at Walter Reed Army Medical Center—Army (estimated annual savings)	55,000
Management:	
Reduction in 1981 appropriations for land acquisition—Interior and Agriculture (nonrecurring)	90,000,000
Reduction in certain regulatory reporting requirements—ICC and Federal Maritime Commission ($75,000 estimated annual savings and $67,330 nonrecurring)	142,330
Modification of career development program to reduce personnel transfers—FBI (estimated annual savings)	3,000,000
Reduction in number of statutory reporting requirements—Government-wide (estimated annual savings)	7,500,000
Reduction in staffing needed to administer Contra Costa County's (California) Aid to Families with Dependent Children program—HHS (estimated annual savings)	180,000
Consolidation of Defense metrology and calibration activities—Defense (estimated annual savings)	772,000*
Reduction in travel expenditures for fiscal year 1981—Government-wide (nonrecurring)	300,000,000*
Delayed further efforts to determine status of foreign students in U.S.—Immigration and Naturalization Service (nonrecurring)	12,000,000
Consolidation of Energy's inquiry and referral services that disseminate solar information and centralization of solar data bases—Energy (nonrecurring)	2,850,000
Materiel Management:	
Reduction in budget requests for aircraft carrier inventories—Navy (nonrecurring)	34,400,000
Transfer of radio controls not needed by one installation to another needing them—Air Force (nonrecurring)	94,500
Reduction in planned procurements to reflect reduced demands resulting from modification programs—Air Force ($162,500 estimated annual savings and $8,400 nonrecurring)	170,900
Reduction of field maintenance float requirements by the Communications and Electronics Materiel Readiness Command—Army (nonrecurring)	6,800,000*
Return of excess inventory to the supply system for redistribution—Navy (nonrecurring)	35,100,000
Reductions in Army's fiscal year 1981	

Actions taken or planned	*Estimated savings*
ammunition appropriations and improvements in ammunition war reserve materiel inventories—Army (nonrecurring)	51,700,000
Implementation of policy to store inventories nearer the locations of users—Air Force ($1,800,000 estimated annual savings and $5,300,000 nonrecurring)	7,100,000
Improvements made in retail inventory management to better control stock excesses and determine materiel requirements—Army (nonrecurring)	126,000,000*
Revision of policy to allow more materiel returns to supply system—GSA (estimated annual savings)	3,800,000
Medical Care:	
Increase in medical care recovery rates for liable third parties to more closely cover hospitalization costs—Defense and Veterans Administration (estimated annual savings)	2,250,000
Reduction in number of x-ray examinations—Public Health Service (estimated annual savings)	4,000,000*
Adoption of more stringent home health reimbursement limits under Medicare—Health and Human Services (estimated annual savings)	14,000,000
Payments to Government Employees and Others:	
Elimination of April 1981 semiannual increase in milk support price—Agriculture (nonrecurring)	147,000,000*
Establishment of policy requiring each Federal agency to budget and pay for unemployment compensation costs for its former, furloughed, or active employees—Government-wide (estimated annual savings)	10,000,000*
Disapproval of proposed 5.3 percent midyear military pay raise to become effective July 1, 1981—Defense (nonrecurring)	420,000,000
Repeal of minimum Civil Service disability benefit for employees already receiving military retirement benefits—Government-wide (estimated annual savings)	49,000,000
Enactment of legislation permitting VA to adopt certain private-sector debt collection practices—VA (estimated annual savings)	172,000,000
Discontinuance of quarterly advance payments to recipients of Aid to Families with Dependent Children in Massachusetts—HHS (estimated annual savings)	778,000
Requirement established for States to credit Federal Government for its portion of uncashed checks issued under Aid to Families with Dependent Children Program—HHS (estimated annual savings)	576,700
Improvements in caseload statistics used by Albany County (New York) in claiming Federal reimbursements for Aid to Families with Dependent Children—HHS (estimated annual savings)	341,000
Corrected improper base used by New York State to allocate services costs to the Aid to Families with Dependent Children Program—HHS (estimated annual savings)	3,400,000
Adoption of basis for computing military retirement pay similar to that of civil service retirees—Defense (estimated annual savings)	380,000,000
Elimination of holidays from lump-sum annual leave payments to employees leaving Federal service—Government-wide (estimated annual savings)	22,000,000
Repeal of "lookback" annuity guarantee provision of civil service retirement system and proration of cost-of-living adjustments of new retirees—Government-wide (estimated annual savings)	270,000,000

Actions taken or planned	*Estimated savings*
Replacement of crop disaster payments with expanded crop insurance program—Agriculture (estimated annual savings)	249,000,000*
Elimination of housing expenditures from tables used to determine cost-of-living allowances paid to U.S. civilian employees overseas—State (estimated annual savings)	4,800,000
Amendment of Trade Act of 1974's work adjustment assistance program to require workers receiving adjustment assistance to exhaust unemployment benefits before receiving cash benefits and limiting benefits to unemployment insurance levels—Labor (estimated annual savings)	712,000,000
Legislation enacted changing the frequency of civilian and military retirees annuity cost-of-living adjustments from semiannually to annually—Government-wide (estimated annual savings)	907,000,000
Procurement:	
Discontinued buying special dinnerware for use on ships—National Oceanic and Atmospheric Administration (estimated annual savings)	10,000
Reduction in planned expenditures for consulting services in fiscal year 1981—Government-wide (nonrecurring)	94,946,000
Cancellation of plans to contract for custodial service at the U.S. Military Academy—Army (nonrecurring)	61,300
Reduction in contract price for satellite communication kits due to defective cost or pricing data—Air Force (nonrecurring)	182,900
Cancellation of typewriter purchase—Equal Employment Opportunity Commission (nonrecurring)	12,960
Elimination of need for one new cargo ship from fiscal year 1981 shipbuilding and conversion appropriation—Navy (nonrecurring)	79,000,000
Cancellation of orders for equipment not needed by Shore Intermediate Maintenance activities—Navy (nonrecurring)	36,000
Real Property Maintenance:	
Implementation of remove-and-replace concept instead of concurrent repair of components during ship overhaul—Navy (estimated annual savings)	25,000,000
Research:	
Discontinuance of Northwest Mississippi Junior College solar energy project—Energy (nonrecurring)	14,000,000*
Revenues:	
Changes in pricing of water and storage at Federal reservoirs—Bureau of Reclamation (estimated annual savings)	212,000
Compliance with requirements for filing 1099 information returns with IRS for nonemployee compensation payments by Federal agencies—Government-wide (estimated annual savings)	3,900,000
Authorization of user fees for Agriculture cotton classing, tobacco grading, naval stores grading, grain inspection and weighing, and warehouse examinations—Agriculture (estimated annual savings)	47,900,000*
Establishment of charging policy for solar information dissemination activities—Energy (estimated annual savings)	500,000

Actions taken or planned	*Estimated savings*
Social Security:	
Reduction in 1982 budget request for vocational rehabilitation services financed from SSA programs—HHS (nonrecurring)	59,000,000*
Legislation enacted to restrict newly arrived aliens' access to Supplemental Security Income benefits—Social Security Administration (estimated annual savings)	22,400,000
Amendment to Social Security Act to discontinue benefits for postsecondary students—Social Security Administration (estimated annual savings)	1,500,000,000*
Transportation:	
Denial of fiscal year 1981 budget request for transportation cargo security program—Transportation (nonrecurring)	320,000*
Weapons Systems:	
Reduction in advance procurement funding for nonmagnetic engines for mine countermeasures ships—Navy (nonrecurring)	16,000,000
Reduction in advance procurement funding for the LAMPS MK III antisubmarine warfare system—Navy (nonrecurring)	15,000,000
Reduction in fiscal year 1981 appropriation for Precision Location Strike System—Air Force (nonrecurring)	15,900,000
Reduction in number of Maverick missile single rail and triple rail launchers to be purchased—Air Force (nonrecurring)	7,500,000
Other Items:	
Terminated use of military aircraft to transport National Guard personnel to bowling tournament—Defense (estimated annual savings)	110,000
Exemption of Federal Group Life Insurance premiums from State taxation—Government-wide (estimated annual savings)	10,000,000
Arrangement to use available Charleston Air Force Base housing for Navy personnel quartered at a local motel while their ships were being overhauled—Navy (nonrecurring)	29,600
Recovery of land donated to various non-Federal agencies which was not being used as intended—Federal Aviation Administration (nonrecurring)	631,400
Implementation of new procedures to minimize processing of duplicate documents—Nuclear Regulatory Commission (estimated annual savings)	150,000*
Rejection of proposed coal lease exchange in favor of competitive leasing—Interior (nonrecurring)	11,400,000*

Additional Financial Savings Not Fully or Readily Measurable

Much of our work recommends changes either to promote the efficiency of program operations or to achieve the results for which an activity or program was initially designed. Given the nature of this work, not all the resulting improvements or savings can be measured. Examples of achievements not readily measurable are presented here.

Postal Service Improves Controls Over the Procurement and Use of Gasoline and Diesel Fuels

In a July 1980 report to the Congress, we recommended that the Postal Service reduce its susceptibility to fraud, abuse, and waste in the procurement and use of gasoline and diesel fuel. As a result, the Service

- modified its method for logging purchases of bulk fuel to assure better control of quantities received.
- canvassed all facilities to assure that fill pipes are being locked and that power is shut off to dispersing pumps when the facilities are unattended.

- strengthened its accounting for fuel dispensed from bulk fuel tanks at all locations, and
- improved its method of monitoring the drivers' use of fuel.

The Postal Service uses nearly 90 million gallons of gasoline and diesel fuel each year. In fiscal year 1980, the cost of this fuel was around $100 million. (GGD-80-75, July 30, 1980)

Improvements in Lease versus Construction Present-Value Cost Analyses

Our review of General Services Administration's lease versus construction present-value cost analyses in five lease prospectuses submitted to the Congress in 1979 showed that the analyses

- were based on incorrect cost estimates,
- omitted some relevant costs,
- contained computational errors,
- were based on unrealistic assumptions, and
- used an inappropriate discount rate.

We recommended that GSA improve the accuracy of its present-value analyses and that the Office of Management and Budget revise the 7-percent discount rate prescribed by its Circular No. A-104. In incorporating our recommendations, GSA

- substantially modified its present-value analysis procedures and
- developed a simplified, automated methodology to more accurately calculate life-cycle costs of lease versus construction alternatives.

OMB conceded that the 7-percent discount rate prescribed by the circular may need to be revised due to changes in the economy and the Federal tax code since the circular's issuance in 1972. OMB is currently exploring the subject of discount rates and expects to issue new guidance on the subject when its review is completed. (LCD-80-21, June 20, 1980)

OPM Eliminated Its Automatic Approval Process for Voluntary Early Retirement Authorization

By law, the Office of Personnel Management is permitted to grant early retirement authorizations to agencies or their components which are undergoing major reorganizations, transfers of functions, or reductions in force. Implementing regulations developed by OPM provided that early retirement authorizations would be granted when an agency stated that at least 5 percent of its encumbered positions were to be abolished or transferred—virtually an automatic approval process. This lax administration of the program resulted in granting many early retirement authorizations that had little or no effect on staffing problems.

OPM made administrative changes to the program in early 1980 which discontinued its automatic approval process and began scrutinizing agency requests for early retirement authorizations.

Although we are unable to estimate the savings resulting from a "tightening" of the approval process, we believe they are significant. (FPCD-81-8, Dec. 31, 1980)

Productivity Improvements in Federal Payment Centers Can Save Millions

Payment centers represent one of many common functions performed by Federal agencies. Our productivity analysis of 22 Government payment centers showed the rates at which bill payments are processed varied by as much as 600 percent. The rates ranged from 3 documents per staff hour to 18 documents per staff hour. Processing rates were faster in centers that used statistical sampling techniques to calculate error rates and the amount of overpayments. Automation, consolidating small centers, and exchanging improvement information among the payment centers could contribute significantly to improved processing rates. With current resources, most centers could readily achieve a substantially improved processing rate. Millions of dollars could be saved of the estimated $200 million in total labor costs.

Several significant changes made as a result of our report follow:

- The Department of Commerce consolidated three of its payment centers, projecting a savings of $1.5 million by 1984.
- The Treasury Department installed new time-reporting systems in two centers and implemented better processing techniques (to eliminate duplication) in all of its centers.
- The General Services Administration developed an improved travel voucher system, which includes productivity standards to reduce processing times and keep managers better informed of operational improvements. (FGMSD-80-13, Feb. 12, 1980)

HHS Increases Reimbursement to the Government for National Health Service Corps Personnel

In a staff study, we noted that local health clinics' reimbursement of certain costs associated with the National Health Service Corps personnel assigned to them has declined sharply in recent years. The decline resulted from the Department of Health and Human Services' failure to give adequate attention to the reimbursement requirement. The amount calculated for reimbursement did not include all pertinent

costs, and the billing and collection processes were lax.

During our review, HHS initiated actions to correct these problems. These actions contributed to an increase in reimbursement to the Government from about $1 million in fiscal year 1980 to about $3.3 million in fiscal year 1981. Additional increases in the reimbursement rate are expected when the new procedures are fully implemented. (HRD-81-90, June 4, 1981)

Weak Internal Controls Make Some Navy Activities Vulnerable to Fraud, Waste, and Abuse

Our assessment of internal controls at selected Navy activities disclosed weaknesses in controls which permitted

- over $122,000 in unauthorized purchases,
- duplicate payments as high as $1.2 million,
- $5.8 million in receivables written off without adequate justification,
- a 7-month, $8 million backlog of accounts payable, and
- lack of basic controls over approving and processing employee travel claims.

To reduce the vulnerability of these activities to fraud, waste, and abuse, we recommended that the Secretary of the Navy improve controls over payroll activities (especially the segregation of duties and matching of personnel and payroll records), travel voucher processing, equipment purchases, and disbursements to prevent duplicate payments; make internal audit more effective; and improve security of computers and computerized information.

We also recommended that the Secretary of the Navy establish a central internal control officer and one internal control officer at each major command and location to ensure that (1) improvements are made to correct the problem noted during our review and (2) surveillance is constantly maintained to prevent recurrence of these problems.

The Navy has appointed a Central Internal Control Officer and has initiated action in other areas. Savings should accrue to the Navy in the future from tightening controls, thereby reducing its vulnerability to future fraud, waste, and abuse. (AFMD-81-30, Apr. 3, 1981)

Reimbursement of Education Expenses From ROTC Scholarship Dropouts

Our 1977 report on deficiencies in the Reserve Officer Training Corps program pointed out that many participants on full scholarship drop out of the program in their junior or senior year. Since the services do not generally call these individuals to active duty, the Government receives no benefit from the resources invested in them. We recommended that the Congress enact legislation which would permit the services to require reimbursement of education costs as an alternative to active duty.

Public Law 96-357 adopted the recommendation to require individuals who leave the program and choose not to serve on active duty to reimburse the Government for the education costs incurred. (FPCD-77-15, Mar. 15, 1977)

Expansion and Other Improvements to Defense Automated Small Purchase System

We reported that expanded use of Defense Logistics Agency's Automated Small Purchase System would yield savings, and we recommended that the Secretary of Defense require DLA to immediately establish a time-phased action plan to implement system improvements and expand automation of small purchases to items now processed manually. In response to our report, DLA

- continues to strive for automation of small purchases to assure that as many small buys as possible are processed automatically,
- consolidates direct ship requisitions,
- decided, on a center-by-center basis, whether to retain the automated noncompetitive system, and
- will study various buying processes using recently developed computer and manual cost data audited by the Defense Audit Service.

In addition, DLA solicited the hardware centers on improvements/refinements to the automated systems base price. These recommendations were analyzed and incorporated into a programming change request. DLA will continue its efforts to improve file documentation. (PSAD-81-10, Nov. 13, 1980)

More Efficient Water Contracting Procedures

In an August 19, 1980, letter to the Bureau of Reclamation, we questioned its practices regarding delinquent payments. Some water contractors pay their installments after the due date using a 30-day grace period. Our payment analysis showed a significant number of delinquent payments. Effective April 1981, the Bureau required water contractors to pay a late payments charge and disallowed the 30-day grace period. Late payments would be charged using the percentage rate calculated by the Department of the Treasury and published quarterly in the Federal Register.

During our review, the Department of the Treasury revised its *Fiscal Requirements Manual for Guidance of Departments and Agencies*, which outlines

procedures concerning cash management of Government funds. Treasury's manual endorsed the position that no grace period for overdue payments be allowed and prescribed a late charge based on the current value of funds to the Treasury.

GSA Improves Contracting Practices for Alterations in Leased Buildings

Our 1978 report identified several deficiencies in the General Services Administration's contracting practices for alterations in leased buildings. These included

- using sole-source contracting excessively,
- failing to prepare independent estimates,
- performing major alterations before lease expiration without attempting to renegotiate the lease period or the rent,
- failing to adequately consider purchase or construction of alternate space, and
- paying rent while space was not available for occupancy.

In response to our recommendations, the GSA Commissioner of Public Building Service instructed the GSA Regional Administrators to implement our recommendations aimed at correcting the contracting practices in question. (LCD-78-338, Sept. 14, 1978)

Improving the Effectiveness of National Historic Preservation Programs

Our reports to the Chairman, House Committee on Interior and Insular Affairs, noted that the National Archeology program, which costs about $100 million a year, needed improvements.

Congress enacted the National Historic Preservation Act Amendments, which increase the role of State historic preservation programs and clarify Federal agency responsibilities.

The Department of Agriculture indicated that the Forest Service had taken actions.

- A restatement of current policy on identifying and protecting cultural properties would be proposed for consideration by the Secretary of Agriculture to satisfy GAO's suggested action.
- Adequate data management systems for cultural resource industries would simplify future assessments of survey needs and would avoid duplicate surveys. Sampling systems and data management support are under development and are expected to be operational in fiscal year 1982.

The Advisory Council on Historic Preservation indicated it had or was planning to

- work with the Corps of Engineers, various State Historic Preservation Offices, the Bureau of Land Management, and the Forest Service in developing regional archeological planning to establish a framework for better decisions and
- compile a region-by-region register of archeologists willing and qualified to serve on a peer review panel.

(CED-81-61, Apr. 22, 1981)

Non-Federal Development at Federal Water Resource Projects

Our report to the Chairman, Senate Subcommittee on Energy Conservation and Supply, concluded that it was often advantageous to have the non-Federal sector develop the hydropower at Bureau of Reclamation and Corps of Engineer dams because the power could be put online in less time and the Federal Government would not have to spend hundreds of millions of dollars in water resource expenditures.

We recommended that the Secretary of the Interior and the Chairman, Federal Energy Regulatory Commission, develop a memorandum of understanding on who has final authority to (1) grant a right-of-way permit to develop hydropower on public lands, (2) approve engineering plans, and (3) assess a water fee and a fee for the use of Federal facilities.

On June 23, 1981, Interior and the Commission signed a memorandum of understanding allowing for smoother development of hydropower at Bureau of Reclamation sites by non-Federal developers. The agreement grants the Bureau the right to approve plans, drawings, and access to powerplant sites. (EMD-80-122, Sept. 26, 1980)

Improved Controls Over Expenditures and Project Monitoring Can Reduce Losses in HUD's Multifamily Housing Projects

Our report to the Chairman, Subcommittee on Manpower and Housing, House Committee on Government Operations, noted that the Department of Housing and Urban Development's financial management system for formerly subsidized multifamily housing projects which HUD has acquired and manages did not provide agency and project employees with the information needed to control project costs. In 1 year, HUD incurred about $40 million in operating costs, of which about $19 million represented actual losses to HUD. We concluded that HUD could significantly reduce these losses if it improved controls over expenditures and adequately monitored the program's management.

In October 1980, HUD had established a budgeting and control system for all HUD-owned projects. For the first time the system will require developing and approving an an-

nual operating and capital improvement budget for each HUD-owned project. HUD also developed and implemented several measures to improve its monitoring of project operations, such as the adoption and implementation of virtually identical requirements for on-site management reviews and physical inspections at HUD-owned projects. (CED-80-31, Dec. 19, 1979)

Tightened Controls Over Precontract Cost Authorizations

Our report to the Chairman, House Subcommittee on Energy and Power, criticized the Department of Energy for allowing unauthorized personnel to tell contractors to begin work before a contract had been established. DOE later formally authorized these commitments through ratified contracts. We also criticized DOE's practice of ratifying the commitments informally by issuing retroactive precontract cost authorizations and by "predating" contracts (allowing a contract effective date prior to the execution date).

In response to our report, DOE rescinded its policy of allowing contracts to be predated. The agency also published new policy statements which prohibit retroactive precontract cost authorizations and put greater restrictions on the use of letter contracts. (EMD-81-12, Dec. 4, 1980)

Prohibiting Medicare and Medicaid Payments for Ineffective and Only Possibly Effective Prescription Drugs

In a 1974 report we noted that the Surgeon General had requested all agencies within the Department of Health and Human Services to prohibit using Federal funds to purchase ineffective and only possibly effective drugs. We estimated that in 1973, California, Ohio, and Texas spent $8.3 million for such drugs. Although HHS agreed with our recommendation that publishing regulations which prohibited using Federal funds for such drugs should be expedited, it took no action.

Our report entitled "Health Costs Can Be Reduced by Millions of Dollars If Federal Agencies Fully Carry Out GAO Recommendations" highlighted this issue and HHS' lack of action. The report also received special attention in testimony by the Comptroller General before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, in March 1980.

The Omnibus Budget Reconciliation Act of 1981 contains provisions prohibiting payments under Medicare and Medicaid for purchasing ineffective and only possibly effective prescription drugs. (HRD-80-6, Nov. 13, 1979)

Delay of Costly—But Unneeded—Regulatory Accounting System

In November 1980, the Interstate Commerce Commission suspended action on a proposed new "cost center" accounting system to be prescribed for railroads. In July 1980, we had recommended that the Commission delay implementation of the proposed system because it could be overly burdensome to railroads without necessarily serving Federal regulatory needs. In suspending action, the Commission cited essentially the same rationale contained in our recommendation.

In October 1979, the Commission proposed a new cost center accounting system with a stated objective of developing better railroad cost information for regulatory purposes. At that time, the Commission was attempting to develop and implement a sophisticated new "costing system" (a cost allocation method) started in 1976, but delayed by many problems. The objective of that system was also to develop better cost information for railroad regulation. Developing and implementing another new system—before completing and evaluating the new costing system—would have been premature, in our opinion. We also noted that pending railroad regulatory legislation could have an effect on regulatory costing approaches.

In November 1980, the Interstate Commerce Commission suspended development of the proposed new cost center system, stating that

- development of the costing system had encountered technical problems and was not yet fully implemented and
- recent railroad legislation presented accounting alternatives which could preclude adopting the proposed cost center system.

Delaying and possibly not requiring cost center accounting avoided incurring substantial costs by the railroad industry and regulators, without hurting regulatory goals. We did not estimate the costs that might have been incurred by the Commission had the system been implemented. However, the Association of American Railroads estimated that 34 Class I railroads would have incurred over $28 million in start-up costs and about $17 million in annual operating costs. (FGMSD-80-61, July 17, 1980)

Improved Oversight of Pension Asset Disbursements Increases Tax Revenue

Many employees or their beneficiaries receive one-time lump-sum distributions of plan assets—called pension payouts—prior to their retirement years when pension plans are terminated, employees terminate employment, or employees die or become disabled. During tax year 1976, the most recent year for which total data was available, about 2

million individuals discontinued participation in pension plans and received an estimated $6 billion in pension payouts. IRS procedures for identifying and processing tax compliance information on recipients of these payments have not been adequate. Pension payouts are taxable when received as ordinary income or capital gains unless the recipient elects to reinvest the payout in another qualifying pension plan.

Although IRS made $4.3 million in tax assessments for unreported pension payouts in tax year 1976, IRS did not process most of the employer pension payment documents it received and had not developed a method for assuring that employers are reporting payouts as required. If pension payouts are not processed by IRS for the year received, the one-time payments are not likely ever to be reviewed. The full loss from not processing pension payouts could not be determined from IRS records. However, $9.6 million in tax revenues were lost for tax year 1976 alone.

Prior to tax year 1980, IRS sampled about one-third of the pension payouts reported by employers as ordinary income above certain dollar tolerance levels for comparison with individual income tax returns. Unprocessed forms have been destroyed through tax year 1979. As a result of our discussions with IRS officials on the potential for recovering additional tax through full processing of pension payouts, in 1981 IRS initiated a program providing for full matching of tax year 1980 pension payout filings reported by employers as ordinary income above certain dollar tolerances. To assure that employers are reporting pension payouts and to recover additional tax by matching pension payout data reported by employers as capital gains, the IRS is implementing procedures recommended in our report. (HRD-81-117, Sept. 26, 1981)

Better Accountability Needed at the Medical University of South Carolina

We reviewed internal controls over financial transactions at the Medical University of South Carolina and found these controls inadequate to ensure that Federal and State funds provided to the University are properly accounted for and used for authorized purposes. Specific weaknesses exist and had existed for several years in controls over equipment, entertainment expenses, and drugs, totaling several million dollars.

We recommended that the Secretary of Health and Human Services make any further Federal funding (totaling about $12 million per year) of the Medical University contingent upon a satisfactory showing by the university that internal controls are adequate to guarantee proper accountability. We also recommended that HHS determine whether recovery should be made for equipment which (1) was purchased without Federal approval, (2) cannot be located, (3) is not being used, and (4) is being used outside the grant-supported areas.

HHS agreed with our recommendations, is seeking reimbursement for any inappropriately used equipment, and is also performing an extensive review of the Medical University. (AFMD-81-32, Feb. 27, 1981)

Weak Internal Controls Make the Department of Labor and Selected CETA Grantees Vulnerable to Fraud, Waste, and Abuse

In a report to Congress we noted weak internal controls over disbursements, receipts, and property management at Department of Labor headquarters and four regional offices. In addition, we said that Labor officials did not sufficiently monitor Comprehensive Employment and Training Act (CETA) grantee programs and activities.

The Department of Labor's actions taken as a result of our report include

- the establishment of a technical assistance/internal review group responsible for identifying internal control and cash management deficiencies;
- detailed policies and procedures regarding repayments, refunds, payments, reobligations, and related transactions; and
- the establishment of a certification guide for reviewing Prime Sponsor financial reporting and recordkeeping systems.

These and other planned improvements will upgrade managerial and internal controls to protect the Department of Labor and its grantees against fraud, waste, and abuse. (AFMD-81-46, Mar. 27, 1981)

More Efficient Use of Trident Refit Facility

In a report to the Congress we stated that the operational plans for the Trident refit facility at Bangor, Washington, provided for underutilization. Navy planning documents called for doing only Trident-related work at the refit facility, but our report disclosed that this may not be an efficient use of logistics resources. We also reported that, because of the delayed delivery dates of the first and later submarines, the extensive refit and repair facilities would be available for use long before the first submarine arrives. We recommended that the Navy use the refit facilities at Bangor to support other Navy programs when staffing is not commensurate with Trident's workload, especially during Trident's early operational years. In response to our recommendation, the Navy is performing non-Trident repair at its refit facility. For example, during the past

year the Trident refit facility supported the refitting of SSBN 608 (Polaris), overhauling of two tug boats, dismantling of SSBN 600 and 602, and repairing of equipment for 8 SSNs.

Furthermore, the refit facility is planned to support the refitting of SSBN 608, 609, and 610 after their conversion to SSNs, all of which will be permanently homeported at Bangor. (LCD-79-415, Sept. 28, 1979)

Improvements in Cost Accounting and Management for Federal ADP Activities

Because Federal ADP activities cost over $10 billion annually, their management requires consistent and accurate cost data. Without such data, the frequent decisions involving this technology can often be uneconomical. Our review of 26 Federal ADP activities found that none had adequate cost information needed to make their decisions. Over a third of these organizations omitted major elements of expense.

We recommended that all Federal agencies take action to assure the availability of adequate cost information on data processing assets and expenses. All nine agencies—including Office of Management and Budget—asked to comment on the report, agreed with its conclusion and recommendation. Shortly thereafter, in May 1978, we issued supplemental accounting guidance to the agencies in *Federal Government Accounting Pamphlet No. 4.*

On September 16, 1980, OMB issued Circular A-121 requiring all agencies to establish effective financial management practices for ADP activities, including cost accounting procedures consistent with our accounting guidance. In February 1981 agencies submitted implementation plans, and the National Bureau of Standards is currently developing detailed implementation guidance. (FGMSD-78-14, Feb. 7, 1978)

Regulation Revisions Will Correct Criteria Errors in Designating Energy Affected Areas

We reported that, due to an error in the designation criteria published in the Department of Agriculture's Energy Impacted Area Development Assistance Program regulations, certain areas qualified for the program which might not have been adversely affected by energy development. The report recommended that designation criteria be reassessed to ensure that only areas adversely impacted by energy development are eligible for assistance. We recommended that once agreement was reached by the Secretaries of Energy and Agriculture, the Secretary of Agriculture publish revised regulations in the *Federal Register.*

On June 26, 1981, the Secretary of Agriculture published in the *Federal Register* a revision in the program regulations which would correct the error we had identified in our report. This revision was published on an emergency basis as a final rule rather than as a proposed rule. This emergency procedure eliminated the 60-day comment period usually allowed before a rule is finalized and requested comments after the fact. The corrected designation criteria will affect applications of areas requesting designation as energy impacted pending approval by the Department of Energy. The Department of Energy's decision affects the subsequent eligibility of these areas for $10 million to be allocated for fiscal year 1981. (EMD-81-103, June 26, 1981)

Grantor Review Permitted of Large Negotiated Procurements by Grant Recipients

Our report entitled "Spending Grant Funds More Efficiently Could Save Millions" found costly procurement weaknesses and abuses among certain types of Federal grant recipients. The responsible Federal grantor agencies are aware that such problems exist but are limited by Office of Management and Budget Federal grant procurement regulations from reviewing procurements made by high-risk grant recipients. Our report recommended that the Director of OMB develop a guideline for grantor agencies to use in defining and dealing with high risk recipients and amend OMB regulations to permit discretionary grantor agency review of large negotiated procurements. A subsequent Uniform Procurement System task force cited our report in making similar recommendations.

OMB has taken steps toward implementing changes to satisfy our recommendations. Environmental Protection Agency officials stated that millions of dollars could be saved in wastewater treatment grants alone if they were permitted to review, prior to award, contracts for architectural-engineering services awarded by small, inexperienced, or problem grant recipients. (PSAD-80-58, June 30, 1980)

Government-wide Modernization Of Computer Facilities Could Produce Significant Savings

Our report on obsolescent computers demonstrated excessive operating costs of old computers and recommended that the Office of Management and Budget and the General Services Administration lead replacement actions. In January 1981, GSA revised automatic

data processing procurement regulations to make such replacements easier; in February 1981, the OMB Director stated that all the recommendations could be implemented. (AFMD-81-9, Dec. 15, 1980)

The Federal Energy Regulatory Commission Has Expedited Its Processing of Regulatory Cases

In a series of reports to the Chairman, House Subcommittee on Energy and Power, we identified the causes of regulatory delays totaling up to 17 years in the Commission's entire decisionmaking process (including initial staff technical reviews, formal hearings, and final Commission review). We made 33 recommendations to the Commission on ways to expedite the agency's processing of regulatory cases under existing legislation, funding, and staffing. Based on our work, the Commission made significant management improvements that will result in (1) reduced paperwork, legal and construction costs to private industry, and (2) lower energy costs to consumers.

More specifically, the Commission
- imposed a 30-day limit on the staff's review of settlements prior to their submission;
- assigned cases to administrative law judges earlier;
- reduced incomplete filings and expedited the staff's initial technical review through (1) simplifying, clarifying, and reducing unnecessary industry filing requirements, (2) increasing gas purchase facilities authorized to use abbreviated "budget" applications, and (3) initiating earlier coordination on environmental impact statement submissions;
- reduced unnecessarily burdensome filing requirements, eliminating 13 reporting forms, and simplified (6) others.
- appointed a settlement judge to (1) preside over settlement negotiations and (2) lend valuable knowledge and reduce unnecessary decision delay;
- standardized the format of exceptions and opposing briefs and required concise summary briefs; and
- delegated final decisionmaking authority to its office directors for more than 3,000 routine noncritical matters. (EMD-79-28, Feb. 13, 1979, and EMD-80-54, July 15, 1980)

Agencies Cut Costs In Managing Temporary Duty Travel

In a report to the Chairman of the Subcommittee on the Legislative Branch, Committee on Appropriations, we found that the processing of travel claims costs Federal agencies millions of dollars more than necessary. To improve productivity and to cut administrative costs dramatically, we recommended that the high-rate geographic area method now used to reimburse temporary duty travel at high cost cities be replaced with the lodgings-plus-per-diem method used for all other U.S. cities.

The General Services Administration and the Department of Defense, who are responsible for regulating travel, agreed that the high-rate method is too expensive to administer and should be eliminated. They differed, however, on the best replacement method.

Ultimately, the President directed the Office of Management and Budget and executive agencies to implement the recommendations of an OMB study to use a locality-based fixed rate per diem method of reimbursement. We believe that this reimbursement method will greatly simplify the temporary duty travel operation and significantly reduce administrative costs.

In our report we further recommended that selected departments and agencies examine their payment centers to determine ways to increase productivity, such as the use of statistical sampling. In response, the agencies took positive actions; frequently mentioned was the adoption of a statistical sampling method. (AFMD-81-18, Jan. 19, 1981)

Other Benefits

Some actions taken in response to our recommendations result in benefits other than financial savings. If the Congress enacts recommended legislation or if new agency regulations or procedures are adopted, day-to-day operations at Federal, State, and local levels can be improved. Sometimes the actions directly enhance the well-being of individual citizens.

More Guidance and Supervision Over Federal Grand Jury Proceedings

In a report to the Congress, we noted that the grand jury was one of the Government's more effective tools to combat organized crime, drug trafficking, and white-collar crime. The effective prosecution of these crimes depends largely on keeping grand jury proceedings secret to encourage witnesses to testify and produce evidence and keep persons under investigation from interfering with the grand jury. However, in hundreds of instances, information about grand jury proceedings had been disclosed in the news media, public court files, and public court proceedings. Witnesses had their identities revealed before indictments were returned (some were murdered or intimidated or disappeared); investigations were dropped or delayed; and reputations of persons never indicted were damaged.

The Judicial Conference of the United States authorized the communication to all district judges of recommendations made by its Jury Operational Committee to improve the secrecy of grand jury proceedings. In addition, the Judicial Conference, Committee on Criminal Rules, is still considering our recommendation on the need to revise Rule 6 (e) of the Federal Rules of Criminal Procedures to more clearly define what must be kept secret during the duration of grand jury proceedings. One district court said that it adopted a local court rule which implements many of our recommendations. (GGD-81-18, Oct. 16, 1980)

Strengthening VA's Vocational Rehabilitation Program

We recommended that, to modernize and strengthen the Veterans Administration's vocational rehabilitation program, the Congress amend the program's authorizing legislation. This amendment would allow veterans with service-connected disabilities, in need of vocational rehabilitation, to enroll in vocational rehabilitation and to receive assistance from one of two payment plans, namely (1) the regular vocational rehabilitation allowance or (2) a fixed allowance equal to that available under the GI Bill. A second recommendation made was that the statutory purpose of vocational rehabilitation be expanded beyond the restoration of employability to include attainment of gainful employment.

We also recommended that the VA Administrator establish a single unit at the central office level to manage and be accountable for the program. The absence of such management appeared to underlie other problems.

On October 17, 1980, Public Law 96-466 was enacted to update and expand VA's vocational rehabilitation program. This law incorporated both of the recommendations made to the Congress. The VA Administrator also adopted our recommendation and established the Vocational Rehabilitation and Counseling Service, which has direct responsibility for the activities of the vocational rehabilitation program. (HRD-80-47, Feb. 26, 1980)

Improvements in the Adult Expanded Food and Nutrition Education Program

Our report to the Secretary of Agriculture identified areas needing improvement in the Expanded Food and Nutrition Education Program. Our recommendations being acted upon include the need for

- communication and dissemination alternatives to offset budget constraints,
- standards and evaluation tools to measure EFNEP's progress,
- improved administrative practices, and
- better coordination within EFNEP and with other programs.

The Extension Service and the Food and Nutrition Service addressed the cost effective methods of communicating and disseminating nutrition education by using a variety of delivery approaches, including mass media, telephone instruction, and group meetings versus the traditional one-on-one instruction. The Department of Agriculture's Science and Education Administration plans to hold workshops on research needs for evaluating nutrition education programs. The Extension Service has reviewed and revised EFNEP's review procedures, including a joint review by Federal and State extension personnel of EFNEP activities in eight States each year. The Extension Service also plans to disseminate alternative cost effective outreach and program delivery methods, establish evaluation tools and program standards, and use State EFNEP personnel in program reviews. (CED-80-138, Sept. 4, 1980)

Limited Development Program Extended and Production Decision Deferred

In September 1979, Air Force planning documents indicated completion of the F101 Derivative Fighter Engine's limited development in June 1981 and commencement of full-scale development and initial production start-up in July 1981. The planning documents called for full-scale development funds of $98 million and production start-up funds of $54 million in fiscal year 1981.

Our report on the F101 DFE program cited many problems with the program schedule and recommended (1) undertaking conceptual studies to identify operational and logistical characteristics to be validated, (2) expanding the limited development effort to include all functions of a validation phase, and (3) undertaking a risk analysis of trade-offs required to meet program objectives.

As a result, Air Force representatives reported that an effort, headed by the Office of the Under Secretary of Defense for Research and Engineering and including Air Force and Navy participants, would begin immediately to validate the durability, operability, and cost of ownership claims for the F101 DFE. They also stated that their current plan was to continue limited development from June 1981 through September 1981 to further assess the durability and operability characteristics of the engine prior to any full-scale development decision. (PSAD-80-40, May 9, 1980)

Prohibiting Illegal Aliens From Receiving Federal Housing Subsidies

In a March 14, 1980, letter to the Secretary of Housing and Urban Development, we questioned the legality and propriety of allowing illegal aliens to receive Federal housing subsidies.

By letter dated April 24, 1980, HUD replied that, in its opinion, there was no legal basis for inquiring into citizenship status of persons applying for Federal housing subsidies. In June 1980, our General Counsel advised that statutes are silent on the question of citizenship or permanent legal immigration status as a threshold eligibility requirement.

The issue was made known to a number of inquiring congressmen, and bills were introduced in the first session of the 97th Congress to prohibit aliens not legally in this country from occupying subsidized housing. We also presented this issue as part of our testimony on April 2, 1981, before the Senate Subcommittee on Housing and Urban Affairs.

The Omnibus Budget Reconciliation Act of 1981, signed by the President in August 1981, prohibits the Secretary of HUD from making financial assistance available for the benefit of any alien unless he or she is a legal resident of the United States.

Changes In Regulations For Procuring Office Relocation Services

As a result of the recommendations in our report to the Congress, the General Services Administration made substantial changes in its regulations for procuring office relocation services. The Federal Property Management Regulations have been amended to require that GSA competitively contract for all single office moves exceeding $5,000 and contract for all office relocations over $1,500 in cities where term contracts are unavailable. GSA further agreed to (1) enter into fixed price contracts at either a $5,000 threshold or where term contracts do not exist, and (2) establish procedures for monitoring agency use of office relocation contracts.

These changes initiated by our report should affect all Government agencies and result in improving the controls over contracting for office relocation services. They may also result in lower prices for these services due to the increasing use of competitive bidding and the consolidation of the contracting function. (PSAD-80-76, Sept. 29, 1980)

Improved Solicitation Procedure for Strategic Petroleum Reserve Crude Oil Purchases

In our report to the Chairman, Subcommittee on Limitations of Contracted and Delegated Authority, Senate Committee on the Judiciary, we noted that the Department of Energy, to fulfill its minimum fill requirement for the Strategic Petroleum Reserve of 100,000 barrels a day, was exchanging Elk Hills Naval Petroleum Reserve production for crude oil to be delivered to the SPR.

We stated that, although Elk Hills is federally owned oil and has the advantage of being an assured, high-quality source, purchasing it for the SPR could adversely affect small and independent refiners in California. We also stated that DOE had not demonstrated that exchange of Elk Hills oil is the most effective means of meeting the minimum requirement of the Energy Security Act. We recommended that the Secretary of Energy issue an open solicitation for oil supplies for the SPR to encourage the availability of a wide range of sources to choose from.

On January 30, 1981, DOE issued a continuous open solicitation for competitive purchase of crude oil for the SPR. (EMD-81-4, Oct. 21, 1980)

EPA's Indoor Air Pollution Task Force Will Improve Federal and State Activities to Lessen the Problem

In our report to the Congress, we identified indoor air pollution as a potentially serious health problem. We recommended that the Administrator of the Environmental Protection Agency establish a task force which would (1) identify research activities of the Federal agencies and private institutions relating to indoor air pollution, (2) compile available data on the problem to advise the public and State governments on how best to deal with it, and (3) advise the Administrator, EPA, on what EPA research and development efforts are needed.

In response to our recommendations, EPA formed both an in-house coordinating group and, working with the Department of Energy, an interagency research group. Through these two groups, EPA is assisting in preparing an inventory of Federal research activities, developing a research agenda for future work, and establishing a coordinating mechanism for improving the productivity of current research and related activities. (CED-80-111, Sept. 24, 1980)

Improvement in FDA's Efforts to Establish Strategy for Regulating Food Salvage Outlets

Our report to the Congress noted that potentially adulterated food in dirty, rusted, swollen, and severely dented cans or torn packages was

sold to the public and to health care facilities.

In responding to our recommendations, the Food and Drug Administration provided 13 training sessions that were attended by 366 State and 433 local consumer protection agency officials, published a model State salvage ordinance to be used by State and local governments, and began working actively with the Association of Food and Drug Officials Law and Regulations Committee to promote the adoption of the model salvage ordinance as well as other model legislation by the States. (HRD-79-32, Feb. 14, 1979)

Improvements in the District's Minority Contracting Program

The District's Minority Contracting Act requires that a minority business awarded a contract must perform at least 50 percent of the contracted work (excluding the cost of materials, goods, and supplies) with their own organization and resources and that, if subcontracting occurred, 50 percent of the subcontract work would be performed by minority firms. In our review, we identified contracts awarded to firms that were subcontracting more than 50 percent of the work to nonminority firms. We also noted that awards in process did not contain the "50 percent" provision.

Neither the Department of General Services' Acting Assistant Director for Materiel Management nor his Chief of Procurement had been informed of the act's new amendments until we brought them to their attention in November 1980. Subsequently, the Acting Assistant Director, Materiel Management, issued a memorandum in December 1980, stating that the new provision would be incorporated in all new solicitations. In January 1981, the Director, Department of General Services, confirmed that the new minority regulation requirements would be contained in all future contracts. (GGD-81-38, Dec. 31, 1980)

Increased Emphasis Given to Defense In-House Basic Research

Our review of Defense laboratories showed that the 41-percent decline since 1966 in in-house basic research could lead to an erosion in vital laboratory capabilities. In addition, Defense had achieved real growth in its basic research program since the mid-1970's but had been emphasizing university research with this growth even though, in real dollar terms, university performance of basic research was at an all-time high.

Our report recommended that the Secretary of Defense give the same careful consideration to the research base represented by the in-house laboratories as he had been giving to the needs of the external community. In response, Defense said it was reemphasizing in-house basic research and had asked for a 20-percent increase in the in-house basic research portion of its fiscal year 1982 budget submission. It also said that the Air Force, which had done the lowest percentage of its basic research program in-house of all the military services, had placed new emphasis on in-house basic research and set a goal of placing 7 percent of each laboratory's resources in in-house basic research. (MASAD-81-5, Feb. 19, 1981)

Reducing Radiation and Exposure from Diagnostic X-Rays Should Help Protect the Public

We reported to the Congress that the Food and Drug Administration's program for protecting the public health and safety from electronic product radiation could be strengthened by (1) establishing a uniform nationwide operator licensing program, (2) fully implementing compliance programs to ensure the safety of diagnostic x-ray equipment, and (3) issuing guidance on who should be given diagnostic x-rays and when such x-rays are justified.

In response to our recommendations, FDA developed curricula for x-ray technology schools and continuing education programs as well as licensing requirements for medical radiation technologists. In addition to establishing procedures for expediting reviews of manufacturers' diagnostic x-ray equipment reports, FDA published information on avoiding medical x-ray exposure, convened a national conference on referral criteria for x-ray examination, and developed and managed a nationwide consumer education effort on diagnostic x-ray information and protection. FDA actions also reduced the use of routine chest x-rays provided by Public Health Service agencies and other agencies, resulting in an estimated annual savings of $3.2 million. (HRD-77-22, Nov. 24, 1976)

Federal Home Loan Bank Board Denies Request to Relocate a Federal Home Loan Bank

In June 1981, we reported that the anticipated benefits of moving a Federal Home Loan Bank from Little Rock, Arkansas, to Dallas, Texas, were outweighed by other considerations. We estimated that the move would have cost nearly $3 million to accomplish and would have increased the bank's annual operating costs by over $1 million. These costs would have been absorbed by

the savings and loan association members of the Little Rock Bank through a reduction in the dividends they received.

In July 1981, the Federal Home Loan Bank Board voted to reject the proposal to move the Little Rock Bank to Dallas, Texas. Our report was cited by the Board and its staff as a contributing factor in the decision. (GGD-81-82, June 18, 1981)

Improving the Health and Safety of National Park Facilities

Our report to the Ranking Minority Member of the Senate Committee on Energy and Natural Resources recommended that the Secretaries of Agriculture and the Interior take immediate action to correct health and safety problems in national parks and forests. We also recommended that the Congress give priority to funding projects to repair and upgrade facilities with the most serious hazards.

The Senate Appropriations Committee added $16.5 million to the Park Service fiscal year 1981 appropriation. The committee report noted that "current budget restraints have aggravated the problem to the extent that recent General Accounting Office investigations have turned up serious health and safety deficiencies." The committee report also noted that "only the current budget restraints and the need for better definition of total maintenance needs kept the committee from recommending even higher maintenance funding." In addition to the congressional action, the Park Service embarked on seven programs designed to identify, correct, and prevent health and safety problems in national parks. (CED-80-115, Oct. 10, 1980)

Change in Tax Laws for Americans Employed Overseas

In our review of the impact of the 1978 Foreign Earned Income Act on employment of Americans abroad, we reported that

- U.S. tax provisions were a major disincentive to employing U.S. citizens overseas for a group of major U.S. companies,
- tax returns were difficult and expensive to prepare under the act's complex rules, and
- American employees who were receiving reimbursements were more costly than other citizens of competing countries who were not taxed by their home countries.

We urged the Congress to place Americans working abroad on a more competitive income tax basis by adopting a complete or limited-but-generous exclusion of foreign earned income that would be relatively simple to administer.

The Economic Recovery Tax Act of 1981 (Public Law 97-34, Aug. 13, 1981) provided a generous exclusion of foreign earned income ($75,000 in 1982, increasing to $95,000 in 1986) plus a deduction for excessive housing costs overseas. This provision should eliminate U.S. tax liability on foreign earned income for a large majority of Americans employed abroad. In addition, the exclusion and deduction will be much easier to calculate than the prior deductions, thus reducing the complexity and cost of tax return preparation.

Proponents of the liberalized tax benefits argued that resulting increased employment abroad would significantly stimulate U.S. exports, leading to greater domestic production and related corporate and personal income tax revenues. Although such benefits are extremely difficult to measure with accuracy, a prominent econometric analysis firm estimated that the former restrictive tax provision would reduce Federal tax revenues by about $6 billion in 1980.

The estimated 150,000 overseas taxpayers should further benefit from the much simpler, and thus less costly, preparation of tax returns. Returns under the prior, complex law typically cost about $900 to prepare for those we surveyed. In addition, IRS administrative and enforcement costs should be reduced. (ID-81-29, Feb. 27, 1981)

Better Regulations for FAA Certification and Operation of Large Aircraft

In testimony before the House Subcommittee on Government Activities and Transportation of the Committee on Government Operations, we pointed out that certain large aircraft may be avoiding commercial aircraft safety regulations and certificate requirements through leasing arrangements and other means. We noted that a number of fatal accidents involved such operations. In our subsequent report to the Secretary of Transportation, we recommended that, if Federal Aviation Administration chose to combat this problem with new regulations, FAA inspectors should be given the necessary tools to enforce compliance. A major tool not available was routine FAA access to such aircraft while they are being operated.

On October 9, 1980, FAA adopted new certification and operating rules covering such aircraft operations. Part of the new regulation provides for free and uninterrupted FAA access to the pilot compartment. (CED-79-10, Nov. 21, 1978)

Changes Made to Management Procedures and Operations of Military Service Clubs

In our study on problems with the management and administration of

the military club system and related alcohol package store operations, we recommended that the Department of Defense improve organizational efficiency and the delivery of morale, welfare, and recreation services to military personnel. As a result, hearings on the military club system were held in October 1979, and the Nonappropriated Fund Panel subsequently released a report with 18 recommendations that expanded upon those made in our report.

In December 1980, DOD advised the Nonappropriated Fund Panel that they concurred with 16 of the 18 recommendations and either were acting on or had already complied with them, including

- physically separating the alcohol package store from club operations so that both operations were clearly visible,
- consolidating clubs at installations where the base population could not profitably support separate clubs,
- providing central management and distribution of package store profits, and
- establishing profit goals for the club, excluding alcohol package store distribution.

Although no measurable savings will result from these actions, club management will be strengthened. Eventually, improved club operations will reduce the need for appropriated fund support. In addition, changes in the management and distribution of alcohol package store profits will help to expand the morale, welfare, and recreation program and reduce the need for appropriated fund support. (FPCD-79-9, Jan. 15, 1979)

Improving the National Disaster Loan Programs

In our report to the Congress on the Farmers Home Administration and Small Business Administration Natural Disaster Loan Programs, we recommended that the Congress

- amend the Small Business Act to preclude disaster assistance loans to farmers because similar loans were available from FmHA and
- continue the credit-elsewhere test for FmHA disaster loans and extend this test to SBA disaster loans, should farmers continue to be eligible for such loans.

Public Law 96-302, approved on July 2, 1980, precludes SBA from making disaster loans to farmers to repair or replace business property unless the farmers were refused assistance from FmHA. Further, the law establishes a credit-elsewhere test for the purpose of assessing a higher interest rate—one based on the cost of money to the Government—to those business applicants able to obtain sufficient credit elsewhere. (CED-79-111, Aug. 6, 1979)

Additional Testing Required of C-X Aircraft

Although the C-X aircraft had been widely reported as needing the capability to operate on semiprepared surfaces, such as sand or gravel, the model contract in the C-X request for proposals did not require the contractor to test or demonstrate C-X capabilities on other than paved surfaces. The Air Force had stated that the ability to operate on semiprepared surfaces is critical because over one-half of the runways in the Persian Gulf area and many other runways in other parts of the world are unpaved. Without actual testing or demonstrating, however, there would be no guarantee the C-X could properly operate on semiprepared surfaces, including meeting minimum landing and takeoff performance specifications.

Our letter report to the Secretary of Defense recommended that the contractor be required to thoroughly demonstrate C-X capabilities on semiprepared surfaces. Contract modification was approved requiring the contractor to complete such testing. (MASAD-81-24, Apr. 6, 1981)

Greater Flexibility in Managing Recruiting and Advertising Resources

Our report stated that one of the greatest stumbling blocks to achieving recruiting goals is the requirement for all Services to obtain congressional committee approval for spending additional recruiting funds through reprogramming, no matter how small the amount. This hinders recruiting management's ability to quickly adjust its recruiting program to developing problems.

The budgetary reprogramming process, whereby appropriated funds are shifted from one budget category to another (or from other accounts into recruiting), is one of the key tools used by Service recruiting programs to counter emerging problems or to increase and decrease funds to balance capabilities with recruiting objectives.

The Department of Defense's two types of reprogramming actions are those requiring prior approval of congressional committees and those "below threshold levels," which can be handled internally by the Services without approval of either the Congress or the Secretary of Defense. Special-interest items are excluded from these threshold levels. Although the Secretary has the legal authority to transfer funds between appropriations, the Secretary will not use this authority, without prior approval, for special-interest items.

As a result, in December 1980, House and Senate conferees agreed that when the total appropriated to each Service for recruiting and advertising is not exceeded, "each Service is free to realign these resources with a stipulation that the advertising program

of each active and reserve component remains a separate item of congressional interest."

Although no measurable savings will result from this action, the Services will now have an increased flexibility to adapt policy and resources to ever-changing conditions of market supply and demand, thereby improving their ability to accomplish recruiting goals. (FPCD-80-64, Sept. 18, 1980)

Improved Procedures for Assuring Cost-Effective Power System Reserves for the Bonneville Power Administration

The Bonneville Power Administration can interrupt power to its direct service industrial customers and, in effect, use this mechanism as a means of providing power system reserves. Our report entitled "Impacts and Implications of the Pacific Northwest Power Bill" stated that BPA had no support to justify that these power interruptions were the most effective and economical method of providing power reserves and recommended legislation to require BPA to conduct a thorough analysis of the economic, environmental, and social cost of alternative means of providing system reserves.

On December 5, 1980, the Congress passed the Pacific Northwest Power Planning and Conservation Act (Public Law 96-501), which requires an overall regional energy plan to be developed. The act requires the plan to include an analysis of reserve and reliability requirements and cost-effective methods of providing reserves designed to ensure adequate electric power at the lowest cost. (EMD-79-105, Sept. 4, 1979)

Strengthening The Congress' Ability to Oversee FCC Operations

Our report entitled "Organizing the Federal Communications Commission for Greater Management and Regulatory Effectiveness" recommended that the Congress

- establish a periodic rather than permanent authorization for the FCC and
- require FCC to provide reports to the Congress stating Commission goals, objectives, and priorities and its progress in meeting these goals and objectives.

Public Law 97-35, approved on August 13, 1981, includes a requirement that FCC submit an annual report to the Congress which

- lists the specific goals, objectives, and priorities of the Commission to be projected over 12, 24, and 36 month periods,
- describes in detail the programs established to meet the goals, objectives, and priorities,
- provides an evaluation of actions taken during the preceding year to fulfill the functions of the Commission, and
- contains recommendations for legislative action required to enable the Commission to meet its objectives. (CED-79-107, July 30, 1979)

Increased Emphasis Toward the Safety and Health of Workers at Enrichment Plants

Department of Energy's Oak Ridge Operations Office is responsible for protecting the safety and health of workers at DOE-owned, contractor-operated enrichment plants. Oak Ridge is also responsible, however, for production at those nuclear facilities. This situation creates a potential conflict of interest.

In a report to the Chairman, Senate Subcommittee on Energy, Nuclear Proliferation, and Federal Services, we recommended that the Secretary of Energy reorganize the Oak Ridge Operations Office to provide insulation between safety and health concerns and production goals and objectives.

DOE agreed that the safety and health function at the Oak Ridge Operations Office should be independent from production goals and objectives. Subsequently, DOE established an Assistant Manager position with responsibility for the safety and health program and with no responsibility for production goals and objectives. (EMD-80-78, July 11, 1980)

Employability Development Systems to Improve CETA Operations and Training Programs

During the planning stage of our review of employability development systems under the Comprehensive Employment and Training Act (CETA), we found little guidance on what CETA prime sponsors should have as part of their systems for meeting participants' employment needs and moving them into unsubsidized jobs. Information on these systems was scattered through various parts of the law and regulations.

Many of the prime sponsors as well as other organizations used our preliminary position paper on employability development systems as a source of technical assistance. Several prime sponsors followed the position paper guide in developing and revising employability plans. Other sponsors and Department of Labor officials used the paper in training staff.

Because prime sponsors often had weak employability development systems which were not in compliance with the law, we believe the use of our position paper to improve operations and training will contrib-

to improving sponsors' systems. In
n, this should enhance the abilities
prime sponsors to meet partici-
nts' needs and to move them into
subsidized jobs.

ıprovements in the High ıergy Physics Program

Jnder an agreement with the Office
Management and Budget, the U.S.
gh energy physics program is an-
ıally budgeted about $300 million
1979 dollars, plus inflation. The
epartment of Energy and the Na-
ɔnal Science Foundation, with the
dvice of the physics community,
MB, and the Congress, allocated
ıe budgeted funds to the program's
ɪrious functions.

During our review of the U.S. high
nergy physics program, we noted
ıat without documented plans, the
rogram appeared to be overem-
hasizing the construction of particle
ccelerators (the principal "tool" of
igh energy physicists) to the detri-
ıent of other key program elements,
uch as long-range accelerator,
esearch and development, accelera-
ɪtor utilization, and experimental
upport.

DOE concurred with our recom-
nendation to institute the develop-
ment of plans for these other key pro-
gram elements. For the fiscal year
982 budget, DOE decided to reduce
ts initially proposed funding of
ɔccelerator construction by $20 mil-
lion and, instead, allocate those
funds to accelerator utilization. Sim-
ilarly, NSF decided not to fund a $2.5
million project to increase the energy
level of an accelerator and allocated
funds instead toward long-range
accelerator research and develop-
ment and experimental support.
These steps taken by DOE and NSF
as a result of planning actions imple-
mented in accordance with our rec-
ommendation will result in improved
program effectiveness within exist-
ing funding levels. (EMD-80-58,
Sept. 16, 1980)

Preventing the Marketing of Raw Meat and Poultry Containing Potentially Harmful Residues

We reported to the Congress that
an estimated 14 percent by dressed
weight of the meat and poultry
sampled by the Department of Agri-
culture between 1974 and 1976 con-
tained illegal and potentially harm-
ful residues of animal drugs, pesti-
cides, or environmental contami-
nants, many of which were known
or suspected to cause cancer, birth
defects, or other toxic effects.

As a result of our report, the Food
and Drug Administration initiated a
concerted effort to identify deliberate
and repeated misuses of animal
drugs to single out producers and
growers for prosecution, injunction,
or seizure actions and reexamined
its procedures for recommending
regulatory actions. In addition, FDA
(1) began several research projects
to address the need for reliable
animal drug residue detection
methods, (2) began a cooperative
effort with USDA to develop an
analysis to detect residues in tissues,
and (3) directed its activities to follow
up on reported residue violations of
the greatest potential harm in
human food. (HRD-79-10, Apr. 17, 1979)

Obligating Recruits Entering The U.S. Merchant Marine Academy and Six State Maritime Academies

In a June 1977 report, we concluded
that recruits entering the U.S. Mer-
chant Marine Academy and the six
State maritime academies that re-
ceive Federal support should sign an
obligatory statement committing
them, upon graduation, to serve as
licensed officers in the merchant
marine or as military officers in the
U.S. Navy.

MARAD responded to the recom-
mendation with proposed legislation
which was ultimately enacted into
Public Law 96-453 dated October 15,
1980. The new law requires those
entering the U.S. Merchant Marine
Academy and the six State maritime
academies to sign an obligatory
statement committing them, upon
graduation, to serve as licensed offi-
cers in the merchant marine or as
military officers in the U.S. Navy; it
defines those segments of the mer-
chant marine industry considered as
acceptable for this service obliga-
tion. The law authorizes the Secretary
of Navy to order those graduates not
meeting their merchant marine obli-
gation to serve in the U.S. Navy for
periods up to 3 years and gives the
Secretary of Commerce the avail-
able legal machinery needed to
pressure the graduates into appro-
priate service in return for Federal
financial support they receive.

The new law, if enforced, should
suffice in lieu of job placement goals
to justify continuing the U.S. Merchant
Marine Academy and Federal sup-
port to the six State maritime acad-
emies. (FPCD-77-44, June 15, 1977)

Strengthening DOD Construction Project Planning and Improving Morale, Welfare, and Recreational Facilities

We reported that Department of
Defense had a large backlog of
facility construction projects that
could not be funded, yet some on-
going construction projects were
larger than needed, had not been
adequately justified or planned, or
were being built to accommodate
persons not on active duty.

DOD fully agreed with our six rec-
ommendations and said all of them
were in some phase of implementa-
tion, including

- revisions to appropriate portions of DOD's construction criteria regarding (1) ranking the priority of facility needs, (2) specifying optimum space requirements, and (3) specifying the population for whom facilities are built,
- new requirements to better document scoping, planning, and needs determination processes,
- new procedures to effect a more centrally managed morale, welfare, and recreation construction program within each Service,
- expansion of the major command role in reviewing and validating construction projects,
- a requirement for on-site needs assessments aimed at identifying facility deficiencies—to include inventories of comparable facilities at nearby military installations and in the civilian community.

Although no measurable savings are attributable to these actions, the strengthening of project planning, review, approval, and funding processes will help ensure that projects built with the limited amount of nonappropriated funds will fulfill the most urgent needs. (FPCD-80-67, Aug. 27, 1980)

Improvements in FDA's Regulation of Imported Products

We reported to the Congress that a lack of information on products entering the United States limited Food and Drug Administration's efforts to regulate imported products before they are sold to the American public. As a result, FDA could not determine the effectiveness of its import surveillance, assess the extent that imports violate laws or regulations, or ensure that all import products are inspected periodically.

FDA subsequently completed an in-depth evaluation of its import activities, instructed program managers to review import entry documents to ensure that FDA is informed of all products subject to its jurisdiction, and revised the bonding criteria for importers. (HRD-77-72, July 5, 1977)

Enhanced Security for Nuclear Weapons

Our report to the Chairman, Senate Subcommittee on Energy, Nuclear Proliferation, and Federal Services, said that the level of security for nuclear weapons could be improved if certain measures were required and implemented by the Department of Defense and the services. Essentially, we recommended that certain alarms be required at specific locations within the various sites to help detect unauthorized intrusions into weapons storage areas.

In response to this recommendation, DOD issued guidance to its overseas sites, requiring them to place the alarms at the locations identified in our report. The requirement became effective April 8, 1981, and is now being put into the DOD Nuclear Weapons Security Manual. (C-EMD-81-2, Nov. 3, 1980)

Guidance Published on Contracting For Computer Software Development

Our report on software development contracting identified serious problems with Federal contracting for computer software development. The General Services Administration published FPR 51 and FPMR F-131, dated May 19, 1981, in response to our recommendation to issue guidance to assist Federal agencies in managing the unique factors involved in contracts for custom software development. (FGMSD-80-4, Nov. 9, 1979)

Conversion of Existing Cargo Ships In Lieu of New Construction

To meet the 12 ship requirements for prepositioning equipment and supplies for Department of Defense's Rapid Deployment Force, the Navy planned to build 8 cargo ships and acquire and modify 4 existing commercial cargo ships. We developed the position that a minimum of eight, not four, existing ships should be considered for acquisition and conversion instead of the new construction.

Our position was presented to the House Appropriations Committee, Subcommittee on Defense, staff. Because of actions taken by the subcommittee in support of our position, the Navy decided to acquire and convert six existing ships, the net effect being a substitution of two additional ships for new construction.

On the basis of information we provided to the House Appropriations Committee, fiscal year 1981 funding was not approved by Congress for construction of the first ship. In addition, the committee also denied a fiscal year 1982 Navy request for funding the construction of the second ship, but directed that this money be used to acquire and convert two existing ships. (PLRD-81-55, July 27, 1981)

Justice Needs to Better Manage Its Fight Against Public Corruption

In a report to Congressman Conyers, we recommended that the Department of Justice require that

- a standard definition of "public corruption" be delineated to enable consistent reporting of cases handled by the U.S. attorneys,
- a system be developed and implemented to identify and classify public corruption cases to enable future evaluation of the cases handled, and
- the Public Integrity Section take a more active role in managing the public corruption effort.

GAO also recommended, with regard to the Economic Crime Enforcement Program, that the Attorney General require the development of a plan that will enable the Department to fully evaluate the success of this new program and identify areas where improvements could enhance its efforts. The Attorney General also needs to clarify the roles of this program and its relationship to the responsibilities of the Public Integrity Section.

The Department of Justice agreed with these recommendations and has either taken, or plans to take, actions to implement them. (GGD-80-38, July 27, 1980)

APPENDIXES

JMBER OF AUDIT REPORTS ISSUED JRING FISCAL YEAR 1981[1]

	Addressee				
	Congress[2]	Committee[3]	Member	Agency Officials[4]	TOTAL
dministration of Justice	7	7	2	4	20
griculture	7	6	13	7	33
utomatic Data Processing	3	13	1	6	23
ommerce and Housing Credit	7	6	5	10	28
ommunity and Regional Development	9	6	5	8	28
ongressional Information Services	5	23	0	1	29
ducation, Training, Employment & Social Services	10	20	6	5	41
nergy	29	45	14	27	115
inancial Management & Information System	10	8	3	11	32
eneral Government	36	40	15	41	132
eneral Purpose Fiscal Assistance	2	0	0	4	6
eneral Science, Space & Technology	2	2	2	7	13
ealth	10	21	10	12	53
mpoundment Control Act of 1974	17	0	0	1	18
ncome Security	16	12	11	7	46
nternational Affair	22	7	2	15	46
Iational Defense	31	70	16	55	172
Iatural Resources & Environment	21	22	14	12	69
Non-Discrimination & Equal Opportunity	2	1	1	3	7
Procurement Other Than Defense	0	5	5	12	22
Transportation	9	13	6	6	34
Veterans Benefits and Services	1	4	2	2	9
TOTAL	256	331	133	256	976

[1] *A detailed list of these reports is contained in Appendix 2. This listing excludes certain reports classified for national security reasons for which unclassified digests have not been prepared.*

[2] *Reports submitted to the Congress are addressed to the President of the Senate and the Speaker of the House of Representatives. Copies are sent to the Director, Office of Management and Budget; the Senate and House Committees on Appropriations and Government Operations; the appropriate legislative committees in the Senate and the House; Members of the Congress from the districts in which the activities reported on are located; others in the Congress, as requested; the President of the United States, as appropriate; the agencies reported on; and others directly affected*

[3] *Includes reports addressed to officers of the Congress.*

[4] *Comprises reports addressed to heads of departments or agencies, to other officials at department or agency headquarters, to department or agency officials at regional or other local offices, or to commanding officers at military installations.*

CATALOG OF AUDIT REPORTS ISSUED DURING FISCAL YEAR 1981

Administration of Justice

Federal Correctional Activities

Congress

Jail Inmates' Mental Health Care Neglected; State and Federal Attention Needed. Department of Health and Human Services, National Institutes of Health; and Department of Justice. *GGD-81-5, 11-17-80*

Women in Prison: Inequitable Treatment Requires Action. Department of Justice and Administrative Office of the United States Courts. *GGD-81-6, 12-10-80*

Agency Officials

The Bureau of Prisons' Actions Since the Danbury Fire. Department of Justice *GGD-81-52, 3-9-81*

Federal Law Enforcement Activities

Congress

Prospects Dim for Effectively Enforcing Immigration Laws. Department of Justice, Immigration and Naturalization Service. *GGD-81-4, 11-5-80*

Number of Undocumented Aliens Residing in the United States Unknown. Department of Justice. *GGD-81-56, 4-6-81*

Assurance Needed That Import Classifications Are Accurate. Department of the Treasury, United States Customs Service. *GGD-81-46, 4-23-81*

Committees

The Multi-State Regional Intelligence Projects--Who Will Oversee These Federally Funded Networks? Department of Justice. (Request of Representative Richardson Preyer, Chairman, Government Information and Individual Rights Subcommittee, House Committee on Government Operations) *GGD-81-36, 12-31-80*

Asset Forfeiture--A Seldom Used Tool in Combatting Drug Trafficking. Department of Justice, Drug Enforcement Administration; and Department of the Treasury, United States Customs Service. (Request of Senator Joseph R. Biden, Chairman, Criminal Justice Subcommittee, Senate Committee on the Judiciary) *GGD-81-51, 4-10-81*

Better Communication Could Have Enhanced Enforcement of Federal Oil Pricing Regulations. Departments of Justice and Energy. (Request of Senator Howard M. Metzenbaum and Representatives John Conyers, Jr., Chairman, Crime Subcommittee, House Committee on the Judiciary; and John D. Dingell, Chairman, House Committee on Energy and Commerce) *GGD-81-60, 5-4-81*

Customs' Collection of Additional Import Duties on Mushrooms. Department of the Treasury; and Department of Commerce, Bureau of the Census. (Request of Senator John Heinz, Chairman, International Finance Subcommittee, Senate Committee on Banking, Housing and Urban Affairs) *GGD-81-77, 5-15-81*

INS Staffing Levels. Department of Justice and Office of Management and Budget. (Request of Representative Geraldine A. Ferraro, Chairman, Human Resources Subcommittee, House Committee on Post Office and Civil Service) *FPCD-81-67, 8-20-81*

Members

Coast Guard Drug Interdiction on the Texas Coast. Department of Transportation. (Request of Senator Lloyd Bentsen) *CED-81-104, 5-19-81*

Agency Officials

Fewer Agent Transfers Should Benefit the FBI and Its Agents as Well as Save Money. Department of Justice. *GGD-81-102, 9-24-81*

deral Litigative
id Judicial Activities

Congress

More Guidance and Supervision Needed Over Federal Grand Jury Proceedings. Department of Justice, Judicial Conference of the United States, and Administrative Office of the United States Courts. *GGD-81-18, 10-16-80*

Better Management Can Ease Federal Case Backlog. Department of Justice and Judicial Conference of the United States. *GGD-81-2, 2-24-81*

Committees

Congress Should Clarify the Speedy Trial Act To Resolve Differing Interpretations. Department of Justice, Administrative Office of the United States Courts, and Judicial Conference of the United States. (Request of Senator Joseph R. Biden, Chairman, Criminal Justice Subcommittee, Senate Committee on the Judiciary; and Representative John Conyers, Jr., Chairman, Crime Subcommittee, House Committee on the Judiciary) *GGD-81-1, 11-18-80*

State Exclusionary Rule Procedures. Department of Justice and Administrative Office of the United States Courts. (Request of Senator Edward M. Kennedy, Chairman, Senate Committee on the Judiciary) *GGD-81-33, 12-22-80*

Members

Use of Consultants by the Department of Justice. (Request of Senator Max S. Baucus) *GGD-81-55, 4-17-81*

Agency Officials

Federal Jury Management Practices. Department of Justice and Administrative Office of the United States Courts. *GGD-81-42, 3-4-81*

Better Management Needed in Automating the Federal Judiciary Administrative Office of the United States Courts. *GGD-81-19, 4-2-81*

griculture

Congress

Farmer-Owned Grain Reserve Program Needs Modification To Improve Effectiveness. Department of Agriculture. *CED-81-70, 6-26-81*

Review of Financial Statements of Commodity Credit Corporation. Department of Agriculture. *CED-81-137, 8-13-81*

Committees

Summary of GAO Reports Issued Since 1977 Pertaining to Farm Bill Legislation. Departments of Agriculture and Health and Human Services. *CED-81-43, 1-21-81*

Members

Information on Personnel and Travel at the Federal Crop Insurance Corporation. Department of Agriculture. (Request of Senator Edward Zorinsky) *FPCD-81-22, 12-23-80*

Agency Officials

Food in the Future--Proceedings of a Planning Symposium. Department of Agriculture. *CED-81-42, 5-81*

Need To Reevaluate Helistat Program Objectives and Progress. Department of Agriculture, Forest Service; and Department of the Navy. *MASAD-81-31, 6-2-81*

Emerging Issues From New Product Development in Food Manufacturing Industries. Department of Agriculture and Federal Trade Commission. *CED-81-138, 8-19-81*

Grain Fumigation: A Multifaceted Issue Needing Coordinated Attention. Department of Labor, Occupational Safety and Health Administration; Environmental Protection Agency; Department of Health and Human Services, Food and Drug

Administration; Departments of Agriculture and Transportation; Consumer Product Safety Commission; and Interagency Regulatory Liaison Group. *CED-81-152, 9-10-81*

Agricultural Research and Services

Congress

Department of Agriculture Should Have More Authority To Assess User Charges. *CED-81-49, 4-16-81*

Improving Sanitation and Federal Inspection at Slaughter Plants: How To Get Better Results for the Inspection Dollar. Department of Agriculture, Food Safety and Inspection Service. *CED-81-118, 7-30-81*

Cooperative Extension Service's Mission and Federal Role Need Congressional Clarification. Department of Agriculture. *CED-81-119, 8-21-81*

Committees

Further Federal Action Needed To Detect and Control Environmental Contamination of Food. Department of Health and Human Services, Food and Drug Administration; Environmental Protection Agency; Department of Agriculture, Food Safety and Quality Service; and Office of Technology Assessment. (Request of Senator Warren G. Magnuson, Chairman, Senate Committee on Appropriations) *CED-81-19, 12-31-80*

GAO Comments on the Impact of the USDA Reorganization on Nutrition. (Request of Representatives George E. Brown, Jr., Chairman, Department Operations, Investigations and Oversight Subcommittee, House Committee on Agriculture; and Doug Walgren, Chairman, Science, Research and Technology Subcommittee, House Committee on Science and Technology) *CED-81-150, 8-17-81*

Members

Agricultural Research and Extension Programs To Aid Small Farmers. Department of Agriculture, Science and Education Administration. (Request of Senator Donald Stewart) *CED-81-18, 10-17-80*

Increase in Hourly Rate Charged by Department of Agriculture for Resident Inspectors at Egg Processing Plants. (Request of Senator Roger W. Jepsen) *CED-81-82, 3-11-81*

Long-Range Planning Can Improve the Efficiency of Agricultural Research and Development. Department of Agriculture. (Request of Representative George E. Brown, Jr.) *CED-81-141, 7-24-81*

Agency Officials

Weak Management in Animal Disease Control Program Results in Large Economic Losses. Department of Agriculture, Animal and Plant Health Inspection Service. *CED-81-96, 6-24-81*

Farm Income Stabilization

Congress

The Department of Agriculture Can Minimize the Risk of Potential Crop Failures. *CED-81-75, 4-10-81*

Supervision of Grain Sales to Soviet Union: Monitoring Difficult--Shortfall Substantially Offset. Department of Agriculture. (Request of Senator Charles E. Grassley and Representatives Thomas M. Hagedorn, Glenn L. English, E. Thomas Coleman, Douglas K. Bereuter, William C. Wampler, and Larry J. Hopkins) *C-CED-81-1, 3-3-81*

Committees

An Assessment of Parity as a Tool for Formulating and Evaluating Agricultural Policy. Department of Agriculture. (Request of Representatives Frederick W. Richmond, Chairman, Domestic Marketing, Consumer Relations, and Nutrition Sub-

committee, House Committee on Agriculture; and Richard M. Nolan, Chairman, Family Farms, Rural Development, and Special Studies Subcommittee, House Committee on Agriculture) *CED-81-11, 10-10-80*

Members

Pension Fund Investment in Agricultural Land. Department of Agriculture. (Request of Representatives Thomas A. Daschle, E. Thomas Coleman, Berkley W. Bedell, Beryl Anthony, Jr., Daniel K. Akaka, Thomas R. Harkin, Leon E. Panetta, Frederick W. Richmond, and William M. Thomas) *CED-81-86, 3-26-81*

Gross and Net Income of Major U.S. Sugar Cane and Beet Producers. Department of Agriculture. (Request of Representatives James M Shannon, Frank J. Guarini, and Thomas J. Downey) *CED-81-113, 5-29-81*

Analysis of Certain Aspects of the California-Arizona Navel Orange Marketing Order. Department of Agriculture, Agricultural Marketing Service. (Request of Representative George Miller) *CED-81-129, 7-2-81*

Lessons To Be Learned From Offsetting the Impact of the Soviet Grain Sales Suspension. Department of Agriculture, Commodity Credit Corporation; and Departments of Commerce and State. (Request of Senator Charles E. Grassley and Representatives Thomas M. Hagedorn, Glenn L. English, E. Thomas Coleman, Douglas K. Bereuter, William C. Wampler, and Larry J. Hopkins) *CED-81-110, 7-27-81*

Analysis of Certain Operations of the Federal Crop Insurance Corporation. Department of Agriculture. (Request of Senator Roger W. Jepsen) *CED-81-148, 7-30-81*

Storage Cost Data on CCC-Owned Dairy Commodities. Department of Agriculture. (Request of Representative Donald J. Pease) *CED-81-157, 9-18-81*

Information on Peanut Allotment Owners That Lease and Rent Away Rather Than Plant Their Peanut Allotment Quotas. Department of Agriculture, Agricultural Stabilization and Conservation Service. (Request of Senator Richard G. Lugar) *CED-81-156, 9-21-81*

Agency Officials

Review of Financial Statements of Commodity Credit Corporation. Departments of Agriculture and the Treasury. *CED, 3-12-81*

More Can Be Done To Protect Depositors at Federally Examined Grain Warehouses. Department of Agriculture. *CED-81-112, 6-19-81*

Import-Export Issues

Committees

Promoting Agricultural Exports to Latin America. Department of Agriculture. (Request of Senator Richard B. Stone, Chairman, Foreign Agricultural Policy Subcommittee, Senate Committee on Agriculture, Nutrition, and Forestry) *ID-81-05, 12-11-80*

U.S. Grain Transportation Network Needs System Perspective To Meet Future World Needs. Departments of Agriculture and Transportation; and Department of the Army, Corps of Engineers. (Request of Senator Max S. Baucus, Chairman, Limitations of Contracted and Delegated Authority Subcommittee, Senate Committee on the Judiciary) *CED-81-59, 4-8-81*

Members

Federal Role in Developing Grain Subterminals Should Be Coordinated by USDA. Department of Transportation. (Request of Senator Max S. Baucus) *CED-81-101, 5-14-81*

Automatic Data Processing

Congress

Continued Use of Costly, Outmoded Computers in Federal Agencies Can Be Avoided. Office of Management and Budget and General Services Administration *AFMD-81-9, 12-15-80*

Most Federal Agencies Have Done Little Planning for ADP Disasters. Office of Management and Budget, General Services Administration, and Department of Commerce. *AFMD-81-16, 12-18-80*

Federal Agencies' Maintenance of Computer Programs: Expensive and Undermanaged. Department of Commerce, National Bureau of Standards; and General Services Administration. *AFMD-81-25, 2-26-81*

Security of ADP Systems

Committees

Review of GSA's Acquisition of ADP Resources. Office of Management and Budget (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *AFMD-81-15, 10-24-80*

The Veterans Administration's Plans To Convert the Automated Hospital Information System at the Washington, D.C., Medical Center. (Request of Representative Richardson Preyer, Chairman, Government Information and Individual Rights Subcommittee, House Committee on Government Operations) *HRD-81-17, 11-6-80*

Review of the Tennessee Valley Authority's Procurements of Automatic Data Processing Equipment. General Services Administration. (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *EMD-81-20, 11-7-80*

Review of General Services Administration's Acquisition of ADP Resources. Office of Personnel Management (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *AFMD-81-21, 12-17-80*

Better Software Planning Needed at the Air Force's Global Weather Central. General Services Administration. (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *AFMD-81-24, 2-24-81*

Reservation and Award of Section 8(a) Small Business Act Contracts to Arcata Associates. Department of the Army and Small Business Administration. (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *AFMD-81-33, 3-23-81*

Review of the Office of Personnel Management's Macon, Georgia, Computer System. (Request of Representative Gladys N. Spellman, Chairman, Compensation and Employee Benefits Subcommittee, House Committee on Post Office and Civil Service) *AFMD-81-55, 4-21-81*

Review of DOT's Response to Recommendations in the Senate Report on FAA's En Route Air Traffic Control Computer System. *AFMD-81-66 and AFMD-81-67, 6-1-81*

Department of Agriculture Needs Leadership in Managing Its Information Resources. (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *CED-81-116, 6-19-81*

Fragmented Management Hinders GSA Ability To Acquire Internal ADP Resources. (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *AFMD-81-74, 7-28-81*

Relocating Social Security's Central Computer Operations. Department of Health and Human Services. (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *HRD-81-134, 9-1-81*

Review of a Computer Hardware Acquisition for NOAA in Boulder, Colorado. Department of Commerce. (Request of Representative Jack Brooks, Chairman, House Committee on Government Operations) *AFMD-81-92, 8-25-81*

Members

Forest Service's Region 5 Should Consider Less Costly Ways To Meet Word and Data Processing Needs. Department of Agriculture. (Request of Representative Fortney H. Stark) *CED-81-15, 10-23-80*

Agency Officials

Computerized Hospital Medical Information Systems Need Further Evaluation To Ensure Benefits From Huge Investments. Department of Health and Human Services. *AFMD-81-3, 11-18-80*

Social Security Needs To Better Plan, Develop, and Implement Its Major ADP Systems Redesign Projects. Department of Health and Human Services. (Request of House Committee on Government Operations) *HRD-81-47, 2-6-81*

Secret Service Has More Computer Capacity Than It Needs. Department of the Treasury. *GGD-81-43, 3-17-81*

Opportunities Still Exist To Better Use the Mint's Data Processing Center. Department of the Treasury. *GGD-81-64, 3-27-81*

Greater Use of Satellite Telecommunications To Link ADP Facilities Could Save Millions. Department of Energy. *EMD-81-102, 6-19-81*

Software Used in Medical Devices Needs Better Controls To Avoid Compromising Patient Safety. Department of Health and Human Services, Food and Drug Administration. *AFMD-81-95, 8-5-81*

ommerce
ad Housing Credit

ortgage Credit
ad Thrift Insurance

Congress

New Mortgages for Financing Homes Need Uniform and Comprehensive Consumer Safeguards. Department of Housing and Urban Development; Federal Home Loan Bank Board; and Department of the Treasury, Office of the Comptroller of the Currency. *CED-81-53, 7-2-81*

Committees

HUD Should Strengthen Mortgagee Monitoring To Reduce Losses. (Request of Senator Carl M. Levin, Ranking Minority Member, Oversight of Government Management Subcommittee, Senate Committee on Governmental Affairs) *CED-81-108, 6-9-81*

Members

Anticipated Benefits of Moving Federal Home Loan Bank of Little Rock, AR, to Dallas, TX, Are Outweighed by Other Considerations. (Request of Representative John Paul Hammerschmidt) *GGD-81-82, 6-18-81*

Agency Officials

HUD's Payment of Distributive Shares From the Mutual Mortgage Insurance Fund. Department of the Treasury, Internal Revenue Service. *CED-81-44, 2-9-81*

Formal Supervisory Process for Savings and Loan Associations Should Be Strengthened. Federal Home Loan Bank Board. *GGD-81-91, 9-17-81*

More Can Be Done To Ensure That Industrial Parks Create New Jobs. Department of Commerce, Economic Development Administration. *CED-81-7, 12-2-80*

Long-Term Economic Planning Needed in Oil- and Gas-Producing States. Department of Housing and Urban Development; and Department of Commerce, Economic Development Administration *PAD-81-09, 12-10-80*

The Interaction of Federal and State Aid in New York State: Trends and Patterns, 1969-75. Departments of Education and Health and Human Services, and Office of Management and Budget. *PAD-81-10, 12-16-80*

SBA's Progress in Implementing the Public Law 95-507 Subcontracting and Surety Bond Waiver Provisions Has Been Limited. *CED-81-151, 9-18-81*

SBA's 7(j) Management Assistance Program--Changes Needed To Improve Efficiency and Effectiveness. *CED-81-149, 9-29-81*

Members

Assessment of Whether the Federal Grant Process Is Being Politicized During Election Years. Department of Commerce, Economic Development Administration. (Request of Senators Pete V. Domenici and Henry L. Bellmon) *GGD-81-41, 12-31-80*

Summary of Major Deficiencies in the Farmers Home Administration's Business and Industrial Loan Program. Department of Agriculture. (Request of Senator Roger W. Jepsen) *CED-81-56, 1-30-81*

Agency Officials

Limited-Resource Farmer Loans: More Can Be Done To Achieve Program Goals and Reduce Costs. Department of Agriculture, Farmers Home Administration *CED-81-144, 8-31-81*

Community Development

Congress

Further Actions Needed To Improve Management of HUD Programs. *CED-81-41, 2-26-81*

Committees

HUD Not Fulfilling Responsibility To Eliminate Lead-Based Paint Hazard in Federal Housing. Department of Health and Human Services, Centers for Disease Control. Office of Management and Budget; and Consumer Product Safety Commission (Request of Senator Max S. Baucus, Chairman, Limitations of Contracted and Delegated Authority Subcommittee, Senate Committee on the Judiciary) *CED-81-31, 12-16-80*

How To House More People at Lower Costs Under the Section 8 New Construction Program. Department of Housing and Urban Development. (Request of Senate Committee on the Budget) *CED-81-54 and CED-81-54A, 3-6-81*

Lenient Rules Abet the Occupancy of Low Income Housing by Ineligible Tenants Department of Housing and Urban Development. *CED-81-74, 4-27-81*

The Community Development Block Grant Program Can Be More Effective in Revitalizing the Nation's Cities. Department of Housing and Urban Development (Request of Senator William Proxmire, Ranking Minority Member, Senate Committee on Appropriations) *CED-81-76, 4-30-81*

Navajo and Hopi Indian Relocation Commission's Program. (Request of Senator James A. McClure, Chairman, Interior Subcommittee, Senate Committee on Appropriations) *CED-81-139, 7-2-81*

Members

Analysis of HUD Efforts To Alleviate Housing Abandonment. (Request of Senator Arlen Spector) *CED-81-130, 6-25-81*

Inquiry Into Status of Housing Construction for Cuyahoga Metropolitan Housing Authority (Ohio). Department of Housing and Urban Development. (Request of Representative Mary Rose Oakar) *CED-81-147, 7-30-81*

Agency Officials

Examination of the Financial Statements of the Urban Renewal Fund for Fiscal Year 1979. Department of Housing and Urban Development. *CED-81-62, 2-17-81*

New-Home Buyers and Federal Agencies Benefit From Improved Warranty Protection. Departments of Housing and Urban Development and Agriculture, Veterans Administration, and Federal Trade Commission. *CED-81-40, 5-26-81*

More Can Be Done To Measure HUD's Success in Using Millions of Dollars for Rehabilitating Housing. *CED-81-98, 7-14-81*

Financial Control System Problems at the Community Services Administration Will Not Be Fully Solved by the Current System Redesign Project. *AFMD-81-96, 8-19-81*

HUD's Oversight of Procurement by Public Housing Authorities Needs Strengthening. *PLRD-81-68, 9-30-81*

Disaster Relief and Insurance

Committees

Poor Controls Over Federal Aid in Massachusetts After the 1978 Blizzard Caused Questionable Benefit Payments. Departments of Agriculture, Housing and Urban Development, and Justice; Federal Emergency Management Agency; Small Business Administration; and Federal Disaster Assistance Administration. (Request of Representative Norman Y. Mineta) *CED-81-4, 1-26-81*

Members

Termination of Map Information Facility Contract by Federal Emergency Management Agency. (Request of Senators Howard M. Metzenbaum and Edwin (Jake) Garn) *CED-81-99, 5-12-81*

Agency Officials

Terminating the Audit of the National Flood Insurance Program's Fiscal 1980 Financial Statements. Federal Emergency Management Agency and Federal Insurance Administration. *AFMD-81-93, 9-21-81*

Congressional Information Services

Congress

Federal Evaluations. Departments of Agriculture, Commerce, Defense, Education, Health and Human Services, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, and the Treasury; Executive Office of the President; and Office of Management and Budget. *PAD-80-48, 11-80*

Federal Information Sources and Systems. Departments of Defense, Education, Energy, Health and Human Services, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, and the Treasury; and Executive Office of the President. *PAD-80-50, 11-80*

Requirements for Recurring Reports to the Congress. Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, and the Treasury; and Executive Office of the President. *PAD-80-49, 11-80*

Need for NASA To Provide Congress More Complete Cost Information on Its Projects. *PSAD-81-7, 11-26-80*

Progress in Improving Program and Budget Information for Congressional Use. Office of Management and Budget. *PAD-81-88, 9-1-81*

The Federal Home Loan Bank Board Should Require Organizers of Mutual Associations To Pledge More Savings When the Association's Likelihood for Success Is Questionable. *GGD-81-92, 9-18-81*

Other Advancement and Regulation of Commerce

Congress

Federal Examinations of Financial Institutions: Issues That Need To Be Resolved Department of the Treasury, Office of the Comptroller of the Currency; Federal Reserve System; Federal Deposit Insurance Corporation; Federal Home Loan Bank Board; and National Credit Union Administration. *GGD-81-12, 1-6-81*

Impact of Foreign Corrupt Practices Act on U.S. Business. Securities and Exchange Commission, and Departments of Justice and Commerce. *AFMD-81-34, 3-4-81*

The Federal Structure for Examining Financial Institutions Can Be Improved. Federal Deposit Insurance Corporation; Federal Reserve System; Federal Home Loan Bank Board; National Credit Union Administration; and Department of the Treasury, Office of the Comptroller of the Currency. *GGD-81-21, 4-24-81*

Federal Reserve Could Improve the Efficiency of Bank Holding Company Inspections. Federal Deposit Insurance Corporation; and Department of the Treasury, Office of the Comptroller of the Currency. *GGD-81-79, 8-18-81*

Legislative and Regulatory Actions Needed To Deal With a Changing Domestic Telecommunications Industry. Federal Communications Commission. *CED-81-136, 9-24-81*

Committees

Similar Business Assistance Programs of Two Federal Agencies Have Potential for Duplication. Small Business Administration; and Department of Commerce, Economic Development Administration. (Request of Senator Howard W. Cannon, Chairman, Senate Committee on Commerce, Science, and Transportation) *CED-81-26, 12-31-80*

Influence of Speculation on the Price of Converted Condominium Units. Department of Housing and Urban Development. (Request of Representative Benjamin S Rosenthal, Chairman, Commerce, Consumer and Monetary Affairs Subcommittee, House Committee on Government Operations) *PAD-81-62, 3-5-81*

Information on Mission and Functions of the National Bureau of Standards. Department of Commerce. (Request of Representative George E. Brown, Jr., Chairman, Science, Research and Technology Subcommittee, House Committee on Science and Technology) *CED-81-39, 4-22-81*

Agency Officials

Comments on Food Advertising Proposals. Federal Trade Commission. *CED-81-27, 11-7-80*

Review of SBA Certificate of Competency Program. General Services Administration and Department of Defense. (Request of Senate Select Committee on Small Business and Senator Jim Sasser) *CED, 11-24-80*

More Action Is Needed on Consumer Mail Order Problem. Federal Trade Commission and United States Postal Service. *HRD-81-41, 1-19-81*

Securities and Exchange Commission Should Improve Procurement Practices for Market Surveillance System Development. *AFMD-81-17, 3-6-81*

Terminating GAO Review of the Dissolved Business Loan Program. Small Business Administration. *CED, 6-9-81*

Better Management of Collateral Can Reduce Losses in SBA's Major Loan Program. *CED-81-123, 7-17-81*

al Service

Congress

Postal Service Merit Program Should Provide More Incentive for Improving Performance. *GGD-81-8, 11-24-80*

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Feasibility of Government Agencies Using Respliced Computer Tabulating Paper General Services Administration. (Request of Senator William V. Roth, Jr.) *PLRD-81-43, 6-18-81*

Information on U.S. Coast Guard's Decision To Purchase M/V Cowslip Vessel. Department of Transportation. (Request of Representative E. (Kika) de la Garza) *CED-81-128, 6-25-81*

Allegations of Unethical Bidding Practices on Federal Construction Contracts. Office of Management and Budget and Office of Federal Procurement Policy (Request of Representative Leon E. Panetta) *PLRD-81-64, 9-9-81*

Agency Officials

Support Service Contracting at Johnson Space Center Needs Strengthening. National Aeronautics and Space Administration. *PSAD-81-2, 10-21-80*

Civil Agencies Can Improve the Performance of Technical Evaluations. Departments of Health and Human Services, Commerce, and Energy; and Veterans Administration. *PSAD-81-9, 11-10-80*

Evaluation of GSA Efforts To Implement Life Cycle Costing for Procurement of Commercial Products. Federal Supply Service. *PSAD-81-14, 11-19-80*

VA Needs Better Visibility and Control Over Medical Center Purchases. *PSAD-81-16, 12-12-80*

Small Purchase Activities at the Department of Energy. *EMD-81-43, 1-16-81*

Contract Conditions and Specifications Unduly Restricting Competition. United States Postal Service. *GGD-81-39, 2-12-81*

Effectiveness of GSA's Practice of Centrally Purchasing Low Dollar Value Items Under Nonstores Program. Federal Supply Service. *MASAD-81-12, 3-3-81*

Contract Overpriced and Established Pricing Regulations and Procedures Not Followed. Department of Transportation, Federal Aviation Administration. *MASAD-81-16, 3-5-81*

Electronic Scale Procurement Needs Revision. United States Postal Service; and Department of Commerce, National Bureau of Standards. *GGD-81-53, 3-23-81*

Need for $200,000 Subcontract Apparently Eliminated by Reagan Administration Proposal. Department of Energy. *EMD-81-81, 4-24-81*

Review of Government-Wide Contracting Systems for Film and Videotape Productions. Departments of Energy, State, and Defense; Office of Management and Budget; National Aeronautics and Space Administration; General Services Administration, National Audiovisual Center; Agency for International Development, and Office of Federal Procurement Policy. *PLRD-81-61, 9-21-81*

Procurement Costs of General Purpose Mail Containers Can Be Reduced. United States Postal Service. *GGD-81-99, 9-23-81*

Transportation

Committees Programs for Ensuring the Safe Transportation of Hazardous Materials Need Improvement. Department of Transportation, National Transportation Safety Board; Federal Emergency Management Agency; Environmental Protection Agency; and Council on Environmental Quality. (Request of Senators Howell Heflin; Wendell H. Ford, Chairman, Consumer Subcommittee, Senate Committee on Commerce, Science, and Transportation; and Howard W. Cannon, Chairman, Senate Committee on Commerce, Science, and Transportation) *CED-81-5, 11-4-80*

Corporate Automotive Data. Department of Transportation. (Request of Representative Sam M. Gibbons, Chairman, Trade Subcommittee, House Committee on Ways and Means) *PAD-81-72, 4-30-81*

Agency Officials Concerns With NHTSA's Data Collection Systems. Department of Transportation. *CED, 1-16-81*

Air Transportation

Congress FAA Misses Opportunities To Discontinue or Reduce Operating Hours of Some Airport Traffic Control Towers. Department of Transportation. *CED-81-100, 6-1-81*

Committees The Changing Airline Industry: A Status Report Through 1980. Department of Transportation and Civil Aeronautics Board. (Request of Representatives Norman Y. Mineta, Chairman, Aviation Subcommittee, House Committee on Public Works and Transportation; and James J. Howard, Chairman, House Committee on Public Works and Transportation) *CED-81-103, 6-1-81*

Members Federal Aviation Administration's Management of Two Grants to the Tulsa International Airport. Department of Transportation and Office of Management and Budget. (Request of Senator David L. Boren) *CED-81-8, 11-3-80*

FAA Is Making Air Traffic Control Procedures at New Orleans International Airport More Efficient. Department of Transportation. (Request of Senators Russell B. Long and J. Bennett Johnston, and Representatives Gillis W. Long, Robert L. Livingston, and Lindy Boggs) *CED-81-64, 2-27-81*

Controller Staffing and Training at Four FAA Air Traffic Control Facilities. Department of Transportation. (Request of Senator Charles H. Percy and Representative Robert Whittaker) *CED-81-127, 7-9-81*

Agency Officials Use of Air Carriers for Freight Shipments. Department of Defense. *PLRD-81-44, 6-22-81*

The Federal Aviation Administration Can Improve the Operation of Its General Aviation District Offices. Department of Transportation. *CED-81-114, 6-29-81*

Ground Transportation

Congress Highway Safety Grant Program Achieves Limited Success. Department of Transportation. *CED-81-16, 10-15-80*

There Is No Shortage of Freight Cars--Railroads Must Make Better Use of What They Have. Department of Transportation, Federal Railroad Administration; and Interstate Commerce Commission. *CED-81-2, 11-10-80*

Increasing Commuting by Transit and Ridesharing: Many Factors Should Be Considered. Departments of Transportation and Energy, and Environmental Protection Agency. *CED-81-13, 11-14-80*

Further Improvements Are Needed in Amtrak's Passenger Service Contracts, But They Won't Come Easily. Department of Transportation and Interstate Commerce Commission. *CED-81-35, 1-7-81*

Soaring Transit Subsidies Must Be Controlled. Department of Transportation, Urban Mass Transportation Administration; and Department of Labor. *CED-81-28, 2-26-81*

Deteriorating Highways and Lagging Revenues: A Need To Reassess the Federal Highway Program. Department of Transportation, Federal Highway Administration. *CED-81-42, 3-5-81*

Transportation Contingency Plans for Future Gas Shortages Will Not Meet Commuter Needs. Departments of Transportation and Energy. *CED-81-79, 7-1-81*

Conrail Needs To Further Improve Inventory Control and Management. *CED-81-140, 9-4-81*

Committees

Impact of Work Cutbacks on Northeast Corridor Improvement Project. Department of Transportation, Federal Railroad Administration; and National Railroad Passenger Corporation (AMTRAK). (Request of Representative John L. Burton, Chairman, Government Activities and Transportation Subcommittee, House Committee on Government Operations) *CED-81-23, 10-31-80*

ICC Needs To Eliminate Improper Leasing Practices by Certificated Motor Carriers. (Request of Senator Edward M. Kennedy, Chairman, Senate Committee on the Judiciary) *CED-81-24, 12-31-80*

GAO Comments on Department of Transportation Study of Amtrak State and Local Taxation. Department of Transportation. (Request of Senators Howard W Cannon, Ranking Minority Member, Senate Committee on Commerce, Science, and Transportation; and Bob Packwood, Chairman, Senate Committee on Commerce, Science, and Transportation) *PAD-81-58, 1-30-81*

The Trucking Industry's Federal Paperwork Burden Should Be Reduced. Department of Transportation, Federal Highway Administration; Office of Management and Budget; and Interstate Commerce Commission. (Request of Senator Lloyd Bentsen, Chairman, Joint Economic Committee) *GGD-81-32, 3-3-81*

Amtrak's Productivity on Track Rehabilitation Is Lower Than Other Railroads'--Precise Comparison Not Feasible. Department of Transportation. (Request of Senators Howard W. Cannon, Ranking Minority Member, Senate Committee on Commerce, Science, and Transportation; and Bob Packwood, Chairman, Senate Committee on Commerce, Science, and Transportation) *CED-81-60, 3-13-81*

Analysis of Proposal To Reduce Amtrak's Federal Subsidy. Department of Transportation, Federal Railroad Administration. (Request of Representative James J. Florio, Chairman, House Committee on Energy and Commerce, Commerce, Transportation, and Tourism Subcommittee; and Senators Bob Packwood, Chairman, Senate Committee on Commerce, Science, and Transportation; and Howard W. Cannon, Ranking Minority Member, Senate Committee on Commerce, Science, and Transportation) *CED-81-93, 4-9-81*

Congressional Action Is Needed To Resolve the Northeast Corridor Cost-Sharing Dispute. Department of Transportation and National Railroad Passenger Corpora-

tion (AMTRAK). (Request of Senators Howard W. Cannon, Ranking Minority Member, Senate Committee on Commerce, Science, and Transportation; and Bob Packwood, Chairman, Senate Committee on Commerce, Science, and Transportation) *CED-81-97, 4-30-81*

The Urban Mass Transportation Administration's Involvement in Bus Specifications and Testing. Department of Transportation. (Request of Representative John L. Burton, Chairman, Government Activities and Transportation Subcommittee, House Committee on Government Operations) *CED-81-105, 6-5-81*

Consumers Need More Reliable Automobile Fuel Economy Data. Departments of Energy and Transportation, Environmental Protection Agency, and Federal Trade Commission. (Request of Representative John D. Dingell, Chairman, House Committee on Energy and Commerce) *CED-81-133, 7-28-81*

Members

West Side Highway Project Cost Estimate. Department of Transportation, Federal Highway Administration. (Request of Representative Ted S. Weiss) *CED-81-33, 12-4-80*

Better Targeting of Federal Funds Needed To Eliminate Unsafe Bridges. Department of Transportation, Federal Highway Administration. (Request of Senator Jim Sasser) *CED-81-126, 8-11-81*

Questioned Highway Safety Program Costs in Mississippi. Department of Transportation, National Highway Traffic Safety Administration. (Request of Senator John C. Stennis) *CED-81-155, 9-29-81*

Agency Officials

Massachusetts Bay Transportation Authority's Termination of Contract for Light Rail Vehicles. Department of Transportation, Urban Mass Transportation Administration. *PSAD-81-11, 11-10-80*

Water Transportation

Committees

United States Lines, Inc.'s, Operating Differential Subsidy Agreement. (Request of House Committee on Merchant Marine and Fisheries) *CED-81-154, 9-4-81*

Agency Officials

Ineffective Management of Ship Maintenance--A Coast Guard Problem. Departments of Transporation and Defense. *LCD-81-12, 11-25-80*

DOT Should Terminate Further LORAN-C Development and Modernization and Exploit the Potential of the NAVSTAR/Global Positioning System. *MASAD-81-42, 9-18-81*

Veterans Benefits and Services

Hospital and Medical Care for Veterans

Congress

Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms. *HRD-81-54, 3-3-81*

Committees VA Contract Hospitalization Program: Timely Transfers of Veterans From Non-VA Hospitals to VA Medical Centers Can Reduce Costs. (Request of Representative G. V. Montgomery, Chairman, House Committee on Veterans' Affairs) *HRD-81-88, 5-12-81*

Members Providing Veterans With Service-Connected Dental Problems Higher Priority at VA Clinics Could Reduce Fee-Program Costs. Department of Defense. (Request of Senator Alan Cranston, Chairman, Senate Committee on Veterans' Affairs) *HRD-81-82, 6-19-81*

Cost of VA Medical Care to Ineligible Persons Is High and Difficult To Recover (Request of Senator William Proxmire) *HRD-81-77, 7-2-81*

Agency Officials VA Home Care Program Is a Cost-Beneficial Alternative to Institutional Care and Should Be Expanded. *HRD-81-72, 4-27-81*

Other Veterans Benefits and Services

Committees Veterans Administration Life Insurance Claims Processing. (Request of Senator Alan Cranston, Chairman, Senate Committee on Veterans' Affairs) *HRD-81-30, 12-29-80*

Veterans Education, Training, and Rehabilitation

Committees Legislation Plus Aggressive Action Needed To Strengthen VA's Debt Collection (Request of Senator William Proxmire, Chairman, HUD-Independent Agencies Subcommittee, Senate Committee on Appropriations) *HRD-81-5, 2-13-81*

Veterans Administration Education Loan Program Should Be Terminated: Legislative Action Taken. Department of Education. (Request of Representative G. V Montgomery, Chairman, House Committee on Veterans' Affairs) *HRD-81-128, 8-28-81*

Agency Officials Overpayments of Education Benefits Could Be Reduced for Veterans Enrolled in Noncollege Degree Courses. Veterans Administration. *HRD-81-154, 9-30-81*

SUMMARY OF PERSONNEL ASSIGNED TO CONGRESSIONAL COMMITTEES, FISCAL YEAR 1981

Committee	Length of Assignment From	To	Tentative release date	Salary[1]	Travel expenses[1]	Other expenses[2]	Total cost
Senate							
Appropriations Committee:							
Investigative Staff:							
Bagnulo, John E. (FOD-WRO)	02/04/80	12/12/80	—	$4,583	$ —	$ 390	$ 4,973
Carter, David F. (HRD)	10/06/80	12/12/80	—	7,524	—	640	8,164
Chervenak, Richard E. (EMD)	03/28/80	12/15/80	—	9,251	—	786	10,037
Chunta, John A. (GGD)	10/09/79	10/08/80	—	838	—	71	909
Csicseri, Anthony (AFMD)	01/23/80	11/29/80	—	7,975	—	678	8,653
Fraser, Leon A., Jr. (IPE)	10/01/80	12/12/80	—	5,677	—	483	6,160
Kruslicky, Mary (EMD)	02/04/80	12/15/80	—	6,966	—	592	7,558
Morvillo, Richard (GGD)	01/28/80	12/15/80	—	7,403	—	629	8,032
Pasden, Andrew J. (CED)	01/21/80	10/31/80	—	3,117	—	265	3,382
Swan, Peter (CED)	06/09/80	11/21/80	—	5,749	202	489	6,440
Willis, Carl R. (FOD-CIN)	04/14/80	12/15/80	—	1,763	799	150	2,712
Governmental Affairs Committee:							
Subcommittee on Federal Spending Practices and Open Government:							
Bagby, Linda G. (GGD)	06/26/80	01/02/81	—	5,881	—	500	6,381
Goodin, Paul R. (MASAD)	05/14/80	01/07/81	—	11,886	—	1,010	12,896
Subcommittee on Investigations:							
Jones, Norman (HRD)	05/18/81	—	05/17/82	11,172	—	950	12,122
Subcommittee on Civil Service and General Services:							
Stapleton, Alan M. (FPCD)	06/16/80	10/04/80	—	394	—	33	427
Judiciary Committee:							
Subcommittee to Investigate Individuals Representing the Interest of Foreign Government:							
Bennett, Alan (ID)	10/02/80	10/04/80	—	263	—	22	285
Jacques, Joseph W. (AFMD)	10/02/80	10/04/80	—	247	—	21	268
Finance Committee:							
Mihalski, Edmund (HRD)	05/18/81	—	5/17/82	12,481	20	1,061	13,562
Stanko, William R. (HRD)	08/10/81	—	08/09/82	4,995	46	425	5,466
Yucas, Ronald (HRD)	05/18/81	06/26/81	—	3,317	—	282	3,599
House							
Appropriations Committee:							
Surveys and Investigations Staff:							
Antonio, Robert (PLRD)	12/01/80	—	11/30/81	28,654	1,403	2,436	32,493
Avalos, Henry (ID)	10/09/79	—	10/08/81	814	—	69	883
Bachman, Thomas F. (FOD-CIN)	05/15/81	—	05/14/82	13,424	2,222	1,141	16,787
Beard, James H. (FOD-ATL)	05/19/81	—	05/18/82	11,392	2,355	968	14,715

Committee	Length of Assignment From	To	Tentative release date	Salary[1]	Travel expenses[1]	Other expenses[2]	Total cost
House—Continued							
Behal, Richard D. (FOD-PHIL)	06/01/81	—	05/30/82	11,250	590	956	12,796
Bigden, Frederick A. (FOD-WRO)	01/07/80	01/06/81	—	9,778	99	831	10,708
Block, Arlene J. (FOD-WRO)	11/12/80	—	11/11/81	20,919	4,861	1,778	27,558
Bollea, Paul (FOD-WRO)	11/17/80	—	11/16/81	23,639	3,743	2,009	29,391
Brouk, Art (FOD-KC)	07/06/81	—	07/05/82	6,965	123	592	7,680
Chervenak, Richard (EMD)	12/08/80	—	12/07/81	41,049	3,001	3,489	47,539
Collins, Charles S. (HRD)	10/09/79	10/08/80	—	1,156	—	98	1,254
Cramsey, John (PLRD)	03/09/81	—	03/08/82	21,288	4,131	1,809	27,228
Denman, Julia (PLRD)	04/13/81	—	10/17/81	18,938	1,863	1,610	22,411
Dinsmore, Paul F. (PLRD)	06/23/80	06/22/81	—	30,125	5,208	2,561	37,894
Eilerman, Robert J. (FOD-KC)	05/19/81	—	05/18/82	14,744	586	1,253	16,583
Eleamos, Anthony W. (FOD-LA)	05/19/81	—	05/18/82	17,421	1,387	1,481	20,289
Fisher, Muriel (OAS)	12/22/80	06/05/81	—	10,296	—	875	11,171
Gillespie, Bascum E. (FOD-DET)	05/15/81	—	05/14/82	15,048	3,119	1,279	19,446
Girone, Louis M. (FOD-PHIL)	06/01/81	09/09/80	—	11,096	423	943	12,462
Goodin, Paul (MASAD)	11/17/80	—	11/16/81	39,854	1,673	3,388	44,915
Jahnigen, George (PLRD)	10/27/80	—	10/26/81	38,938	2,478	3,310	44,726
Kader, Ronald (EMD)	06/08/81	—	06/07/82	10,232	—	870	11,102
Kauffman, Dean S. (FOD-LA)	05/19/81	—	05/18/82	8,389	957	713	10,059
Kissel, Robert P., Jr. (FOD-CIN)	05/15/81	—	05/14/82	11,286	5,473	959	17,718
Koval, Paul J. (ID)	09/29/80	09/28/81	—	47,780	1,040	4,061	52,881
Mason, Tom Roy (EMD)	04/13/81	—	04/12/82	19,710	4,663	1,675	26,048
Messinger, Ed (AFMD)	10/27/80	—	10/26/81	46,831	15	3,981	50,827
Metz, Charles T. (ID)	09/27/80	09/28/81	—	43,075	2,965	3,661	49,701
Moores, James S. (FOD-DET)	10/09/79	10/08/80	—	622	570	53	1,245
Neuf, Conrad H., Jr. (MASAD)	01/02/80	12/31/80	—	11,537	1,296	981	13,814
Nobles, Rudy J. (FOD-DAL)	05/19/81	—	05/18/82	13,153	696	1,118	14,967
Owczarzak, James R. (FOD-DET)	05/15/81	—	05/14/82	11,975	3,026	1,018	16,019
Pate, Dona L. (ID)	03/09/81	04/17/81	—	1,416	—	120	1,536
Perrigo, Jack G., Jr. (FOD-WRO)	09/02/80	09/01/81	—	24,883	2,064	2,115	29,062
Peters, Shirley W., Jr. (FOD-DAL)	05/19/81	—	05/18/82	10,724	3,819	912	15,455
Pollon, Hugh (PLRD)	10/27/80	—	10/26/81	32,951	6,783	2,801	42,535
Rhamy, David (OIR)	02/17/81	—	02/16/82	14,269	2,209	1,213	17,691
Rose, Jimmy R. (FOD-ATL)	05/19/81	—	05/18/82	14,348	3,478	1,220	19,046
Sullivan, Art (FOD-WRO)	12/15/80	—	12/14/81	26,875	4,132	2,284	33,291
Swain, John (PLRD)	05/04/81	—	05/13/82	9,340	508	794	10,642
Swain, John (PLRD)	01/02/80	01/01/81	—	4,770	4,015	405	9,190
Thompson, Ken (GGD)	10/27/80	—	10/27/81	40,105	761	3,409	44,275
Tice, Robert J. (CEDD)	11/12/80	—	11/11/81	46,096	983	3,918	50,997
Vick, Beverly D. (OPS)	02/02/81	03/02/81	—	1,686	—	143	1,829
Subcommittee on Defense:							
Asby, Felix (MASAD)	09/04/80	04/30/81	—	29,293	4,084	2,490	35,867

Committee	Length of Assignment From	To	Tentative release date	Salary[1]	Travel expenses[1]	Other expenses[2]	Total cost
House—Continued							
Government Operations Committee:							
Subcommittee on Government Information and Individual Rights:							
Baugher, Jerry G. (HRD)	05/12/80	11/15/80	—	3,762	—	320	4,082
Gaston, Larry (GGD)	02/04/80	02/03/81	—	12,204	—	1,037	13,241
Guido, Frank (HRD)	05/12/80	11/15/80	—	3,762	—	320	4,082
Searey, Judith L. (HRD)	05/12/80	11/15/80	—	2,360	—	201	2,561
St. Armand, Carol C. (HRD)	05/12/80	11/15/80	—	2,854	—	243	3,097
Williams, James G. (HRD)	05/07/80	11/15/80	—	5,288	—	449	5,737
Denomme, Joan A. (HRD)	05/07/80	11/15/80	—	3,762	—	320	4,082
Subcommittee on Legislation and National Security:							
Oleyar, Ron (AFMD)	04/27/81	—	10/16/81	17,556	—	1,492	19,048
Rowan, David W. (PLRD)	06/19/80	03/30/81	—	24,409	—	2,075	26,484
Zanardi, Louis H. (ID)	08/10/80	02/10/81	—	14,942	—	1,270	16,212
Subcommittee on Commerce, Consumer and Monetary Affairs:							
Andros, Robert (HRD)	08/18/80	02/18/81	—	16,669	—	1,417	18,086
Brandt, Kirby E. (EMD)	06/11/80	12/11/80	—	9,006	—	766	9,772
Subcommittee on Accounts:							
Bukowy, Stephen (AFMD)	03/09/81	07/24/81	—	10,711	—	910	11,621
Ways and Means Committee:							
Subcommittee on Oversight:							
Fraser, Leon (IPE)	03/02/81	—	03/01/82	16,389	—	1,393	17,782
Schmidt, Peter E. (HRD)	08/18/80	08/17/81	—	20,669	—	1,757	22,426
Simik, Frank (GGD)	08/31/81	—	08/30/82	1,645	—	140	1,785
Swittenberg, Julian E. (HRD)	09/02/80	09/01/81	—	26,534	—	2,255	28,789
Committee on Standards of Official Conduct:							
Leland, Kenneth (AFMD)	03/06/80	12/01/80	—	6,536	—	556	7,092
Lombard, Alan (AFMD)	03/11/80	12/22/80	—	7,865	—	669	8,534
Committee on Science and Technology:							
Beusse, James R. (FOD-NOR)	05/25/81	08/07/81	—	4,902	2,207	417	7,526
GRAND TOTAL				1,191,441	96,076	101,274	1,388,791

[1] *For Senate staff assignments this cost was/will be reimbursed by the Committee or Subcommittee concerned.*

[2] *These amounts, which are 8.5% of salary cost, include the Government's estimated share for personnel benefits payable to the Office of Personnel Management for (1) Life Insurance Fund, (2) Retirement Fund, and (3) Health Benefits Fund.*

Total assigned during fiscal year 1981

Division/Office	
Accounting and Financial Management	4
Community and Economic Development	2
Energy and Minerals	3
Federal Personnel and Compensation	1
General Government	4
Human Resources	12
Institute for Program Evaluation	1
International Division	5
Mission Analysis and Systems Acquisition	3
Office of Administrative Services	1
Office of Information Systems and Services	1
Office of Publishing Services	1
Procurement, Logistics and Readiness	3

Regional Office	
Cincinnati	1
Detroit	1
Norfolk	1
Philadelphia	1
Washington	3
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On assignment as of September 30, 1981

Division/Office	
Accounting and Financial Management	2
Community and Economic Development	1
Energy and Minerals	3
General Government	2
Human Resources	3
Institute for Program Evaluation	1
International Division	1
Mission Analysis and Systems Acquisition	1
Office of Internal Review	1
Procurement, Logistics and Readiness	6

Regional Office	
Atlanta	2
Cincinnati	2
Dallas	2
Detroit	2
Kansas City	2
Los Angeles	2
Philadelphia	1
Washington	3
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DESCRIPTIONS OF MAJOR ORGANIZATIONAL UNITS OF GAO

The following identifies GAO's major units of organization, together with a brief description of the major responsibilities and principal activities of each. The lines of authority and the names of top officials can be found in the organization chart preceding Chapter 1.

Offices

Office of the Comptroller General

Four offices, each part of the Office of the Comptroller General, perform direct staff services for him. The Office of Congressional Relations coordinates GAO's activities with congressional committees and Members. The Civil Rights Office oversees GAO's efforts to carry out all of its activities in a nondiscriminatory manner. The Office of Internal Review audits and reviews GAO's own operations. And the Office of Public Information assists the public and the media with their queries on GAO's reports and activities.

Office of the General Counsel

The Office of the General Counsel assists the Comptroller General by performing legal work on matters coming before the General Accounting Office. This involves interpreting laws governing public expenditures or, for the Comptroller General, the preparation of final and binding decisions to Government officers who are accountable for the public funds they administer. The work also consists of reviewing for legal sufficiency the numerous Comptroller General reports informing the Congress of the construction which executive branch agencies currently are placing on congressional mandates and the extent to which these actions reflect congressional intent. In its bid protest work, the office resolves disputes between agencies and bidders for Government contracts, including grantee award actions. Committee chairmen and individual Members of Congress ask for and receive opinions on the legality of agency actions and on legislative options. Finally, the Office of the General Counsel is responsible for informing Congress of executive branch impoundments of available budget authority and for assuring compliance with the provisions of the Impoundment Control Act of 1974.

Policy and Program Planning

The Office of Policy and the Office of Program Planning report directly to the Assistant Comptroller General for Policy and Program Planning. They see that the audit work of GAO is planned, coordinated, and reported in a consistent and effective manner. These offices work with the audit divisions to implement GAO's policies and planning guidelines across divisional lines.

The Office of Foreign Visitor and International Audit Organization Liaison, which also reports to this Assistant Comptroller General, is responsible for administering GAO's international liaison activities.

Administration

GAO's own internal management and administration is supervised by the Assistant Comptroller General for Administration. He provides direction over the activities of the Personnel and General Services and Controller organizations. Through the latter organization, activities such as publishing services, library and information, and financial management are carried out. The Office of Organization and Human Development, established in 1981, also falls within the jurisdiction of the Assistant Comptroller General for Administration. This office is responsible for human resource management, employee training, and counseling services.

Program Evaluation

The Assistant Comptroller General for Program Evaluation oversees the work of GAO's Program Analysis Division and the Institute for Program Evaluation. He assists the Comptroller General in a variety of other functions related to the quality of evaluation and analysis embodied in GAO's reports and other products.

Divisions

Accounting and Financial Management Division

The Accounting and Financial Management Division is responsible for coordinating GAO's work in the issue areas of automatic data processing, internal auditing, accounting and financial reporting, and national productivity.

This division carries out its responsibilities by participating in the Joint Financial Management Improvement Program and its Government-wide responsibilities for automatic data processing, accounting systems, internal auditing and fraud prevention, productivity, and financial statement audits. It provides GAO audit coverage at the Securities and Exchange Commission.

In addition, the division's Claims Group adjudicates claims by or against the United States and reviews, evaluates, and reports on the claim settlement and debt collection activities of Government agencies.

Community and Economic Development Division

The Community and Economic Development Division coordinates GAO's work in the areas of food, domestic housing and community development, environmental protection, land use planning, management and control, transportation systems and policies, and water and water-related programs.

In addition to its leadership responsibilities for these issue areas, this division provides GAO audit coverage at the Departments of Agriculture, Commerce, Housing and Urban Development, Interior (except energy and materials activities), and Transportation; the Army Corps of Engineers (civil functions); the Environmental Protection Agency; the Small Business Administration; the Interstate Commerce, Federal Maritime, and Federal Communications Commissions; the National Railroad Passenger Corporation (Amtrak); the Washington Metropolitan Area Transit Authority; the U.S. Railway Association; the Civil Aeronautics Board; the Commodity Futures Trading Commission; the Federal Emergency Management Agency; and a variety of boards, commissions, and quasi-governmental entities.

Energy and Minerals Division

The Energy and Minerals Division serves as lead division within GAO for the issue areas of energy and minerals.

The division provides GAO audit coverage for the Department of Energy, the Nuclear Regulatory Commission, the Tennessee Valley Authority, energy and minerals programs of the Department of the Interior, and energy and materials activities located in numerous other Federal entities.

Federal Personnel and Compensation Division

The Federal Personnel and Compensation Division is the lead division responsible for planning and coordinating GAO's work in the issue area of Federal personnel management and compensation.

This division also provides GAO audit coverage for the Office of Personnel Management, the Merit Systems Protection Board, the Federal Labor Relations Authority, and the Selective Service System. The division examines Government-wide personnel and compensation activities relating to and affecting the Federal work force, including both civilian employees and military members.

Field Operations Division

The Field Operations Division, through its regional offices in 15 cities, provides direct audit support throughout the continental United States, Alaska, Puerto Rico, and the Virgin Islands for GAO's other operating divisions. Thus, this division plays a major role in most of GAO's work. About half of GAO's professional staff is assigned to its regional offices.

General Government Division

The General Government Division is responsible for coordinating GAO's work in the issue areas of intergovernmental policies and fiscal relations, law enforcement and crime prevention, tax administration, the information resources management activities of the Federal Government, and Federal oversight of financial institutions.

This division provides GAO audit coverage for the Departments of Justice and Treasury, the District of Columbia Government, the United States Postal Service, the judicial branch of the Federal Government, and various other agencies and commissions.

Human Resources Division

The Human Resources Division coordinates GAO's work in the issue areas of consumer and worker protection, administration of nondiscrimination and equal opportunity programs, education, health, income security, and employment and training.

In addition to its leadership in these issue areas, this division provides GAO audit coverage for the Departments of Labor, Health and Human Services, and Education; the Community Services Administration; the Consumer Product Safety Commission; the Federal Trade Commission; the Pension Benefit Guaranty Corporation; the Legal Services Corporation; ACTION; the Railroad Retirement Board; the Equal Employment Opportunity Commission; the Veterans Administration; all Federal health programs; and various small commissions and independent agencies.

Institute for Program Evaluation

The Institute for Program Evaluation is responsible for enhancing the growth of GAO's capabilities to perform program evaluation and to assist the Congress in making the most effective use of evaluative information. With this dual mandate, the Institute is engaged in a variety of evaluation activities: design and technical assistance to other GAO divisions on matters of evaluation, development of needed evaluation methodologies, conduct of evaluation assignments, and linkage of evaluation findings to the information needs of the Congress.

The Institute also assumes responsibilities under title VII of the Congressional Budget Act for working with the Congress on structuring evaluation efforts that inform new legislation, oversight hearings, and reauthorization of existing programs. Of special concern is the use of evaluation efforts to probe matters of program cost and managerial efficiency and effectiveness.

The Institute encourages and maintains contacts with evaluation professionals in other Federal agencies, universities, professional societies, and State and local governments, and fosters communica-

ion within the evaluation community.

International Division

The International Division serves as lead division for the international affairs issue area.

This division provides GAO audit coverage for the Department of State, the Agency for International Development, the Central Intelligence Agency, the Export-Import Bank of the United States, the International Communication Agency, the Panama Canal Commission, as well as the international activities of the Department of Defense and all other Federal entities. International Division personnel staff GAO's overseas offices.

Mission Analysis and Systems Acquisition Division

The Mission Analysis and Systems Acquisition Division is responsible for conducting GAO's work in the issue areas of mission analysis, systems development and acquisition, and communications, command, control, and intelligence.

This division ascertains that new Defense systems do, in fact, address deficiencies in perceived and postulated threats; examines the cost/schedule/performance effectiveness of such systems throughout the development and acquisition stages; and monitors the Government's communications, intelligence, and ADP work related to Defense tactical, nontactical, and data communications. Most of this division's work is concentrated in the Department of Defense, the National Aeronautics and Space Administration, and the defense-related activities of the Department of Energy.

Procurement, Logistics and Readiness Division

The Procurement, Logistics and Readiness Division serves as the lead division within GAO for work in the areas of facilities and materiel management, procurement, and military preparedness.

Most of this division's work covers the Department of Defense. It also provides GAO audit coverage for portions of the General Services Administration, the Government Printing Office, the Federal Emergency Management Agency, the Office of Federal Procurement Policy, and the Architectural and Transportation Barriers Compliance Board. It has Government-wide responsibility for activities related to logistics.

Program Analysis Division

The Program Analysis Division is responsible for GAO's work in the issue areas of program and budget information for congressional use, economic analysis of alternative program approaches, and science and technology.

This division maintains oversight responsibility for several agencies, including the Office of Science and Technology Policy and the National Science Foundation. It is GAO's focal point for work in the areas of economics and science policy, and it coordinates GAO's activities with the Congressional Budget Office and the Office of Technology Assessment.

LEGISLATION ENACTED DURING FISCAL YEAR 1981 RELATING TO THE WORK OF THE GENERAL ACCOUNTING OFFICE

Audits

Housing and Community Development Planning Assistance

Public Law 96-399, Oct. 8, 1980, 94 Stat. 1614, the Housing and Community Development Act of 1980, amends the Housing Act of 1954 providing a system of grants for planning assistance. The financial transactions of fund recipients may be audited by GAO under rules and regulations the Comptroller General prescribes. GAO is provided access to records necessary to facilitate the audit. (94 Stat. 1666)

Bonneville Power Administration Funds

Public Law 96-501, Dec. 5, 1980, 94 Stat. 2697, the Pacific Northwest Electric Power Planning and Conservation Act, establishes the Pacific Northwest Electric Power and Conservation Planning Council. Among other things, the Council prepares and adopts both a regional conservation and electric power plan and a program to protect, mitigate, and enhance fish and wildlife.

The Bonneville Power Administration pays the Council compensation and other expenses from available funds. The records, reports, and other documents of the Council are available to the Comptroller General for review. (94 Stat. 2705)

Territorial Government

Public Law 96-514, Dec. 12, 1980, 94 Stat. 2957, Department of the Interior and Related Agencies Appropriations for fiscal year 1981, contains a proviso for audit by GAO of all financial transactions of the Territorial and local governments, including transactions of all agencies or instrumentalities established or used by such governments. The governments include the offices of Government Comptroller of the Virgin Islands, the Government Comptroller of Guam, Trust Territory of the Pacific Islands, the Northern Mariana Islands, and the Government Comptroller of American Samoa.

The proviso states that the audit shall be made in accordance with the provisions of the Budget and Accounting Act, 1921, and the Accounting and Auditing Act of 1950. (94 Stat. 2969)

Appropriated Funds Expenditure Prerequisite or Exemption

Public Law 96-526, Dec. 15, 1980, 94 Stat. 3044, Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1981, contains a general provision that no funds appropriated by the act may be spent unless such expenditure is subject to audit by GAO or is specifically exempt by law from such an audit. (94 Stat. 3065)

African Development Foundation

Public Law 96-533, Dec. 16, 1980, 94 Stat. 3131, International Security and Development Cooperation Act of 1980, provides at title V for the establishment of the African Development Foundation. The purpose of the Foundation is to (1) strengthen the bonds of friendship and understanding between the people of Africa and the United States, (2) support self-help activities at the local level designed to enlarge opportunities for community development, (3) stimulate and assist effective and expanding participation of Africans in their development process, and (4) encourage the establishment and growth of development institutions indigenous to particular countries in Africa and responsive to the requirements of the poor.

The Foundation is a wholly owned Government corporation subject to audit by GAO under the provisions of the Government Corporation Control Act. (94 Stat. 3155)

Indian Health Service Contracts

Public Law 96-537, Dec. 17, 1980, 94 Stat. 3173, Indian Health Care Amendments of 1980, establishes programs in urban areas and rural communities to make health services more accessible to the urban and rural Indian populations.

The Secretary of Health and Human Services must enter into contracts with urban Indian organizations to assist in establishing such programs. The reports and records of the Indian organizations with respect to these contracts are subject to audit by the Comptroller General. (94 Stat. 3179)

Access to Records

Mental Health Grants

Public Law 96-398, Oct. 7, 1980, 94 Stat. 1564, the Mental Health Systems Act, is intended to improve mental health services and promote mental health throughout the United States.

The legislation requires award of grants for (1) community mental health centers, (2) services for chronically mentally ill individuals, (3) services for severely mentally disturbed children and adolescents, and (4) mental health services for elderly individuals and other priority populations. The Comptroller General has access to records and documents necessary for an effective audit. (94 Stat. 1593)

Medicare Provider Subcontractors

Public Law 96-499, Dec. 5, 1980, 94 Stat. 2599, Omnibus Reconciliation Act of 1980, adds a new section (I) to section 1861(v)(1) of the Social Security

Act. The section provides that Medicare reimbursement will include amounts paid by providers for services furnished under contracts with subcontractors entered after the enactment date for $10,000 or more over a 12-month period. The contract must contain a provision allowing the Comptroller General access to the subcontractors' records necessary to verify costs as delineated by the law. (94 Stat. 2646)

Office of Information and Regulatory Affairs

Public Law 96-511, Dec. 11, 1980, 94 Stat. 2812, Paperwork Reduction Act of 1980, establishes the Office of Information and Regulatory Affairs in the Office of Management and Budget. Among other things, the office develops and implements Federal information policies, principles, standards, and guidelines.

Under the conditions and procedures prescribed in section 313 of the Budget and Accounting Act of 1921, as amended, the Director and personnel in the Office of Information and Regulatory Affairs are to furnish information required by the Comptroller General to fulfill his responsibilities. The Comptroller General has access to pertinent records. (94 Stat. 2825)

GAO is excluded from the definition of "agency" for the purposes of this act. (94 Stat. 2813)

Fishery Research and Development Grants

Public Law 96-561, Dec. 22, 1980, 94 Stat. 3275, Salmon and Steelhead Conservation and Enhancement Act of 1980, contains at title II the American Fisheries Promotion Act. This act amends the Saltonstall- Kennedy Act so that the Secretary of Commerce is authorized to make grants to persons doing U.S. fisheries research and development projects including, but not limited to, harvesting, processing, marketing, and associated infrastructures.

The Comptroller General is provided access to the records of grant recipients. (94 Stat. 3289)

End-of-Fiscal-Year Spending Limitation

Public Law 96-400, Oct. 9, 1980, 94 Stat. 1681, the Department of Transportation and Related Agencies Appropriation Act, 1981, contains a general provision that no appropriations made available in the act are to be obligated during fiscal year 1981 in excess of 30 percent for the last quarter of such fiscal year or 15 percent for any month in the last quarter of such fiscal year. The Office of Management and Budget may waive the requirement to avoid serious disruption in the program or activity.

Not later than December 31, 1981, the Office of Management and Budget must report to the Committees on Appropriations on the results and effects of the requirements and actions taken, including the effects upon the procurement and apportionment processes. The Comptroller General must review the report and submit an analysis and pertinent recommendations to the Committees on Appropriations. (94 Stat. 1698)

Public Law 96-526, Dec. 15, 1980, 94 Stat. 3044, Department of Housing and Urban Development—Independent Agencies Appropriation Act, 1981, contains the same general provision described above. (94 Stat. 3066)

Railroad Accounting Principles Board

Public Law 96-448, Oct. 14, 1980, 94 Stat. 1895, the Staggers Rail Act of 1980, reforms the economic regulation of railroads. The law establishes a Railroad Accounting Principles Board in the legislative branch. The Board is composed of the Comptroller General, who is to serve as chairman, and six members he appoints. (94 Stat. 1935)

Chesapeake Bay Research Coordination

Public Law 96-460, Oct. 15, 1980, 94 Stat. 2044, the Chesapeake Bay Research Coordination Act of 1980, provides for an Office of Chesapeake Bay Research Coordination in the Department of Commerce. A Chesapeake Bay Research Board is also established to coordinate federally supported and conducted research efforts regarding the Bay.

Upon the termination of the act on September 30, 1984, GAO must submit to the Congress an effectiveness evaluation of the Board, Office, and the act itself. (94 Stat. 2048)

Foreign Service Act of 1980

Public Law 96-465, Oct. 17, 1980, 94 Stat. 2071, to promote the foreign policy of the United States by strengthening and improving the Foreign Service of the United States, empowers the President to appoint an Inspector General of the Department of State and the Foreign Service.

The Inspector General develops and implements policies and procedures for inspection and audit activities in compliance with standards established by the Comptroller General for audits of Government agencies. The Inspector General must especially heed the activities of the Comptroller General to ensure effective coordination and cooperation. (94 Stat. 2081)

Patent Rights to Inventions

Public Law 96-517, Dec. 12, 1980, 94 Stat. 3015, amends the patent and trademark laws. A new chapter 38 is added to title 35 of the United States Code regarding patent rights of inventions made with Federal assistance.

When an agency determines that restricting or eliminating the rights to retain title to an invention will better promote the policy and objectives of this chapter, a written statement of facts justifying the determination must be sent to the Comptroller General. If the Comptroller General believes that any pattern of determination by a Federal agency or an agency's policies and practices do not conform to this chapter, he must advise the head of the agency. Within 120 days and in writing, the agency head must then advise the Comptroller General of what action, if any, the agency has taken or plans to take concerning the matters raised.

At least once a year the Comptroller General must report to the House and Senate Judiciary Committees on the manner in which this chapter is being implemented and on other aspects of Government patent policies and practices with respect to federally funded inventions. (94 Stat. 3020)

Appropriation Limitation

Public Law 96-536, Dec. 16, 1980, 94 Stat. 3166, makes further continuing appropriations for fiscal year 1981. It limits use of appropriated funds to publish in the *Federal Register* implementation or enforcement of proposed Conditions of Participation for Skilled Nursing Facilities or Intermediate Care Facilities, first published as proposed in the *Federal Register* on July 14, 1980, prior to receipt of revised cost estimates by the Department and the final draft of a GAO evaluation of the proposed regulations' effects, and in no case, prior to January 12, 1981. (94 Stat. 3172)

Farm Credit

Public Law 96-592, Dec. 24, 1980, 94 Stat. 3437, the Farm Credit Act Amendments of 1980, requires the Comptroller General to evaluate programs and activities authorized under the 1980 amendments to the Farm Credit Act of 1971. The evaluation must include the effect that this act will have on agricultural credit services provided by the Farm Credit System, Federal agencies, and other entities. An interim report to the Congress is to be made no later than December 31, 1982. A final report is to be made no later than December 31, 1984. (94 Stat. 3450-51)

Omnibus Budget Reconciliation Act of 1981

Public Law 97-35, Aug. 13, 1981, 95 Stat. 357, Omnibus Budget Reconciliation Act of 1981, contains 27 titles. Seven of these titles contain provisions relating to GAO.

Title III pertains to banking, housing, and related programs. The National Consumer Cooperative Bank Act is amended to provide for orderly conversion of the Bank from a mixed-ownership Government corporation to a private bank owned and controlled by its cooperative stockholders. The Farm Credit Administration and GAO are authorized to examine and audit the Bank. Reports resulting from these audits and examinations are to be forwarded to the Congress. (95 Stat. 436)

Title VI—Human Services Programs, contains at section 635 the Head Start Act. GAO is provided access to records of recipients of financial assistance under the act. (95 Stat. 505)

Section 671, the Community Services Block Grant Act, requires the Comptroller General to evaluate periodically a State's expenditures of community services block grants to assure that expenditures are consistent with subtitle provisions and to determine the State's effectiveness in accomplishing the purposes of the subtitle. (95 Stat. 516)

To assure compliance with the provisions of the subtitle, the Comptroller General may investigate the use of funds received by a State. GAO is provided access to records for this purpose. (95 Stat. 517)

Title IX—Health Services and Facilities, contains an amendment creating a new title XIX to the Public Health Service Act. Part A provides for preventive health, health services, and primary care health block grants. Part B provides for alcohol and drug abuse and mental health services block grants, and part C for primary care block grants. Each of these parts requires the Comptroller General to evaluate a State's expenditures to assure consistency with the provisions of the part and certain required certification.

Each State must prepare annual reports on its activities, including information required by the Secretary of Health and Human Services after consultation with the Comptroller General.

The Comptroller General may also investigate the use of funds received by a State to assure compliance with certification requirements. (95 Stat. 540, 541, 549, 550, 551, 557, 558, 560)

Title XI—Transportation and Related Programs, contains at Part 5, United States Railway Association, amendments to the Regional Rail Reorganization Act of 1973. By these amendments the Comptroller General is made a statutory member of the United States Railway Association Board of Directors. (95 Stat. 674)

Subtitle F of title XI contains the Amtrak Improvement Act of 1981. Section 602 of the Rail Passenger Service Act is amended by adding a new subsection (l) requiring that before February 1, 1982, the Department of Transportation, in consultation with GAO, the National Railroad Passenger Corporation, and the Department of the Treasury, is to submit to the Congress legislative recommendations for

From the Editors

The Office of the General Counsel provides advice and analysis on a broad spectrum of subjects. In this respect, this edition of the *Adviser* is very representative of OGC because the articles in this issue analyze and offer advice on a wide range of topics. In the area of Government procurement, Seymour Efros presents the recent developments in multiyear contracting, and James Roberts warns Government contract bidders to be wary of the methods by which bids are submitted. Transportation is the theme of Michael Golden's article which provides a primer for Government employees and agencies on the use of commercial travel agents for Government travel. Jessica Laverty's article deals with Government regulation of hazardous substances. Finally, Richard Seldin provides an interesting discussion of the legal substance and procedural development of two recent GAO reports concerning Puerto Rico.

Since the last edition of the *Adviser*, Charles Roney and Andrea Kole have completed their terms on the editorial board, and Stuart Kramer has left GAO. We who remain thank Chuck, Andrea, and Stuart for their help. Additionally, we thank the following OGC staff members for their assistance in preparing this issue of the *Adviser*: Josephine Bryant, Nancy Mufti, Gail Munoz, and Janice Sibert.

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MULTIYEAR CONTRACTING

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Seymour Efros[1]

On June 23, 1981, the Secretary of Defense, the Honorable Caspar W. Weinberger, testified before the House Committee on Armed Services on the multiyear contracting provisions of H.R. 3519,[2] the 1982 Department of Defense (DOD) Authorization bill. The Secretary of Defense stated to the Committee that the time had come for the Congress to permit greater use of multiyear contracting in the procurement of weapon systems. He stated that while there may be disadvantages to multiyear contracting, it offers the opportunity to realize significant savings if wisely used. He estimated a possible savings of 560 million dollars on the Air Force's F-16 project through multiyear contracting.

What is multiyear contracting? What are its advantages and disadvantages? And what legislative changes are needed to increase its use? These questions are worth considering if a potential savings of millions of dollars may be realized by using multiyear contracting.

WHAT IS MULTIYEAR CONTRACTING?

The term multiyear contracting means a contract for more than 1 year's requirements of items or services. For example, a contract calling for 120 F-16 aircraft per year for the next 5 years (total of 600 aircraft) would be a multiyear contract. Another example is a contract for base maintenance services to extend over several years.

Typically, under a multiyear contract, funds are appropriated annually for a single year's requirements, and the contract is made subject to being cancelled or terminated by the Government. Cancellation would occur if, at the completion of a fiscal year, the Government did not continue the contract for subsequent fiscal years due to lack of funding. Termination would occur if during the course of the fiscal year the Government decided to terminate the remaining portion of the contract for that year. The termination liability would include both termination charges for the year and cancellation charges for the remaining years.

In contrast, a contract for the development of a new aircraft is not a multiyear contract, although it may take the contractor several years to develop the aircraft, and although the contract work may be funded incrementally on a yearly basis. The difference is that a multiyear contract covers more than current needs, while the development contract fulfills a current need—the need to start work on the development of the new aircraft design immediately. Another illustration is a contract for the construction of a ship. It may take a few years to complete the ship, but it is necessary to begin work immediately to complete the ship by 1985, when it must be ready for use. This is not a multiyear contract. But if the contract also called for ships to be delivered in 1986, 1987, and 1988 in anticipation of future needs, then the contract becomes a multiyear contract.

ADVANTAGES AND DISADVANTAGES

Almost every contracting agency agrees that multiyear contracting can result in significant savings for the Government. The most immediate savings is the potential for reducing start-up and other nonrecurring costs such as special tooling and special test equipment, plant rearrangement costs, preproduction engineering, and specialized work force training. Under multiyear contracting the contractor can spread or amortize these costs over the full contract quantity rather than only over a single year's quantity.

In addition, recurring costs—production costs that vary with the quantity being ordered such as material and labor—can be reduced by using multiyear contracting. The contractor can order materials, parts and components in economic lots for the full production quantity. Also, learning curve economies and economies resulting from a stable work force are potential benefits of multiyear contracting.

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[1]Associate General Counsel, Procurement Law Division, Office of the General Counsel, GAO. This article was prepared for the Government Contracts Council (GCC) of the Federal Bar Association and appeared in the August 1981 issue of the *GCC Newsletter*. It is reprinted here with the permission of the Editor of the *GCC Newsletter*.

[2]See also S. 815.

The major disadvantage of multiyear contracting compared to annual contracting is the greater risk to the Government resulting from the longer contract. If funds are not made available for the full contract period or if the design features of the item are changed, the Government may find itself with a large quantity of useless parts and with an obligation to reimburse the contractor for its unamortized costs.

The Government also must be very careful to select a dependable contractor for a multiyear contract. Choosing the right contractor is important in annual contracting, but its importance increases for multiyear contracting since the Government must live with the contractor much longer.

Because of the greater risks of multiyear contracting, its proponents recognize that it must be used selectively. It makes no sense to use multiyear contracting when the requirements are subject to change, when the prospects of future funding are bleak, or when the cost benefits are minimal.

MULTIYEAR CONTRACTING UNDER EXISTING LAW

Presently, a contracting agency may not use multiyear contracting for procurements financed with annual year funds in the absence of specific statutory authorization. Such funds are made available to a contracting agency only for the needs of the fiscal year and they must be obligated by the end of the fiscal year or returned to the Treasury.

There are a few statutory exceptions. Under 10 U.S.C. § 2306(g), the Congress has authorized DOD to enter into multiyear contracts with annual year funds for base maintenance and certain other services (and related supplies) to be performed outside the contiguous 48 States, provided specified conditions are met.

Also, under section 512 of Public Law 91-142, DOD is authorized to enter into contracts for periods of up to 4 years for supplies and services required for the maintenance and operation of family housing, using funds which would otherwise be available only within the fiscal year for which they were appropriated.

Statutory exceptions aside, multiyear contracting today is conducted by using funds which were made available for obligation for 2- or 3-year periods. As previously stated, if funds are not made available for future year requirements, the contract is then cancelled and the contractor is entitled to be paid a cancellation charge, not to exceed a ceiling established in the contract, for unamortized costs.

In the case of DOD, the cancellation ceiling may not exceed 5 million dollars unless statutory authorization is obtained for a higher ceiling. This ceiling was first imposed by the Congress by section 607 of the Defense Appropriation Authorization Act of 1973 and made applicable to fiscal year 1973 funds. Subsequent authorization acts also contained the cancellation ceiling and in 1976 the Congress made the 5 million dollar maximum cancellation ceiling permanent legislation by passage of section 810 of Public Law 94-106.

The cancellation ceiling for multiyear contracts was imposed by the Congress due to a bad experience on a ship building contract. Because of various problems encountered by its contractor, DOD directed cancellation of the contract when only five of the nine ships had been built. As a result, the amortized costs of the entire program were applied to the five ships. Sections 607 and 810 were thereafter enacted.

Clearly, DOD is not in a position to use multiyear contracting for a major acquisition unless Congressional authorization is obtained to exceed the 5 million dollar limit. A 5 million dollar cancellation ceiling is simply too low for a major acquisition.

Another restriction on the use of multiyear contracting pertains to the type of costs which the contractor may recover under the cancellation clause. Under the multiyear regulation (Defense Acquisition Regulation § 1-322), the cancellation charge is based only on start-up or other nonrecurring costs. Any costs incurred by the contractor for the performance of future-year requirements (recurring costs) are not recoverable. Thus, a contractor wanting to purchase material for the entire multiyear requirements in advance, must assume the risk that the contract will not be cancelled. Few contractors are willing to assume this risk.

LEGISLATIVE CHANGES NEEDED TO INCREASE USE OF MULTIYEAR CONTRACTING

Several bills are currently pending to permit greater use of multiyear contracting by DOD. The most

wide sweeping of these is H.R. 3519, the 1982 DOD authorization bill. Section 909 of that bill would: (1) extend present multiyear contracting authority for certain services to be performed outside the continental United States, and supplies related to these services, by removing the geographical restriction; (2) permit cancellation provisions in multiyear contracts for property, including weapon systems, which allow recovery of both recurring and nonrecurring costs of the contractor; (3) specifically provide authority for the advance procurement of parts, components, and material necessary to the manufacturing of weapon systems to achieve economic lot purchases and more efficient production rates; and (4) permit cancellation ceilings of any amount, provided that proposed ceilings in excess of 100 million dollars must be reported to the Congress 30 days before the contract is awarded.

Interestingly, the Secretary of Defense in his June 23, 1981, statement on multiyear contracting urged only that the Congress remove the 5 million dollar cancellation ceiling of section 810 and delete the geographical restriction of 10 U.S.C. § 2306(g) to allow multiyear contracts for support services within as well as outside the continental United States. He did not specifically ask for expanded advance procurement authority. Perhaps he was concerned by the effect that the broad advance procurement authority contained within H.R. 3519 might have on DOD's full-funding policy.

Under DOD's full-funding policy, funds are made available at the time of award to purchase a given quantity of complete end items or services. Full funding is used for multiyear contracts since useable end items or services are being procured under this type of contract.

Full funding is not used for research and development work. Rather, research and development is funded incrementally. That is to say, the contract is funded in increments, as funds become available each year. If DOD enters into a contract for development work, the work is funded incrementally; if funds are no longer available, the contract simply ceases.

The reason for the full-funding policy is readily apparent. DOD does not want to buy pieces of planes and tanks, but rather whole planes and whole tanks. On the other hand, research and development work properly may be ordered in increments, as progress is made and funds become available.

When an agency purchases materials, parts, and components in advance, it is departing from the full-funding policy to the extent of the advance buys. The end items for which the advance buys have been made have not yet been ordered. Whether they will be ordered depends on future appropriations.

Normally the current year end items will be fully funded. Sometimes, however, because of budgeting limitations, an agency may find that it cannot fully fund the current year requirements and permit advance buys at the same time. Under these circumstances the agency may find it necessary to fund a multiyear contract based on increments of work to be accomplished during the fiscal year in which the funds are available. Under this method of funding the total cost of the completed end items is not fully funded. This method of financing a multiyear contract is called termination liability funding. It permits efficient use of available funds, but it does not represent a departure from the full-funding policy.

CONCLUSION

The proponents of multiyear contracting point to the potential savings which this method of contracting offers. Savings of 10 to 20 percent have been estimated. On the other hand, misuse of multiyear contracting could lead to added costs. Finally, while these words were being written, the House of Representatives approved H.R. 3519. We may soon learn whether multiyear is a blessing or a trap for the unwary.

[A lawyer's function is] to protect his clients from being persuaded by persons whom they do not know to enter into contracts which they do not understand to purchase goods which they do not want with money which they have not got.

—GREEN, Lord, quoted by Evershed, Lord Francis Raymond, THE PRACTICAL AND ACADEMIC CHARACTERISTICS OF ENGLISH LAW **(Lawrence: University of Kansas Press, 1956), p. 40.**

EXPRESS MAIL GUARANTEED NEXT DAY DELIVERY—BIDDER BEWARE! 72/285

James H. Roberts, III[1]

"When you need overnight delivery service that's

— RELIABLE
— FAST
— GUARANTEED

Now . . . the United States Postal Service offers you a thoroughly tested system that assures that your important packages will be delivered the next day.

With Express Mail Next Day Service you can ship anything mailable, up to 70 pounds, overnight . . . with a guarantee that your shipment can be in the hands of your addressee the following day."

This advertisement for Express Mail Service appears in an official United States Postal Service Notice. Similar statements as to the reliability, swiftness, and guaranteed nature of Express Mail are provided to the public through various media, including television commercial advertisements. Relying on these statements, potential Federal Government contractors faced with imminent bid[2] deadlines, sometimes choose to submit bids via Express Mail Service with the expectation that their submissions will be delivered in a timely manner. Moreover, based on the Postal Service's guarantee of delivery, bidders often believe that even if an Express Mail submission is delivered late, after the scheduled time for bid opening, the Federal Government contracting agency still must accept it as a timely bid. This, however, is not the case due to late bid rules contained in procurement regulations and solicitation clauses.

LATE BID RULES

A basic rule which applies to all Federal procurements is that to be considered for award a bid must be received by the contracting agency on time. The reason for the rule is to give all competitors for a contract an equally fair opportunity to compete. Therefore, exceptions to the late bid rules are few and are strictly construed.

As an example of the late bid rules, the Defense Acquisition Regulation (DAR) under which all executive military agencies operate,[3] provides in pertinent part at § 7-2002.2 that:

"(a) Any bid received at the office designated in the solicitation after the exact time specified for receipt will not be considered unless it is received before award is made and either:

(i) it was sent by registered or certified mail not later than the fifth calendar day prior to the date specified for the receipt of bids (*e.g.*, a bid submitted in response to a solicitation requiring receipt of bids by the 20th of the month must have been mailed by the 15th or earlier); or,

(ii) it was sent by mail (or telegram if authorized) and it is determined by the Government that the late receipt was due solely to mishandling by the Government after receipt at the Government installation."

This clause, or one similar to it, is required to be included in each Government solicitation. Therefore, Government solicitations make it clear that a late bid may be considered only if sent by registered or certified mail "not later than the fifth calendar day prior to the date specified for receipt of bids" or where the late receipt was due solely to "mishandling by the Government after receipt at the Government installation." No exception is provided for Express Mail Service, and late bids submitted in that manner are rejected.

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[2]While this article will use the terms "bid" or "bidder" which refer to the formally advertised procurement process, the discussion is also applicable to negotiated procurements.

[3]The Federal Procurement Regulations, under which most executive civilian agencies operate, provide at 1-3.802-1 exceptions to the late bid rules similar to DAR and state one other late bid exception where "it is the only bid received" in response to the solicitation.

PROTESTS TO THE COMPTROLLER GENERAL

An avenue of appeal of the agency contracting officer's rejection of a late bid submitted by Express Mail is a protest to GAO under its Bid Protest Procedures,[4] requesting a decision on the matter by the Comptroller General. Over the past few years GAO has considered and ruled in numerous protests from disappointed late bidders who used Express Mail. A review of these cases reveals two major contentions which consistently are raised by protesters in support of their position that their late bids should be accepted. The contentions are discussed below in the context of GAO decisions.

Government Mishandling Exception

In raising this issue, a protester maintains that its late bid falls under the Government mishandling exception to the late bid rules[5] arguing that the United States Postal Service is a Government installation. Thus, since the late delivery was the fault of the Postal Service, it is argued that this exception applies and therefore the late bid should be accepted.

This contention has been considered and rejected by GAO.[6] GAO believes it is clear on the face of the late bid rules that the Government mishandling exception would apply only where "the late receipt was due solely to mishandling by the Government *after receipt at the Government installation.*"[7] In this regard, GAO has held that "the Government installation" refers to the Government complex or building in which the procuring activity is physically located and does not include the Postal Service.[8] Thus, a failure on the part of the Postal Service does not constitute mishandling at a Government installation for purposes of the late bid rules.[9]

Exercise of Reasonable Judgment

Protesters to GAO have maintained that because Express Mail is not addressed in the provisions of the late bid rules, those provisions do not preclude contracting agencies from exercising reasonable judgment in considering it as an exception. It has been argued that since certified and registered mail usually requires 2 or 3 days for delivery, and since Express Mail is the newest and fastest (1 day or less for delivery) of mail services, less than 5 days prior to the date specified for receipt of bids should be permitted for mailing a bid using Express Mail.[10]

In denying protests advancing this argument, GAO holds that exceptions to the general rule requiring rejection of late bids may be permitted only in the exact circumstances provided by the solicitation.[11] In this regard, the pertinent portions of the late bid rules make it clear that a late bid may be considered *only* if sent by registered or certified mail not later than the fifth calendar day prior to the bid opening date.

Furthermore, regarding protester arguments that Express Mail should be treated as an exception even though none of the existing late bid exceptions apply, GAO consistently has held that a bidder has the responsibility of ensuring that its bid arrives at the proper time and that responsibility for lateness is borne by the bidder unless a specific solicitation exception exists.[12] Since the existing late bid rules are specific as to the circumstances under which a late bid may be considered, GAO has found no basis for allowing contracting agencies to interpret the late bid regulations and solicitation clauses to provide an additional exception for Express Mail.[13] Thus, the bidder assumes the risk of late delivery in selecting other than registered or certified mail.[14]

ACTIONS TO AMEND THE LATE BID RULES TO INCLUDE EXPRESS MAIL

When the present provisions concerning late bids were drafted, there was a clear concern that bidders use a form of mailing where evidence of the time of mailing and receipt were closely controlled and could be verified. In the case of mail which is not registered or certified—metered mail, for ex-

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[4] 4 C.F R. Part 21 (1981).

[5] DAR 7-2002.2 (a) (ii).

[6] *See e g.*, Kessel Kitchen Equipment Co., Inc., B-189447, Oct. 5, 1977, 77-2 CPD 271; D.M. Anderson Co., B-186907, Aug. 3, 1976, 76-2 CPD 123; Walker's Royal, Inc., B-200583, Oct. 20, 1980, 80-2 CPD 301; Cal Poly Kellogg Unit Foundation, Inc., B-202878, May 5, 1981, 81-1 CPD 346.

[7] DAR 7-2002.2(a)(ii) (Emphasis added).

[8] The Hoedads, B-185919, July 8, 1976, 76-2 CPD 21, Decilog, Inc., B-193914, Feb. 5, 1979, 79-1 CPD 81.

[9] Robert Yarnell Richie Productions, B-192261, Sept. 18, 1978, 78-2 CPD 207.

[10] Kessel Kitchen Equipment Co., Inc. B-189447, Oct. 5, 1977, 77-2 CPD 271.

[11] Defense Products Company, B-185889, Apr. 7, 1976, 76-1 CPD 233.

[12] *See* Dynamic's International, B-190026, Nov 30, 1977, 77-2 CPD 426, and decisions cited therein.

[13] Kessel Kitchen Equipment Co., Inc., B-189447, Oct. 5, 1977, 77-2 CPD 271.

[14] Northern Illinois University, B-194055, Mar. 15, 1979, 79-1 CPD 184.

ample—the date stamp is not controlled and lacks value in determining whether a late bid should be considered. That is why registered and certified mail are specified as acceptable exceptions in late bid clauses. However, GAO among others, has recognized that Express Mail provides safeguards which are very similar to registered or certified mail, and for that reason GAO recently requested that those who are responsible for drafting the Government's procurement regulations consider a revision to the late bid rules which would take Express Mail into account.

In a letter to the Director of the Office of Federal Procurement Policy (OFPP), which accompanied a bid protest decision in which the protester suggested regulation revision to include consideration of late bids sent by Express Mail, GAO stated:

"The protester has argued that the United States Postal Service Express Mail is the equivalent of registered or certified mail for purposes of the late bid clause. The Postal Service advises us that Express Mail receives an identification number and that there is a receipt retained by the Postal Service which shows the time and date of both mailing and delivery. Thus it is possible to trace a piece of Express Mail from the point of mailing to the point of delivery. This seems to be very similar to the protection provided by registered and certified mail.

In light of this protest, and others involving the use of Express Mail, you may wish to recommend that consideration be given to including Express Mail in the late bid clause along with registered and certified mail."[15]

As a result of these GAO recommendations and subsequent OFPP proposals, the DAR Council considered inclusion of Express Mail in its late bid coverage and proposes the following modifications to applicable late bid clauses:

"The clauses should include a caveat that Express Mail Service is not available at all Post Offices; and the clauses should stipulate that the bid, proposal, etc. be mailed 2 calendar days prior to the date specified for receipt of such bid, proposal, etc. This is required since some Department of Defense organizations regularly schedule early morning bid openings (prior to first mail)."[16]

In the interest of uniform regulations, the DAR Council will coordinate its proposed modifications with the Director of the Federal Procurement Regulations (FPR) to develop appropriate uniform language and modify the DAR thereafter. No regulatory changes to the DAR or FPR have been made thusfar, and it is likely that any modification to the late bid rules to include Express Mail will be incorporated in the soon to be completed Federal Acquisition Regulation (FAR) which will replace the present DAR and FPR and will constitute a single uniform acquisition regulation for all executive agencies, military and civilian.

ACTIONS AGAINST THE POSTAL SERVICE

Until the late bid rules contained in the existing DAR, and FPR, or the new FAR include Express Mail, what remedies presently exist for the late Express Mail bidder? Suffice it to say, those protesting to the GAO the rejection of their late Express Mail bids have met with little success. Indeed, most of those protests are summarily denied without case development on the basis of the initial protest submissions. Lacking a remedy from GAO and the contracting agencies, do disappointed Express Mail bidders have a right to recover any type of damages from the Postal Service, which admits fault in failing to make a timely delivery? The answer is yes—but the amount of recovery is limited to only the amount of postage paid for the Express Mail Service.

On the address label which the customer completes for Express Mail Service, under the heading of "Service Guarantee," the Postal Service expressly limits its liability for late delivery in the following manner:

"The Postal Service will refund, upon application to the originating office, the postage for any shipments mailed under this service and not meeting the service standard [timely delivery] except for those delayed by strike or work stoppage."[17]

Furthermore, Postal Service Regulations concerning Express Mail provide:

"The Postal Service will refund the postage . . . for

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[15]Enrico Roman, Inc. B-196350, Jan. 21, 1980, 80-1 CPD 61. Letter is filed as B-196350(2).

[16]Memorandum dated June 20, 1980, for Mr. LeRoy J. Hough, Associate Administrator for Regulations and Procedures, OFPP; from James T. Brannan, DAR Council; Subject: Express Mail Recognition in Late Bid Clause. *See* GAO bid protest file B-196350.

[17]United States Postal Service Express Mail "Post Office to Addressee" label 11B, June 1979; U.S. G.P.O. 1979-300-285.

any item that is not available for claim by the time specified, unless the delay is caused by:

a. strikes or work stoppages;
b. delay or cancellation of flights; or
c. Governmental action beyond the control of the Postal Service or air carriers."[18]

Therefore, either by a mailer's express agreement to the terms on the Express Mail address label, or based on a well-established legal principle that the Postal Service regulations become a part of any contract between the Postal Service and the mailer,[19] it appears that the Postal Service is required to refund only the postage to the mailer when a bid is not timely delivered by Express Mail, and that consequential damages for loss of potential contract profits or bid preparation costs may not be recovered. In this regard, the Claims Department of the Postal Service's Office of the General Counsel is not aware of any consequential damage claims resulting from late Express Mail.[20]

Although there have been occasional unsuccessful attempts at Federal legislation which would allow mailers to recover some form of consequential damages when mail is lost or mishandled by the Postal Service,[21] the existing state of the laws and regulations basically limits recovery by the rejected late bidder to the amount of postage paid.

CONCLUSION

Sometime in the future, Express Mail Service will be recognized in regulations and resulting solicitation clauses as an exception to the late bid rules. At that time, in certain circumstances, late Express Mail bids which are now rejected may be considered acceptable. Until that time, however, when using Express Mail to submit a bid in a timely manner, Caveat bidder!

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[18]United States Postal Service Domestic Mail Manual, §222.2, Issue 2, May 15, 1980.

[19]*See Twentier* v. *U.S.*, 109 F. Supp. 406 (Ct. Cl. 1953); *Ridgeway Hatcheries, Inc.*, 278 F. Supp. 441 (N.D. Ohio 1968); *Marine Ins. Co.* v. *U.S.* 410 F.2d 764 (Ct. Cl. 1969); *Taylor* v. *Post Office Dept.*, 293 F. Supp. 422 (E.D. Mo. 1968).

[20]There have been consequential damage claims involving registered mail. Postal Service regulations also disclaim liability for those consequential damages and the Claims Department, Postal Service, has summarily denied recovery.

[21]*See* "Failure to Meet Their Appointed Rounds - Tort Liability of Postal Service Supervisory Personnel for Lost or Mishandled Mail," Santa Clara L. Rev., 18:241-61 Winter 1978.

EXPRESS MAIL SERVICE

Though a bid, to the Government, is swiftly expressed;
if it's late, the C.O.'s not favorably impressed
that "Express Mail" (Post Office guaranteed)
was used, because late bid rules read
that as far as the use of the mails is concerned
a Government bidder is wise to have learned
that only those bids sent five days prior
with Post registration or certifier
warrant acceptance, even though late,
when the process is in a pre-award state.

JAMES H. ROBERTS, III

GAO'S PROHIBITION AGAINST USING COMMERCIAL TRAVEL AGENTS FOR GOVERNMENT TRAVEL: A PRIMER FOR FEDERAL AGENCIES AND EMPLOYEES

Michael R. Golden[1]

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INTRODUCTION

The GAO's prohibition against the use of commercial travel agents to procure official Government travel recently has generated a considerable amount of public interest. This is a very significant prohibition because of the magnitude of Government travel. In this connection, one Congressman observed that the 1980 budget provided $3.1 billion for "transportation of persons." Using a Congressional Budget Office estimate of $380 per trip, there are 8 million Government-financed trips per year. Also there are probably 20,000 Federal employees in travel status per day, 7 days a week. Obviously, limiting access to such a large market is a controversial action.

This article examines the background, history, and basis for GAO's prohibition; GAO's recent action concerning the prohibition; and the prohibition's affect on Federal agencies and Federal travelers.

THE PROHIBITION

The GAO regulation states that travel agencies may not be used to secure any official Government travel passenger transportation service in four instances: (1) travel within the United States, Canada, or Mexico, (2) travel between the United States, Canada, or Mexico, (3) travel from the United States or its possessions to foreign countries, and (4) travel between the United States and its possessions, and between and within its possessions. Travel agencies, however, may be used when authorized under administrative regulations within or between foreign countries (except Canada or Mexico); or from foreign countries to the United States and its possessions where the request is made first to a carrier's branch office or general agent if one is accessible and tickets cannot be secured or no company branch office or general agent for the carrier is available.[2]

The regulation was promulgated in connection with GAO's responsibilities concerning the administration of Government transportation activities.[3] The GAO regulation and decisions concerning travel agents have been incorporated to a great extent into both the Federal Travel Regulations (FTR) governing civilian Government personnel travel and the Joint Travel Regulations (JTR) governing DOD civilian and military personnel travel.[4]

HISTORY OF THE PROHIBITION

In July 1952, a Comptroller General decision for the first time directly prohibited the use of commercial travel agents for the procurement of Government travel within the United States, its possessions, and in Canada.[5] This decision was in response to administrative problems relating to the audit of the transportation charges of bills for Government travel submitted by travel agents. For example, in some cases the name of the carrier or carriers providing the needed service was not inserted on the pertinent transportation request, the charges could not be verified because applicable tariffs or other publications could not be identified or obtained, and efforts to collect overpayments and refunds were not successful because the travel agent did not feel obligated to pay or disclaimed liability. It is interesting to note that the initial 1952 decision concerned rail and steamship travel, not airline travel, which is the primary means of transportation today—constituting over 90 percent of Government passenger transportation. The restrictions on use of travel agents were then formally embodied in a regulation in 1955, 34 Comp. Gen. 782 (1955), and ultimately incorporated in section 52.3 of the Code of Federal Regulations.

In 1978, at the request of the House Committee on Small Business, GAO reviewed the effects of its prohibition, and on August 8, 1978, the Comptroller General issued a study of the travel agent prohibition. The results were inconclusive concerning the

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[2]4 C.F.R. § 52.3(a)(b) (1980).

[3]*See* 31 U.S.C. § 49, 66 (1976); 49 U.S.C. § 66 (1976).

[4]JTR para. M2200, 2204, 2 JTR para. C2207 (1980); FTR § 1-3.4(b) (1978 ed.), 4 C.F.R. § 52.3 (1980).

[5]B-103315, July 31, 1952.

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question of whether or not the prohibition should be removed.[6]

The House Committee on Small Business on July 16, 1979, issued House Report 96-339 and recommended that GAO remove its longstanding prohibition. The Subcommittee Chairman also wrote to GAO on July 25, 1979, asking what action the agency planned to take with regard to the Committee's recommendation.

In response, the Comptroller General issued a circular letter, B-103315, dated August 20, 1979, to the heads of all Government agencies and departments stating his willingness to lift the ban for individual agencies on the basis of analyses that adequately demonstrate economies to be achieved or to allow tests of the use of travel agents for the purpose of demonstrating whether savings and efficiencies will result.

Any Federal agency may now submit a plan to the Comptroller General which provides reasonable evidence that permitting the use of travel agents will result in a more efficient and less costly travel operation or that its proposal will demonstrate efficiency and savings. In this connection, the Comptroller General has authorized plans to test the use of travel agents by the Department of State, the Department of Labor, the National Credit Union Administration, DOD and the General Services Administration (GSA). Currently, only the Department of Labor is performing a test.

The GSA test plan is the most ambitious to date. Acting as a travel manager, GSA intends to award contracts by competitive procurement to six regions to provide travel services for the GSA regional office and other Government agencies in that region. In Washington, D.C., the contract will cover the travel needs of GSA headquarters, the Environmental Protection Agency, and several other agencies.

In issuing the circular stating the new policy that GAO would consider exemptions from its regulations on a case-by-case basis, the Comptroller General informed the Small Business Subcommittee chairman of his belief that a blanket removal of the prohibition would be premature, since many of the concerns regarding the use of commercial travel agents remained unresolved, such as the possible increased audit workload for GSA, which assumed the transportation audit function from GAO in 1974. However, the Comptroller General did express the hope that by relaxing the restrictions in this manner on an individual agency basis, agencies would have an opportunity to demonstrate cost savings and improved efficiency in travel matters and through this procedure collect information on the question of whether or not to lift the prohibition.

BASES FOR THE PROHIBITION

GAO periodically has reviewed the need for its regulation prohibiting the use of travel agents. The reasons for the prohibition essentially have remained the same. An outline of these problems cited in a 1978 audit report follows:[7]

—The airlines have taken the position that they will not pay commissions to travel agents who handle Government travel. The airline industry view is that travel agents exist to promote new business and thus earn their commissions. Government travel is not promotable—it is required to meet Government needs and travel agents get no commissions. (This airline position is under re-evaluation because of a recent Civil Aeronautics Board (CAB) ruling which, in effect, permits airlines to pay commissions on Government travel at the carrier's discretion.) If the airlines did pay a commission on Government travel, the additional cost presumably would be passed on to the Government and to the public through higher air fares. The Senate Subcommittee on DOD appropriations recently expressed this same concern.

—Only major travel agents could afford to wait the time it takes to process payments to carriers for Government travel services.

—The method of selecting travel agents is a concern. To be fair, the Government would have to allocate travel among all qualified travel agents willing to participate. This allocation process would cause the Government added administrative expense.

—Travel agents' efforts to promote their services with Government agencies and personnel could be an administrative burden. Travel personnel in the Government perform administrative duties such as issuing travel orders and controlling travel costs.

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[6]"A Look at the Prohibition on Using Commercial Travel Agents," Aug. 8, 1978 (LCD-78-219).
[7]*Id.*

These administrative functions would continue as an agency responsibility even if travel agents were used.

—Postpayment audit problems would be compounded by dealing with thousands of travel agents who constantly come in and go out of business. Instead of dealing directly with a manageable number of approximately 23 major domestic air carriers, over 6,500 agents might be involved. Thus, collecting overcharges would be extremely difficult and the Government's accounting and administrative burden would be increased.

—Travel agents would need to become familiar with Government personnel travel regulations. For example, implementing section 5 of the International Air Transportation Fair Competitive Practices Act of 1974 (the so-called Fly America Act)[8] would be extremely difficult. Introducing thousands of travel agencies into the complex justification and disallowance process involved in screening the use of foreign-flag air carriers for Government travel would further complicate the already difficult task of administering the Act.

—The carrier's offers of discount fares which travel agents may not be authorized to offer the Government is a consideration. Recently, as a result of airline deregulation, and by contracts solicitated by GSA, carriers heavily in competition for the Government's business have been offering discounts to travelers on official Government business. Thus, at this time, dealing directly with the carrier has resulted in reducing airfare costs to the Government. Whether or not agreements between carriers and travel agents would allow travel agents to offer these discounts, if and when the prohibition is lifted, is unresolved.

The current discussion on the bases for GAO's prohibition has focused on two specific issues: (1) the carriers' agreement with travel agents not permitting payment of travel agent's commissions for Government travel, which is often characterized as the primary reason for GAO's prohibition; and (2) the requirement that Government transportation requests be presented only to transportation companies.

TheCAB recently disapproved the Air Traffic Conference (ATC) Sales Agency Agreement between the air carriers and travel agents which stated that "[N]o commission will be paid to the agent for the sale of any air passenger transportation paid for by Government travel vouchers, warrant, or similar Government purchase contract."[9] This agreement, incorporated in a resolution, formerly had received antitrust immunity from the CAB. Notwithstanding the GAO prohibition, while this agreement was in force, it presumably would have been unprofitable for a travel agent to accept Government business since a travel agency could not receive a commission from the airlines for its efforts. Even after the CAB action, only one major airline has stated it will pay commissions on Government travel. However, while GAO has considered this issue in its review of its prohibition, the basis for the prohibition concerns more than the question of whether a travel agent can generate enough revenue to make it worthwhile to accept Government business or even whether the Government, carrier, or ultimately the public would absorb, through higher air fares, the cost of using travel agents. Potential administrative and audit difficulties have been a consistent justification for the prohibition.

While the elimination of the agreement certainly affects some of the factors underlying GAO's prohibition, GAO has not lifted its Government-wide prohibition in response to CAB's action. However, after the results of the travel agency utilization tests have been submitted to GAO and evaluated, the GAO policy undoubtedly will be reexamined.

The other related Government travel regulation on which many mistakenly have relied as the major basis for GAO's prohibition concerns the use of Government transportation requests (GTRs). When the GAO prohibition was promulgated, GAO regulations contained a requirement that GTRs be presented by properly authorized Government travelers to *transportation companies* in the United States. By implication, travel agents were not considered transportation companies for purposes of this regulation. Current regulations promulgated by GSA concerning GTRs also state that passenger transportation services must be procured with GTRs with certain exceptions. Such services generally must be procured directly from carriers consistent with GAO travel agent regulations.[10] Thus, the GAO travel agent prohibition has been related to the use of GTRs because of this GSA regulation, although the use of GTRs apparently is not man-

[8]49 U.S.C. § 1517 (1976).
[9]Air Traffic Conference Resolution 90.2 (now 90.3).
[10]41 C.F.R. § 101-41 203-1(a) (1980).

dated by the GAO travel agent prohibition, and is a separate and distinct requirement for Government travel. Furthermore, even if the use of GTRs was not required, GSA, which has audit responsibility over transportation bills, presumably still would require, in lieu of a GTR, some means of ensuring that the bill for the Government transportation services was proper, (i.e., the lowest rate legally chargeable). Moreover, by statute, Government disbursing or certifying officers are relieved from personal liability for overpayments made for transportation where the transportation is furnished on GTRs. While GSA can exempt an agency from use of GTRs in appropriate circumstances, GTR use is currently an integral part of transportation payment procedures.[11]

EXCEPTIONS TO THE PROHIBITION

There have been few exceptions granted from compliance with GAO's prohibition against the use of travel agents. Some of the more important exceptions are discussed below.

Group Travel Arrangements

The FTR permits using group or charter arrangements available through travel agents where it will result in reduced fares, not interfere with performance of official business, and a discount cannot be obtained directly from the carrier. In these cases, the traveler is expected to pay for the transportation with his own funds, without use of a GTR, and obtain a receipt for the cost of transportation. The traveler then is reimbursed for his travel by submitting a travel voucher with the receipt.[12]

In a recent decision,[13] GAO authorized an amendment of the JTR to permit group or charter arrangements to the extent allowed in the FTR. The Comptroller General stated that the use of travel agents was authorized in cases where it was administratively determined that group travel arrangements made by travel agencies offered substantial savings over regular air fares between points in the United States and points in foreign countries. The decision stated that GTRs were not to be used, that transportation costs were to be paid for by the traveler who could claim reimbursement, and appropriate travel advances were authorized to cover the costs of such procurement.

Thus, for example, the Comptroller General recently stated that the use of a travel agent to arrange group travel for a Government sponsored investment mission to Israel was permissible where the agency indicated prior to the travel that the use of a travel agent by the Government was both practical and economical, would not interfere with the performance of official business, and would result in the use of reduced fares.[14]

Inadvertent Use of Travel Agent

In two recent decisions,[15] GAO held that Government employees who inadvertently purchase official transportation from a travel agent with personal funds without prior approval by their administrative office can be reimbursed. Reimbursements will be made in an amount which does not exceed charges which would have been payable if the transportation had been purchased directly from the carrier, (i.e., a discount fare solely available from a carrier for official Government travel).

In that decision, however, GAO did require that those granted the individual exemption should be admonished that official Government travel ordinarily is purchased directly from the carrier in the absence of an advance administrative determination that group or charter fares sold by the travel agents will result in a lower cost to the Government and will not interfere with official business. By these decisions, this rule now covers all Federal travelers, military and civilian, though, currently, only the Joint Travel Regulations covering Defense Department travelers, specifically incorporate this rule.[16]

In another recent decision,[17] GAO advised that in the future, it would review claims of Government travelers who violate the general prohibition against the use of travel agents by purchasing transportation with personal funds from a travel agent and claim reimbursement under the inadvertent use of travel agent exceptions provided in the JTR. The decision specifically stated that the record would be examined to determine not only that the use of the travel agent was inadvertent and resulted from lack of notice of

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[11] 31 U.S.C. § 82(g) (1976).
[12] FTR 1-3.4(b) (1978 ed.), *see* 47 Comp. Gen. 204 (1967)
[13] B-103315, Aug. 1, 1978.
[14] B-201429, Dec. 30, 1980.
[15] 58 Comp. Gen. 710 (1979); 59 Comp. Gen. 433 (1980).
[16] 59 Comp. Gen. 433 (1980), 58 Comp. Gen. 710 (1979); 1 JTR para. M2200, 2204 and 2 JTR para. C2207 (1979).
[17] B-201777, May 6, 1981.

the general prohibition, but also that these contentions regarding the use of the travel agent were themselves reasonable in the circumstances of the individual traveler's claim. The decision further indicates that a claim for reimbursement for the travel could be denied if GAO finds that the traveler had or should have had notice of the travel agent prohibition, and that use of the travel agent was intentional.

EPILOGUE

In July 1981, the Office of Management and Budget (OMB) issued a "Report on Strengthening Federal Travel Management". When implemented, the report's recommendations most likely will affect any decision to remove the GAO's travel agent prohibition. Several of the report's recommendations respond to concerns which historically supported the prohibition against Government use of travel agents and which rendered travel agent use potentially burdensome and costly. For example, GAO has been concerned that the use of travel agents would increase the Government's accounting, audit, and administrative burden. OMB's findings were that the Government is spending more money to discover overpayments by voucher audit than the amount of overpayments refunded by approximately a 2-to-1 ratio. OMB intends to implement procedures for tightening the travel authorization process, streamlining voucher processing and reducing voucher examination by use of random sampling techniques. These procedures should reduce Government travel processing costs and simplify post payment audits, thus reducing travel management and audit costs.

GAO also has been concerned that travel agents have no familiarity with Government personnel travel regulations such as the Fly America Act. OMB intends to standardize the travel regulations, currently issued by DOD, GSA, and the Department of State. This should permit those procuring Government travel for Government personnel, whether it be the Government, airline, or travel agent operation, to more readily understand and comply with simplified and uniform Federal travel regulations. In addition, OMB and the executive agencies are implementing procedures to increase Government managers' and travelers' awareness of ways they can save on travel costs, for example, by advance bookings.

Another concern is that many carriers currently offer discount fares available only where the Government uses a GTR and procures the ticket directly from the carrier. OMB recommends that the discount fare program be expanded by both GSA and DOD, and be made available through the agency travel service whether it is an airline, travel agent or Government operation.

The OMB recommendations should have a profound affect on the travel management procedures of the Government. These initiatives should significantly further the Government objective of meeting its travel needs in the most efficient and cost-effective manner possible. They also could make Government use of travel agents more attractive. The GAO approved tests should contribute significantly to the resolution of the debate concerning the Government's use of travel agents by indicating, within the context of these limited tests, whether official Government travel can be obtained in a less costly and more efficient manner by using travel agents.

The notion that prohibition is any less prohibition when applied to things now thought evil I do not understand.

—Holmes, Oliver Wendell, in HAMMER v. DAGENHART, 247 U.S. 251, 280 (1918).

GOVERNMENT REGULATION OF NEW TECHNOLOGIES AND SUBSTANCES

Jessica Laverty[1]

GAO is often required to observe and evaluate how well Federal administrative agencies accomplish their statutory responsibilities. The methods regulatory agencies use to perform their duties generally were discussed in the preceding issue of The OGC Adviser *which presented an overview of the administrative process.*[2] *This article highlights a specific portion of that process which deals with Government regulation of new and potentially dangerous technologies and substances.*

Increasingly, the public is being made aware of harmful side effects caused by the introduction of new technologies and substances into the marketplace. Recently, for example, the public learned of possible chromosome damage to residents of the Love Canal in New York possibly caused by the disposal of toxic wastes; of suits against the Federal Government by American World War II soldiers exposed to high levels of atomic bomb radiation in Japan; and of the contamination of numerous bodies of water by "acid rain" which is created by the sulfur and nitrogen oxides emitted by utility and industrial smokestacks and by automobile exhausts.

Most people expect Government to protect them from the unforeseen and unwanted consequences of technological innovation. They want Government to decide whether new technologies and substances may be used and if so, whether any restriction should be imposed on such use. By provisions of law, these decisions are being made by administrative agencies. Thus, both the Environmental Protection Agency (EPA) and the Occupational Safety and Health Administration (OSHA) regulate human exposure to chemical carcinogens[3] and the Nuclear Regulatory Commission (NRC) is authorized to protect the public health and safety from the dangerous effects of nuclear power plant operation.[4]

The regulators often are presented with unique and difficult problems. They must weigh generally known, immediate benefits of use against generally unknown, and possibly huge hazards. The regulators find themselves forced to make decisions on scientific questions which the scientific community itself may be unable to resolve. While the magnitude of the threatened harm usually inclines a regulator toward control of the technology or substances, the uncertainties and gaps in the data upon which the resulting regulations are based necessarily limit their acceptability to both the public and industry.

Why do the regulators act on the basis of incomplete or uncertain data? The answer is that the regulators must act to fulfill their statutory mandates. An example follows.

Section 2 of the Occupational Safety and Health Act declares that the purpose and policy of the act is "to assure so far as possible every working man and woman in the nation safe and healthful working conditions." The Congress has explicitly stated that employee health and protection is the overriding concern of OSHA. Additionally, in the case of toxic chemicals, the Congress requires OSHA to set the standard, "which most adequately assures, to the extent feasible, on the basis of the best available evidence, that no employee will suffer material impairment of health or functional capacity even if such employee has regular exposure to the hazard dealt with by such standard for the period of his working life." If OSHA determines that there exists a risk to employees from a toxic chemical, OSHA must act to force industry to reduce that risk to the extent economically and technologically feasible regardless of the marginal health benefits of risk reduction. In other words, no cost-benefit analysis is required.

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[2]R. Wyrsch, "The Administrative Process: An Overview," *The OGC Adviser,* Spring/Summer 1980, Vol. 4, No. 2.

[3]EPA regulates such exposure under the Federal Insecticide, Fungicide, and Rodenticide Act, 7 U.S.C. §§ 136-136y (1976). OSHA acts pursuant to the Occupational Safety and Health Act, 29 U.S.C. §§ 651-678 (1976).

[4]The NRC's authority to regulate is found in the Atomic Energy Act of 1954, 42 U.S.C. §§ 2011-2282 (1976).

THE NATURE OF SAFETY JUDGMENTS MADE BY REGULATORS

The goal of the regulators is to protect the public health and safety. Implementation of this goal inevitably raises the question of how safe is safe enough. Although regulators can attempt to objectively measure risk by establishing the probability of harm and the severity of its consequences, ultimately the question of safety calls for a value judgment. Thus, the regulator who attempts to make a decision as to how much risk is acceptable is faced with a very difficult task.

The problem is further complicated when agencies must resolve scientific questions about which there is much uncertainty, and even dispute, within the scientific community. Due to factual uncertainties, these questions are often resolved in part on policy grounds. It is important to note, however, that not all science/policy questions are conceptually alike. This is because the reason for the factual uncertainty may differ depending on the particular issue involved. Science/policy questions faced by agencies lie on a spectrum that ranges from issues of pure scientific fact to issues of pure policy.

Inconclusive Answers

Regulatory agencies may be faced with scientific questions which are highly technical, phrased in scientific terms, and which, for various practical reasons, cannot be answered conclusively by scientists. A good example of this is the extrapolation of carcinogenic effects of substances at high-dose levels to low-dose levels. Although scientists agree on the type of experiment necessary to resolve this issue, for practical reasons such an experiment will never be conducted. Scientists agree that to demonstrate with ninety-five percent confidence that the carcinogenic response rate is less than one in a million, an experimentor must feed three million test animals at the human exposure rate and compare the response with three million control animals.[5] This experiment would require feeding and caring for six million rodents for 18 to 24 months. For obvious reasons, scientists test much fewer animals at much higher dosage rates. Thus, the only data available to a regulatory agency comes from experiments in which laboratory animals have been fed high doses of a chemical. Consequently the exact low doses that will cause cancer in humans are not certain, and a regulatory agency must then act on this uncertain data.

Another example of a scientific question concerns the effects on humans of low-dose levels of radiation emitted by nuclear power plants. In an attempt to answer this question, some scientists predict carcinogenic effects of low-level radiation by extrapolating results from the known carcinogenic effects of high-level radiation. In order to experimentally confirm the predictions, a scientist would need a control group of two million people, a study group of two million people, and a means of ensuring that all participants received the same amount of background radiation. Additionally, the experiment would have to span thirty to forty years. Because this experiment will never be conducted, the Nuclear Regulatory Commission must act on the basis of unconfirmed scientific information.

Insufficient Data

In addition to acting on scientific questions which can never be answered conclusively, regulators also must act on answerable questions while information needed to reach scientifically adequate answers are developed. When a regulatory agency is presented with a scientific question involving insufficient data, it must weigh the costs and benefits of delaying its decision until the required research can be completed.

An example of this type of situation is evidenced by the resolution of a nuclear power plant fuel densification problem. In 1972, when the Gina reactor near Rochester, New York, was refueled, some fuel rod anomalies were discovered. The fuel pellets inside the rods had become more dense and settled, allowing the cladding to collapse. This caused a change in rod structure and could have led to local hot spots in the reactor core. Theoretically, these hot spots could have disrupted the operation of the emergency core cooling system, a vital feature in every nuclear power plant. The cooling system provides an emergency flow of coolant to reduce temperatures in reactor cores in case the regular cooling system fails. Similar rods were subsequently found in other pressurized water reactors, both in the United States and in Europe. For 2 years, while scientific data was being gathered, fuel densification

[5]Schneiderman, Mantel & Brown, "From Mouse to Man—Or How to Get From the Laboratory to Park Avenue and 59th Street," 246 Annals of the N.Y. Acad. of Sci. 237, 241, (1975).

/as a major safety issue facing the NRC. Then, in 974, a new and more stable fuel was developed, effectively mooting the controversy. Thus, an NRC safety decision based on insufficient data was averted.

Varying Scientific Interpretation

Even though adequate information may exist on a particular scientific issue, scientists may differ in their interpretation of that information. Scientists may draw different inferences from the data or they may dispute the adequacies of the test methodologies. A recent example is the controversy over whether the accident at the Three Mile Island nuclear power plant near Harrisburg, Pennsylvania, has affected the rate of infant mortalities in the surrounding area. One doctor's conclusion was that the accident increased the infant mortality rate and this has been criticized by other scientists for allegedly being based on improper sampling techniques.

Pure Policy Questions

At the other end of the spectrum are pure policy questions. For example how much certainty should be required before a regulator should regulate is a question of policy. Scientists typically require a higher degree of statistical certainty than do regulators before reaching the conclusion that a particular consequence is probable, especially if that consequence poses a serious risk to human health. Another example of a pure policy question is the matter of statistical significance. What may be statistically insignificant to a scientist may be significant to a regulator because the two apply different standards.

WHO JUDGES THE REGULATORS?

Generally regulatory agency action is reviewable under the Administrative Procedures Act.[6] Functionally, this judicial review can be broken into three categories: statutory, procedural, and substantive. First, the courts will determine whether the regulatory agency acted within the scope of its enabling statute. Second, the courts will consider whether the process used in arriving at the agency's decision (often rulemaking) afforded procedural due process to those affected. Last, the courts will consider whether the agency abused its discretion in exercising its own quasi-legislative authority delegated to it by the Congress or whether the agency's decision was based on a consideration of the relevant factors and was not the product of a clear error in judgment.[7]

When courts consider agency decisions in areas fraught with scientific uncertainty, their ability to substantively review those decisions is limited by several considerations. First, it is clear that a court is not supposed to substitute its judgment for that of the agency. Second, courts realize that an expansive exercise of the review power could easily impede the accomplishment of statutory mandates. Finally, because most judges are trained in law, not in science, they ordinarily feel constrained to defer to technical expertise. Especially in areas where existing methodology or research is deficient, courts afford agencies a necessarily broad discretion to attempt to formulate a solution on the basis of available information.[8]

CONCLUSION

In 1775 an English physician reported an increase in cancer in chimney sweeps. One hundred years later, coal tar was identified as the causative agent. During the next 100 years, scientists identified the carcinogenic constituents of coal tar. Although workers in industrial plants were exposed to high doses of those carcinogenic chemicals for 200 years, no Government action was taken to reduce worker exposure until 1975 when OSHA promulgated its proposed standards for worker exposure to coke oven emissions. Despite 200 years of scientific research, OSHA could find no scientific consensus on this subject; but after more than a year of hearings, OSHA promulgated final standards. It has been observed that when so adverse a human health effect as that threatened by coal tars is posed, no agency charged with the protection of worker health can wait until scientists agree that coal tars definitively will or will not cause cancer.

For the observers of regulatory agencies, two principles can be gleaned from this illustration. First, often such agencies cannot and need not act with the same degree of certainty that pure scientific investigation requires. Second, observers should hesitate to substitute their judgments for those of regulatory agencies when reviewing highly technical science/policy decisions.

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[6] 5 U.S.C. § 551 *et seq.*

[7] *Weyerhauser Co.* v. *Costle*, 590 F.2d 1011, 1024-26 (1978).

[8] *Permian Basin Area Rate Case*, 390 U.S. 747 (1968).

. . . law, like other branches of social science, must be satisfied to test the validity of its conclusions by the logic of probabilities rather than the logic of certainty.

—CARDOZO, Benjamin N., THE GROWTH OF THE LAW (New Haven: Yale University Press, 1924), p.33.

THE PUERTO RICO REPORTS

Richard Seldin[1] 721285

The political status of the Commonwealth of Puerto Rico has been a subject of much interest to the GAO since the fall of 1978. At that time, Senator J. Bennett Johnston of Lousiana, and Puerto Rican Resident Commissioner, Baltasar Corrada requested GAO to undertake various studies of Puerto Rico. Those studies resulted in two reports, the first, "Experiences of Past Territories Can Assist Puerto Rico Status Deliberations," GGD-80-26, was issued on March 7, 1980, and the second, "Puerto Rico's Political Future: A Divisive Issue with Many Dimensions," GGD-81-48, on March 2, 1981. In the following article, Richard Seldin outlines the significant legal issues involved and provides personal reflections on his participation in the development of these reports, therein describing an example of the working relationship among OGC attorneys and GAO evaluators.

INTRODUCTION

My involvement in the Puerto Rico project began during the late summer of 1978, when Rollee Efros, Associate General Counsel for General Government Matters, assigned me as the project's legal adviser. Art Goldbeck of the General Government Division (GGD) was the project's team director for the two GAO reports which resulted from the project. Gene Dodaro, also of GGD, was the team leader for the first report, and Gene and Jim VanBlarcom of the New York Regional Office were coteam leaders for the second report. As legal adviser, among other things, I wrote several study papers on legal questions raised by the project team members. The following is a brief discussion of those questions.

FIRST REPORT

The first report, "Experiences of Past Territories Can Assist Puerto Rico Status Deliberation," GGD-80-26, was intended mainly to provide background information to the Congress should a status change in Puerto Rico's current relationship to the United States come under congressional consideration. In addition to providing a summary of the island's political history, the report briefly traces the experience of United States territories that became States, with one full chapter on Alaska and one on Hawaii, and contains a chapter on the Philippines, the only former United States territory to become an independent country.

Legal Status of Puerto Rico

For this report, I was asked to prepare a memorandum on the legal status of Puerto Rico. For the period prior to 1952, when the island became a Commonwealth, the answer was easy: Puerto Rico was considered an unincorporated territory of the United States. This conclusion was rendered by the United States Supreme Court in the Insular Cases, perhaps the most significant of which was *Downes* v. *Bidwell.*[2]

The status of being unincorporated rather than an incorporated territory of the United States, results in different treatment under the United States Constitution. If a territory is unincorporated, authority of the Congress over it is plenary, that is, limited only by the fundamental parts of the Constitution; however, if it is incorporated, the entire Constitution is applicable.[3] Although there were few court cases decided during Puerto Rico's pre-Commonwealth era that specifically indicated which parts of the Constitution were fundamental, and thus applicable to Puerto Rico, at least due process[4] and the 18th amendment[5] (prohibition) were so considered.

Subsequent to formation of the Commonwealth, the status issue became more complicated. Although the United States Supreme Court has not directly considered the question, to some extent lower Federal courts have, and with differing results. For instance, the United States Court of Appeals for the Seventh Circuit[6] has found that Puerto Rico's status has not changed. On the other hand, the Third Circuit Court of Appeals has held that "Puerto Rico enjoys a very different status from that of a totally organized but unincorporated territory, as it formerly was."[7] The United States District Court for Puerto Rico agrees with the Third Circuit.[8]

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[1]Attorney-Adviser, General Government Matters, Office of the General Counsel, GAO.

[2]182 U.S. 244, 287 (1901).

[3]*Id.* at 290-91, 341-44.

[4]*Balzac* v. *Puerto Rico*, 258 U.S. 298, 312-13 (1922).

[5]*Ramos* v. *United States*, 12 F.2d 761, 762 (1st Cir. 1926).

[6]*Detres* v. *Lions Building Corp.*, 234 F.2d 596, 599-600 (7th Cir. 1956).

[7]*Americana of Puerto Rico, Inc* v. *Kaplus*, 368 F.2d 431, 435-36 (3d Cir. 1968).

[8]*E.g.*, *Cosentino* v. *Internatinal Longshoremen's Ass'n*, 126 F. Supp. 420, 422 (D.P.R. 1954).

Despite the ambiguity on the status question, there may be a trend toward extending the application of the United States Constitution to Puerto Rico, particularly as regards bill of rights protections and guarantees. Thus, recently the United States Supreme Court held that the fourth amendment was applicable to Puerto Rico[9] and in the same decision also set forth other Constitutional provisions found in previous cases to be applicable. They are the first amendment freedom of speech clause,[10] due process[11] and equal protection.[12] Whether this trend will continue is uncertain. In this regard, some consider superfluous the extension to Puerto Rico of United States bill of rights protections and guarantees since the bill of rights in the Puerto Rican Constitution is more extensive than the United States counterpart.

SECOND REPORT

The second report, "Puerto Rico's Political Future: A Divisive Issue with Many Dimensions," GGD-81-48, is devoted entirely to Puerto Rico with emphasis on its political future. It discusses the present Commonwealth arrangement with the United States, briefly describes the Island's economic and social environment, presents the principal arguments for each of the three potential status changes (Statehood, amended Commonwealth, independence), and raises a wide range of problems that likely would occur if the existing Commonwealth arrangement were changed. In presenting the status options, the evaluators were careful to neither advance a status preference, nor provide solutions to problems that might arise upon adoption of any of the options.

For this report, I was asked to prepare a brief description of the Puerto Rican Constitution and legal system, and provide an analysis of the effect that Puerto Rican independence might have on the United States citizenship of Puerto Ricans.

Constitution and Legal System

The Puerto Rican Constitution provides for three separate independent branches of Government with checks and balances on each. Most of its provisions were adopted directly from Constitutions of the United States and individual States.

The judicial branch is unified for purposes of jurisdiction, operation, and administration. The Puerto Rican Constitution vests power in a Supreme Court and any other courts that may be established by law. The Supreme Court is almost exclusively a court of appellate jurisdiction. The Court can hold laws unconstitutional but only by a majority vote of the Court's Justices. Prior to 1961, appeals from the Puerto Rican Supreme Court were made to the United States Court of Appeals for the First Circuit. Since then, however, appeals are treated, essentially as are those from the highest State courts of the United States, and are heard by the United States Supreme Court.[13]

Currently, Puerto Rican law provides that its Supreme Court have seven Justices appointed by the Governor upon advice and consent of the Puerto Rican Senate. Interestingly, the size of the Court can be changed "only by law upon request of the Supreme Court." Supreme Court Justices serve indefinite terms and constitutionally are prohibited from participating in political campaigns, contributing to political parties, or from holding elective office.

The Puerto Rican Constitution also includes an extensive bill of rights essentially derived from the protections contained in the Constitution of the United States and individual States. However, there are differences, particularly between the Puerto Rican and United States Constitutions. For example, the Puerto Rican Constitution prohibits sex discrimination, wire-tapping, and the death penalty; allows for jury conviction in a felony case by three-fourth majority vote; establishes employee protections; and provides for popular majority ratification of constitutional amendments as well as minority party representation in the legislature equal to each party's elective strength.

Prior to its cession to the United States, Puerto Rico was governed in accordance with Spanish civil law. Soon thereafter, however, significant aspects of Anglo-American common law both were added to or replaced portions of the civil law. For example, although the Puerto Rican legislature preserved the Spanish Civil Code and, to some degree, the Spanish Code of Commerce; the Spanish Penal, Civil Procedure and, to a great extent, Criminal Procedure Codes were replaced by those of Montana, Idaho, and California.

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[9] *Torres* v. *Puerto Rico*, 442 U.S. 465, 471 (1979).
[10] 258 U.S. at 314.
[11] *Calero-Toledo* v. *Pearson Yacht-Leasing Co.*, 416 U.S. 663, 668 n. 5 (1974).
[12] *Examining Board* v. *Flores de Otero*, 426 U.S. 572, 599-601 (1976).
[13] 28 U.S.C. § 1258.

The blending of civil and common law also is evident in decisions of the Puerto Rican Supreme Court. For example, that Court frequently has held that the primary source of law is the law promulgated by the legislature—a fundamental civil law characteristic. However, as in common law jurisdictions, Puerto Rico's Supreme Court, almost since its establishment, has relied on its previous decisions as a basis for deciding cases and has held itself and lower courts bound by those decisions.

Citizenship Questions

Since nearly all Puerto Ricans are United States citizens, should Puerto Rico become independent, resolution of the citizenship issue would be important. The effect of a new nation's formation on the citizenship of its inhabitants is a complicated issue in international law. Although it rarely has been addressed in the United States courts, the United States Supreme Court has held that the nationality of a territory's inhabitants becomes that of the Government under whose sovereignty they pass, subject to their consent, either expressly or impliedly given.[14] The Court also has held that every independent nation has the right to determine what persons should be entitled to its citizenship.[15] Both these decisions are consistent with the view in international law that the predecessor state's law determines which persons have lost their nationality, and the newly independent State's law determines which persons have acquired its nationality.

When the Republic of the Philippines achieved independence, questions arose regarding the continued United States nationality of Philippines' citizens. In several cases, a Federal District Court held that those citizens lost their United States nationality when the Philippines became independent.[16] The status of Philippines' citizens is not analogous to that of Puerto Ricans, however, since most Filipinos were United States nationals at the time of independence, but not United States citizens.

The difference in legal status between United States nationality and citizenship is important. Citizenship, but not nationality, is a status of constitutional dimension.[17] In this regard, the United States Supreme Court has held that a United States citizen has a constitutional right to remain a citizen unless that status is voluntarily renounced.[18] Although the Court specifically has found that voting in a foreign political election would not constitute such a renunciation,[19] it is not clear what act or acts would suffice to renounce citizenship. Accordingly, in the case of Puerto Rico, it could be argued that a change in sovereignty alone would not cause an automatic loss of United States citizenship, and that an individual renunciation would be necessary.

Should Puerto Rico become independent, it would also be necessary to determine which Puerto Ricans would acquire citizenship of the new nation, that is, Puerto Ricans domiciled on the island at the time of independence, those born there but domiciled elsewhere, or both. This is important because over 1.7 million Puerto Ricans live in other parts of the United States. Although case law on this question also is limited, one United States Court of Appeals has suggested that domicile in the new nation at the time of a sovereignty change is the crucial factor.[20]

WORKING WITH EVALUATORS

Originally, the Puerto Rico group planned to write three reports, the first as published, the second on the economic situation in Puerto Rico and the third on issues that would be provoked by each of the three potential status changes. Other than preparing a memorandum on the juridical status of Puerto Rico under United States law, during the course of the first report I worked directly with the report writers reviewing each of their draft chapters. Aside from my review, most of my other communications were with team leader Gene Dodaro. Although Gene and I may have discussed briefly the extent of my participation with the group about matters not strictly legal, we did not do so in any detail.

At various times during the preparation of the first report, Gene and I discussed my participation in the second and third reports. We both agreed there might be some value in having me become an official team member for the latter reports since it was anticipated that the issues to be analyzed would involve numerous legal problems. However, after it was determined that the second and third reports would be combined, with most of the economic and social analysis to be done by the New York Regional Of-

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[14] *Boyd* v. *Thayer*, 143 U.S. 135, 162 (1892).
[15] *United States* v. *Wong Kim Ark*, 169 U.S. 649, 668, (1898).
[16] *E.g.*, *Cabebe* v. *Acheson*, 84 F. Supp. 639, 640 (D. Ha. 1949).
[17] U.S. Const. amend. XIV.
[18] *Afroyim* v. *Rusk*, 387 U.S. 253, 267-68 (1967).
[19] *Id.* at 267-68.
[20] *United States ex rel. Schwarzkopf* v. *Ohl*, 137 F.2d 898, 902 (2d Cir. 1943).

fice, and the bulk of the report by the group in Washington, Gene and I decided, with the agreement of Art Goldbeck and Rollee Efros, that officially I would serve in a manner similar to my participation in the first report. At the same time, we agreed that unofficially I would be working essentially as a team member. This proved sound since there were substantial periods of time, particularly at the outset, when I received little work from the group.

Throughout the preparation of the second report, I worked more closely with the team than I had for the first report. Early on during the planning stage, I met with the group and discussed numerous non-legal matters pertinent to the report. Although we may have discussed the scope of my review in more detail than for the first report, we made no formal delineations. Since I was effectively a team member, I assumed that besides the requested memoranda and my legal reviews, I was also responsible for contributing editorial suggestions as well as asking for verification of factual statements that were legally related. This assumption was consistent with our manner of proceeding.

My review was much the same as it had been for the first report. As soon as each chapter or a significant segment had been completed I would be sent a copy. Some of the drafts I received had been reviewed by Gene and Art while others, particularly those with more legal content, came directly from the writers.

After reviewing a draft I would meet with the writer and discuss my suggestions for revision. If the writer agreed, the change would be made; if there was disagreement we would continue discussion until we were satisfied with the result. After completing my review, the writer then would discuss the changes with Gene who would process them. My review of the chapters prepared by the New York Regional office was discussed directly with Jim VanBlarcom.

RESPONSES TO REPORT

Contrary to our expectations the second report was issued during a period of relative calm in Puerto Rican political life. However, this did not detract from the many favorable comments extended by Senator Johnston, Resident Commissioner Corrada, Puerto Rican Government officials, representatives of Federal agencies, and others. Mr. Corrada had placed in the Congressional Record an article describing our work. The article said that the report would assist the people of Puerto Rico and its political leaders in future status deliberations and noted that it "very appropriately, does not seek to take sides on the complex, vital, and highly debated issue of Puerto Rico's future political relationship with the United States." Senator Johnston informed us that the report will greatly enhance congressional deliberations on Puerto Rico's political status options and commended the report's "first class standards of analysis." These gratifying responses added to the widespread commendations received for the first report.

> The term "United States" may be used in any one of several senses. It may be merely the name of a sovereign occupying the position analogous to that of other sovereigns in the family of nations. It may designate the territory over which the sovereignty of the United States extends, or it may be the collective name of the states which are united by and under the Constitution.
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> **—STONE, Harlan F., in** HOOVEN & ALLISON CO. V. EVATT, **324 U.S. 652, 671-72 (1945).**

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