

COMPTROLLER GENERAL OF THE UNITED STATES



Annual Report of the

COMPTROLLER GENERAL of the UNITED STATES

For the Fiscal Year Ended June 30, 1969



WASHINGTON: 1969



The United States General Accounting Office, established in 1921, is an independent, nonpolitical, nonpartisan audit organization in the legislative branch of the Federal Government. Directed by the Comptroller General of the United States, it is responsible solely to the Congress and serves a key role in the Federal system of checks and balances. One of the major functions is to review the performance of management and recommend improvements in the operation of the various departments and agencies of the executive branch.



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

JANUARY 5, 1970.

DEAR SIRS:

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 United States General Accounting Office during the fiscal year ended June 30, 1969.

Thur B. Atasta

Comptroller General of the United States.

The President of the Senate The Speaker of the House of Representatives

COMPTROLLERS GENERAL OF THE UNITED STATES

and

ASSISTANT COMPTROLLERS GENERAL OF THE UNITED STATES

The General Accounting Office is under the control and direction of the Comptroller General of the United States. There is also an Assistant Comptroller General of the United States who performs such duties as may be assigned to him by the Comptroller General and who acts as Comptroller General during the absence or incapacity of the Comptroller General, or during a vacancy in that office. The Comptroller General and the Assistant Comptroller General are appointed by the President with the advice and consent of the Senate.

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 8, 1966–

Assistant Comptrollers General of the United States

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

CHAPTER THREE—Assistance in Improving Agency Man-	
	49
Summary of assistance provided	51
Congressional interest in financial management	52
	53
	54
Accounting recommendations of President's Com-	
	55
Cooperative work in the development of accounting	
	56
	57
Joint Financial Management Improvement Pro-	
	59
Other factors affecting accounting systems devel-	/0
	60
Automatic data processing	51
Review of agency internal auditing	53
Review of agency methal autiting	,0
CHAPTER FOUR-Audit of Civil Operations and Programs	65
General	67
Special review of Economic Opportunity Programs	68
Plan of GAO review	69
Summary of principal findings and recommenda-	
	70
	71
Overall perspective	71
Achievement of objectives	73
Efficiency of administration	77
Principal recommendations	78
Congressional Hearings	82
Department of Agriculture	83
Department of the Army-Corps of Engineers (Civil	
	88
Department of Commerce	90
Department of Health, Education, and Welfare	93
Department of Housing and Urban Development 10	03
Department of the Interior	11
	18
Department of Labor	20
Post Office Department	26
Department of Transportation	28
Treasury Department	33
Atomic Energy Commission	36

vi

Contents

CHAPTER ONE-Highlights of Activities for the Year	1
Audit reports issued	3
Scope of GAO's audit work	6
Financial savings	6
Expenses and staffing	7
Internal audit	7
Uniform cost accounting standards	8
Financial management improvement	8
Legal services	9
Assistance to Congress.	10
Transportation	10
Claims settlement and debt collection	11
Training and career development	12
Public activities	12
CHAPTER TWO—Assistance to the Congress	13
Summary of assistance provided	15
Reports to Congress.	17
Special reports requested by committees and individual	
Members of Congress	21
Staff assistance to committees	24
Testimony at hearings.	25
Use of systems analysis in GAO to assist the Congress .	31
Reports on pending legislation	31
Advisory assistance on legal and legislative matters	32
Assistance on House and Senate financial and admin-	
istrative operations	33
Recommendations for legislation	34
Recommendations considered by the Congress in fiscal year 1969.	35
Recommendations to the Congress during fiscal	55
year 1969	36
Restatement of prior year recommendations	42
restatement of prior year recommendations	74

۷

Civil Service Commission	140
District of Columbia Government	141
General Services Administration	142
National Aeronautics and Space Administration	146
National Science Foundation.	151
Office of Economic Opportunity	152
Office of Emergency Preparedness	154
Panama Canal Company and Canal Zone Government.	154
Railroad Retirement Board	155
Small Business Administration	157
Veterans Administration	159
Regulatory agencies.	162
Other civil departments and agencies	163
Legislative and judicial branches	165
Legislative branch	165
Judicial branch	166
Organizations outside the Federal Government	166
CHAPTER RIVE A R. C. C. C. C. C. L.	4.07
CHAPTER FIVE—Audit of Defense Operations and Programs	167
Nature of audit work performed	169
Approach to audit \ldots \ldots \ldots \ldots \ldots \ldots	170
General	170
Procurement.	170
Audit reports issued	171
Significant findings and recommendations	171
Supply management	172
Management of procurement programs, contract	
administration	177
Management of procurement programs, other as-	
pects	182
Facilities and construction	185
Research and development.	190
Maintenance, repair, and overhaul	193
Administration of military and civilian pay and	
allowances and utilization of manpower	197
Management control systems	201
Administration of transportation matters	202
Administration of certain other programs	202
CHAPTER SIX—Audit of International Operations and	
Programs	205
Nature of audit work performed	203
Foreign locations at which audit work was performed	207
roreign locations at which audit work was performed.	- 200

vii

Reviews of United States activities relating to V	'ietr	ıan	n
and Southeast Asia		•	. 209
Internal audit and financial management review	s.	•	. 209
Country reviews of foreign assistance programs .			
Agency for International Development			. 215
Defense international activities	-	•	. 217
Interagency reviews			
Department of State			
United States financial participation in interr			
organizations \ldots \ldots \ldots \ldots			
Peace Corps			
United States Information Agency	•	•	. 227
Export-Import Bank	• •	•	. 229
CHAPTER SEVEN—Transportation			. 231
General			
Audit of transportation payments and settler			
claims	iich	. 0	. 234
Transportation payments	·	•	
Claima	•	•	234. 235
Claims	•	•	
Transportation management reviews	•	·	. 200
Assistance in the legal field			
Assistance in the traffic and transportation field	·	·	. 242
CHAPTER EIGHT—Claims		•	. 245
General			. 245
Claims against the United States			
Claims by the United States			
			0.40
CHAPTER NINE—Legal Services			
Summary of legal services provided		•	. 251
Bid protests			. 254
Procurement regulations			. 255
Computer equipment procurements			
Southside plumbing case			. 256
Personal services contracts			. 257
Waiver of claims for erroneous payment of pay			. 257
Legal reference services	• •	·	. 257
		•	. 207
CHAPTER TEN-Personnel Management Programs	•	•	. 259
General			. 261

Recruiting, training, and staff development	261
Recruiting—Professional staff	263
Recruiting—Technical staff	264
Personnel development	264
Career development	272
Professional development and recognition	272
Personnel operations	273
General administration	273
Incentive awards	275
Employee health benefits program	275
Equal employment opportunity	276
Security clearance program	277

APPENDICES

Detailed Table of Contents	281
Appendix A—Functions and Organization of the U.S. General	
Accounting Office	283
Appendix B-Legislation Enacted During Fiscal Year 1969	
Relating to Work of the General Accounting Office	287
Appendix C—Audit and Legal Activities	291
Appendix D-Transportation Audit and Claims Adjudica-	
tion	353
Appendix E-General Claims Settled During the Fiscal Year	
1969	355
Appendix F-Collections by or Through the Efforts of the	
General Accounting Office, 1960–69	356
Appendix G-Financial Savings Attributable to Work of the	
General Accounting Office, Fiscal Year 1969	357
Appendix H—Personnel Statistics	379
Appendix I-Financial Statements of the U.S. General Ac-	
counting Office	385
Appendix J-Directory of the U.S. General Accounting	
Office	389
INDEX	393

PHOTOGRAPHY CREDITS

The GAO Watchdog, pp. 2, 14, 260; U.S. Aviation Supply Office, Philadelphia, p. 50; Department of Housing and Urban Development, p. 102; Department of Justice, p. 119; Atomic Energy Commission, p. 137; General Services Administration, p. 143; U.S. Army, p. 168; U.S. Air Force, pp. 186, 232, Agency for International Development, pp. 212, 214; Naval Facilities Engineering Command, p. 219; Center for Cultural and Technical Interchange Between East and West, p. 224.

ix

Chapter One



Frank H. Weitzel, Assistant Comptroller General, performs his final official act before retiring by appearing before the Subcommittee on Economy in Government, Joint Economic Committee, on January 16, 1969.

Mr. Weitzel completed his 15-year term in office on January 17, 1969. In so doing, he served continuously in the U.S. General Accounting Office for nearly 43 years and was employed there over a period of 45 years. He began his GAO career as a messenger before he graduated from high school. His departure from office concludes one of the longest careers in contemporary government as well as one of the most successful.

CHAPTER ONE

Highlights of Activities for the Year

Audit Reports Issued

In conducting its audit work as an independent arm in the legislative branch during fiscal year 1969, the General Accounting Office continued to give primary attention to those activities in the executive branch known or considered to be of direct interest to the Congress, its committees, and Members.

Important factors considered in reaching decisions to conduct specific audits, as in other years, included the following:

- Specific statutory requirements—an unprecedented example this year was the audit of various antipoverty programs carried out under the Economic Opportunity Act of 1964. (Ch. 4, p. 68.)
- Expression of committee interest—an outstanding audit in this area was the review of the possible transfer of the Atomic Energy Commission's gaseous diffusion plants to private ownership. (Ch. 4, p. 139.)
- Importance of programs or activities judged by such measures as size of expenditures, public impact, and investment in assets—typical examples this year were several reports issued concerning aspects of the foreign economic assistance program as administered by the Agency for International Development. (Ch. 6, p. 210.)
- Or, criticisms indicating potential needs for corrective action--two notable examples were reports issued in connection with the application of the economic order principle in the procurement of supplies by the military services and the administration of the pesticides con-

3

trol program by the Agricultural Research Service (ARS) of the Department of Agriculture. These reports led to corrective actions. In one audit GAO reported that the military services could reduce their annual operating costs by \$13 million to \$18 million. (Ch. 5, p. 177.) In the other, GAO found that ARS did not take effective action to remove potentially harmful pesticides from the market, to prosecute shippers for violating the law, or to publicize court judgments ordering products to be taken off the market. (Ch. 4, p. 85.)

As a result of our audits in the departments, agencies, commissions, and corporations of the Federal Government in Washington, throughout the United States, and in Western Europe, Africa, Latin America, and the Near and Far East, GAO issued 1,023 reports during fiscal year 1969—

177 to the Congress,

- 204 to congressional committees, officers of the Congress, or individual Members, and
- 642 to officials of departments and agencies.

These covered virtually every activity of the Government. As examples----

In Department of Defense Operations, GAO

Recommended a thorough Presidential study be undertaken to determine what types of organizations could best assist the Government in fulfilling research and development missions toward which the Government was expected to spend some \$17.3 billion in fiscal year 1969. (Ch. 5, p. 191.)

Reported that substantial savings could be realized by the Department of Defense if small purchases (those not exceeding \$2,500 but representing 70 percent of DOD procurement efforts) were obtained by the method known as "requirements contracting." (Ch. 5, p. 183.)

Reviewed difficulties encountered by U.S. companies providing air services under contract with DOD to support military programs in Vietnam. One contractor paid a 15-percent gross revenue premium to a Vietnamese air carrier primarily for obtaining clearances so that the U.S. carrier could operate for the American contractor in that country. (Ch. 6, p. 218.)

In the International Area, GAO

Pointed out that the United States has no systematic procedure for evaluating World Health Organization projects and programs financed substantially, though in part, by U.S. grants; U.S. grants to WHO have doubled in 5 years and cumulatively amounted to over \$100 million this fiscal year. (Ch. 6, p. 225.)

Reported that during fiscal years 1966 and 1967 the Republic of Korea received more than \$425 million from the United States for economic assistance and that Korea hopes to achieve self-sustaining economy by 1971, substantially as a result of this assistance. (Ch. 6, p. 211.)

Stated that although appropriations for military construction in Thailand amounted to about \$395 million from fiscal year 1965 through fiscal year 1969, the organization established there to manage U.S. military construction was not adequate to enforce DOD policies; results: mistakes in selection of project sites and waste in design costs, among other faults. (Ch. 5, p. 188.)

In the Area of Civil Operations in the United States, GAO

Examined into the problem areas affecting the usefulness of the results of research in medicinal chemistry being supported with grants from the National Institutes of Health, Department of Health, Education, and Welfare, and found that many investigators were experiencing difficulties in obtaining the necessary screening and testing services from the pharmaceutical industry, and some were redirecting their efforts away from development of new drugs for the prevention and treatment of human diseases and disabilities. (Ch. 4, p. 98.)

Reviewed the Servicemen's Group Life Insurance Program administered by the Veterans Administration and concluded that application of the formula for computing the Government's extra-hazard costs results in the servicemen's bearing a portion of the costs of death claims traceable to the Vietnam conflict in contradiction to the legislative intent that the Government bear all mortality costs traceable to war. (Ch. 4, p. 160.)

In the Area of Government-wide Operations, GAO

Conducted a study at 13 educational institutions, two hospitals, and two independent research institutions to assist the committees of the Congress in achieving a realistic, uniform formula for ascertaining indirect costs on research grants. (Ch. 2, p. 18.)

Reviewed the shipping practices of military and civil agencies and identified savings of millions of dollars annually that could be achieved if the Government follows the practices of many private businesses and consolidates its small freight shipments. (Ch. 7, p. 240.) Of this year's reports, 519 pertained to activities in the civil departments and agencies of the executive branch and in the legislative branch, 438 related to activities in the Department of Defense, 57 pertained to international activities, including military and economic assistance to foreign countries, 6 concerned Government-wide activities and 3 related to organizations outside the Government.

Synopses of audit reports to the Congress are presented in Chapters Three through Seven. A list of audit reports issued during the fiscal year is in Appendix C-2.

Scope of GAO's Audit Work

GAO conducted approximately 1,950 audits and reviews in the United States and in 45 other countries during fiscal year 1969.

4.45.465	Number of	Area		
Activities	audits and reviews	U.S.A.	Overseas	
Civil	992	2, 021	8	
Defense	774	840	136	
International	178	156	231	
Government-wide	12	173		
Total	1, 956	3, 190	375	

Most of the work was done at U.S. Government locations. Some work was carried out at locations in State and local governments, universities and similar recipients of Federal grants and loans, and plants and offices of companies holding Government contracts.

Financial Savings

The effects of recommendations made by GAO in connection with its audits or reviews were actions taken by Federal agencies during the year to improve their activities along the lines suggested.

For many of these it was impractical to determine the dollar savings that might be realized. But refunds, collections, and financial savings or revenues that could be determined to have resulted from GAO audits and reviews amounted to \$187.6 million this year as follows:

Refunds and collections:	(In millions)
Audits of departments and agencies	\$3.4
Transportation audits	14. 2
General claims work	2.8
	 \$2 0. 4
Other savings:	
Supply management and procurement	95.0
Transportation costs	
Payments to Government employees and other	
individuals	14.3
Reallocation of nonreimbursable flood control	
benefits	5.0
Construction costs	4.9
Acquisition of land	3.6
Leasing and rental costs	2.9
Manpower utilization	1.5
Miscellaneous	8.0
	<u> </u>
Total savings attributable to the work of GAO	*\$187.6

*Savings of approximately \$65 million are recurring in nature and will continue in future years.

Expenses and Staffing

GAO operating expenses for fiscal year 1969 amounted to \$59.9 million. Over 89 percent of this amount—\$53.3 million—was required to pay salaries and other personnel costs. The staff at June 30 totaled 4,544, a net increase of 234 over 1968. During the past 10 years, GAO staff has been reduced by 659—over 12 percent—but the professional accounting and auditing staff has increased by 871, to 2,663.

Internal Audit

The importance of internal audit activities in the executive departments and agencies was stressed this year. Reports were submitted to the Congress on the effectiveness of internal audit activities in the following departments and agencies:

Health, Education, and Welfare Defense Federal Aviation Administration, Department of Transportation Agency for International Development United States Information Agency Two reports on internal audit activities were submitted to agency officials.

Uniform Cost Accounting Standards

The General Accounting Office undertook a study this year "to determine the feasibility of applying uniform cost accounting standards to be used in all negotiated prime contract and subcontract defense procurements of \$100,000 or more." The study was undertaken as a result of passage of Public Law 90–370 of July 1, 1968, directing the Comptroller General, in cooperation with the Secretary of Defense and the Director, Bureau of the Budget, to carry out the work.

Relative to the study, about 1,450 comprehensive questionnaires were sent to defense contractors and institutions, 725 to nondefense industrial firms, and some to Government agencies, trade associations, and professional organizations.

In addition to working with the Bureau of the Budget and the Department of Defense, and consulting with industry and the accounting profession as required by Public Law 90–370, we also consulted with other Government agencies and contracted with highly qualified consultants to perform a variety of research tasks.

The law directed the Comptroller General to complete his report by December 31, 1969.

Financial Management Improvement

In March 1968, the House Government Operations Committee recommended that GAO make an annual report to the Congress summarizing findings relating to inadequate accounting systems and the progress of agencies in developing systems for submission and approval by the Comptroller General.

The first annual report, issued in response to this recommendation, entitled "Progress and Problems Relating to Improvement of Federal Agency Accounting Systems as of December 31, 1968," was submitted to the Congress in September 1969.

GAO approved 10 complete accounting systems submitted by civil and international departments and agencies, one system design, one part or segment of a system, and 22 statements of accounting principles and standards during the 1969 fiscal year. At year end, six complete systems, three systems designs, 14 parts or segments of systems, and 11 statements of principles and standards submitted for approval by civil and international departments and agencies were in various stages of review by GAO.

As of June 30, 1969, out of 142 civil and international department and agency accounting systems subject to approval, the accounting systems of 66 organizational entities have been approved.

In addition, GAO approved the Army accounting system for military construction and 14 directives and instructions submitted by the Department of Defense. At year end, two complete systems, three segments of systems, and 12 directives and instructions submitted for approval by the Department of Defense were under review.

The Joint Financial Management Improvement Program—comprising representatives from the Bureau of the Budget, the Civil Service Commission, the General Accounting Office, and the Treasury—conducted several projects during the year such as:

- A study of the use by Federal agencies of letters-of-credit to finance contractors and grantees.
- A study of procedures for centralizing within the Federal Government the billing and payment of transportation charges incurred by Federal agencies.
- A study of intragovernmental billing and collection procedures.
- A study of financial administration of Federal grant-in-aid programs to State and local governments.

Legal Services

Decisions prepared for issuance by the Comptroller General and other legal matters handled during the year totaled 4,895. The total included 794 legislative and legal reports submitted to committees and Members of Congress on information of interest to them and 45 reports to the Director of the Bureau of the Budget on proposed, pending, or enrolled bills and other legal matters.

An unusual decision this year concerned "Operation RESPOND."

As a result of difficulties in obtaining adequate sealift for Southeast Asia, the Defense Department decided that a program should be established to provide for future emergency ocean transportation needs. The proposed program, called RESPOND, was patterned after a similar successful emergency airlift augmentation program.

Under the RESPOND program ocean transportation contracts would be allocated to carriers partly on the basis of pledges to furnish additional sealift capacity in the event of a future emergency. Price, while a factor, would not be controlling.

It was proposed to award these contracts under the authority of 10 U.S.C. 2304(a)(16), which authorizes procurement by negotiation instead of by formal advertising if the agency head determines it to be in the interest of national defense to make or keep any supplier available for furnishing services in the event of a national emergency.

The Defense Department had some question as to whether it was proper to use this authority for RESPOND contracts and requested an opinion from the Comptroller General.

Although there were several collateral questions to be considered, such as the weight to be given payments made by the Government to the subsidized lines, the key questions were the authority to negotiate under 10 U.S.C. 2304(a)(16) and the requirement for price competition under 10 U.S.C. 2304(g).

The Comptroller General held that section 2304(a)(16) authorized the negotiation of contracts on terms which would provide for the availability of sufficient ships to give assurance that the sealift capability would be adequate to meet emergency needs of the Department of Defense.

Further, it was held that while price competition is usually required in negotiated procurements, an exception is made in 10 U.S.C. 2304(g) where rates or prices are fixed by law or regulation.

Assistance to Congress

A major objective of GAO is to assist the Congress in maintaining the surveillance necessary for effective legislative oversight of the complex of governmental programs and operations. Toward this end in fiscal year 1969:

- GAO representatives testified on 24 occasions before congressional committees.
- 73 GAO staff members were assigned to the staffs of 14 committees or subcommittees. This represents approximately 6,534 man-days of GAO staff time.
- 496 reports were furnished to committee chairmen on pending bills— 293 to the Senate, and 203 to the House.

Transportation

During fiscal year 1969, GAO, in meeting its responsibility for determining the correctness of charges claimed for freight and passenger transportation services furnished the United States, audited \$2.5 billion in transportation charges, consisting of \$1.5 billion paid for 6.3 million freight shipments and \$1 billion for 3.2 million passenger movements. This is an increase of about 22.5 percent over the charges audited in fiscal year 1968.

Overcharges issued against carriers and carrier claims against the United States settled by GAO in 1969 were as follows:

U.S. Claims Against Carriers	A
Number 100,968	Amount
Carrier Claims Against U.S. Settled by GAO	
[In millions of dollars]	

Original bills	Number	Charges	Allowed	Disallowed
	1, 289	\$14.9	\$14.3	\$0.6
	12, 613	4.0	2.1	1.9
 Total	13, 902	\$18.9	\$16.4	\$2.5

GAO also furnished assistance to the Department of Justice in some 35 legal actions involving claims against the United States for approximately \$837,000 covering 5,724 shipments. Thirty-two suits, the subject of reports in this or prior years, were settled for about \$338,000, about \$264,000 less than claimed.

Carriers filed 169 suits covering 151,346 shipments. One hundred twenty-seven of these suits and about 148,000 of the shipments covered overseas movements of household goods by the Department of Defense. The amount sued for is not stated in the petitions but we estimate that the liability of the United States on the 307 household goods suits filed in this and prior years will be nearly \$170 million if the carriers prevail on all issues involved.

Claims Settlement and Debt Collection

General claims against the United States in fiscal year 1969 involved Government contracts, compensation to civilian personnel and pay and allowances to military personnel, retired pay, travel, transportation and per diem matters, and miscellaneous claims of Government personnel and other public creditors. General claims against and by the United States settled by GAO were as follows:

	Number	Paid by U.S. Collected by U.S. (In millions)
Claims against U.S.	18, 690	\$70.1
Claims by U.S.	9, 750	\$ 2. 8

At the end of the year, 7,977 claims under collection represented accounts receivable in the amount of about \$4.8 million. GAO reported 1,266 claims to the Department of Justice for collection by suit. As of June 30 there were 5,542 claims under collection by that Department, representing approximately \$1.9 million in accounts receivable.

Training and Career Development

Over 1,700 members of GAO's professional staff were provided with special training this year through GAO internal facilities. Nearly 1,000 professional staff members participated in training or career development programs conducted in other agency or non-Government facilities. Forty-seven staff members passed the CPA examination given by State boards during the year. A total of 454 members now hold the CPA certificate; 88 others who have passed the required examination will receive their certificates upon completion of their experience requirement.

Public Activities

The Comptroller General spoke before 30 business and professional organizations throughout the United States during the year in connection with the work of GAO.

The Assistant Comptroller General addressed seven similar groups.

Chapter Two



CHAPTER TWO

Assistance to the Congress

SUMMARY OF ASSISTANCE PROVIDED

Highlights of our assistance to the Congress during fiscal year 1969 are included in this chapter. Other chapters include further comment on this subject.

One of our primary functions as a nonpartisan agent of the Congress is to assist the committees and individual Members of the Congress in carrying out their constitutional responsibilities in the appropriation and legislative oversight areas. Congress placed the General Accounting Office in the legislative branch to provide the Congress with independent and objective advice and assistance on the financial and management operations of the executive branch.

The need of the Congress for impartial appraisals of the financial and administrative problems involved in proposed legislation increases each year in our rapidly changing society. This past year the growing need for the Congress to be supplied with more information which would assist the committees and individual Members in determining the relative benefits and costs of new and expanding Federal programs became even more apparent.

Since I have held the office of Comptroller General, I have continuously sought to fulfill these needs by maintaining close liaison with the Congress and gearing the operations of the General Accounting Office so that we can be of greater assistance to the Congress.

Our assistance to the Congress, its committees, and individual Members is furnished principally through:

- Reports and testimony to the Congress on the results of our audits and reviews of Federal programs and operations;
- Special audit and investigative reports as requested by committees and individual Members of the Congress;
- Direct staff assistance to committees;
- Reports on bills;
- Advice in legal and legislative matters;
- Recommendations for legislation in the financial and administrative areas;
- Accounting and auditing advice on House and Senate financial and administrative operations; and most recently
- Assistance in developing computer-based information systems to meet congressional need for more meaningful, comprehensive, and timely information.

We are required by law to provide assistance to the committees of either House having jurisdiction over revenue, appropriations, or expenditures. However, it is our policy to comply on a priority basis with all committee requests if within our capability and every effort is made to provide prompt attention to requests from individual Members of Congress within the limits of available manpower and funds.

Priority attention is also given to work initiated on our own in areas where the Congress has evidenced its interest and concern, and in other areas of major significance where a report to the Congress will be issued.

Our Office of Legislative Liaison maintains close working relationship with the Congress through continuous contact with the Members and committees of Congress and their staffs for the purpose of :

- Coordinating the work of the Office in meeting and anticipating the needs of the committees and individual Members of the Congress.
- Keeping the committees of the Congress advised of information developed by our operating divisions.
- Ascertaining the areas of interest of committees so that such areas will be included in our operating programs.
- Providing personal attention to the inquiries and requests of individual Members and the committees.
- Arranging for testimony to be given before congressional committees.
- Assisting with the formulation of the legislative program of the Office and its presentation to the Congress and its committees.

Our monthly "GAO Newsletter" summarizes all audit reports issued that month and significant legal decisions and other pertinent activities during the month. This year we expanded the distribution of the "GAO Newsletter" to all Members of the Congress as a means of providing a ready reference to the current work of our Office.

A tear-out DIGEST in nontechnical language is now included in our bound reports. This convenient résumé of the review was developed to provide the Members of Congress and their staffs with a brief story of what the report is about. The tear-out digest can also be used to save filing space or as a handy reference file.

I participated in the seminar held in January 1969 for the new Members of the House of Representatives of the 91st Congress. This seminar was sponsored by a bipartisan group of Members of the House, the American Political Science Association, and the Legislative Reference Service of the Library of Congress. The occasion afforded me the opportunity to inform the new Members about our operations and the professional services that are available to them. Our legislative liaison attorneys also visited the offices of the new Members of both Houses of Congress to acquaint their staffs with the services available from our Office.

We furnished the chairman of each House and Senate committee a copy of our new compilation of the legislation affecting the functions and jurisdiction of the General Accounting Office. This useful book is a compendium of all statutory authority applicable to the Office through February 1969. The compilation will be updated each year.

Senate Rule 44, adopted on March 22, 1968, requires Senators and officers and certain employees of the Senate to file confidential financial statements with our Office before May 15 of each year. We received these statements for the first time this year and all statements were filed in special tamper-proof type envelopes. We furnished a report as required by the rule to the Senate Select Committee on Standards and Conduct listing the names of those who filed confidential financial statements with us.

REPORTS TO CONGRESS

To assist the Congress in maintaining effective legislative oversight of governmental programs and operations, we have increased our capability to appraise the adequacy of program management and have placed additional emphasis on determining whether Government programs achieved the purposes intended by the Congress. We made considerable progress towards increasing the effectiveness of our audit work by undertaking broader scope and multiagency reviews which we believe are more useful to the Congress.

During fiscal year 1969 we issued 177 reports to the Congress. These reports, initiated on our own in areas of congressional interest and major dollar impact, are addressed to the President of the Senate and to the Speaker of the House. We also send copies to the interested committees and individual Members concerned with the subject of the review.

A compilation of General Accounting Office findings and recommendations for improving Government operations, relating for the most part to fiscal year 1968, was sent to the Congress in December. The purpose of this special report is to provide a convenient summary for the use of the Congress and Federal agencies showing opportunities for savings and other improvements in Government operations identified by GAO. The findings are classified by principal functional areas of management for the convenience of the committees of the Congress and of others. The report also contains an index of agencies to which specific findings and recommendations relate (B-138162, December 11, 1968).

During the last half of fiscal year 1968 and the first 8 months of this fiscal year, we reviewed the principal programs authorized by the Economic Opportunity Act of 1964, as amended, pursuant to the requirements of Title II of the Economic Opportunity Amendments of 1967. This is one of the most comprehensive and complex reviews undertaken by us and within an exceedingly tight time schedule set by the statute. Approximately 250 members of our staff participated in reviews of the Job Corps, Community Action, Concentrated Employment Program, Neighborhood Youth Corps, Work Experience, Special Impact, Volunteers in Service to America, Rural Loan Program administered by Farmers Home Administration, and the Economic Opportunity Loan Programs administered by the Small Business Administration.

We obtained the services of three contractors to assist us through interviews with program participants, assessing program evaluation methods used by the administering agencies, making cost-benefit analyses of selected manpower programs, evaluating management information, and in providing quantitative analysis and advice needed for assessing the effectiveness of selected programs.

We submitted our overall report to the Congress on March 18, 1969, and will issue about 50 supplementary reports on the individual examinations made at various program sites throughout the country (B-130515).

Another report to the Congress on a significant subject was our study of indirect costs of federally sponsored research contracts and grants primarily with educational institutions (B-117219, June 12, 1969). This study was made at the request of the chairman of the House Appropriations Committee and a similar requirement in the Conference Report on the Department of Defense Appropriation Act for 1969. The purpose of the study was to assist the committees of the Congress in achieving a realistic and uniform formula for ascertaining indirect cost on research grants. Highlights of the study results were:

- A uniform formula in the sense of a uniform percentage rate to be applied to direct cost or some element thereof will not result in a realistic or equitable determination of indirect cost based on sound accounting principles.
- It is not feasible to determine indirect cost by a fixed method or procedure applied uniformly under all conditions. There is not enough standardization among research institutions and projects to permit use of a uniform formula or a fixed method of determining indirect cost.
- Uniform principles and guidelines can be used, however, for determining indirect cost provided that they have sufficient flexibility. Such principles and guidelines are provided in Bureau of the Budget Circular A-21. A need exists, however, for further changes in the provisions and administration of Circular A-21.
- To the extent that a sharing in the cost by the research institution is to be required, relating cost sharing to the total cost of the research is more appropriate than imposing a limit on the rate of indirect cost.
- There are divergent views on the question of whether the institutions engaged in research should or should not share in the cost. These differing views cause recurring problems. If a consistent policy is to be followed there will be a need for guidance from the Congress or the executive branch.

Another complex program of broad scope and potentially far-reaching effect initiated this fiscal year is our feasibility study of applying uniform cost accounting standards (UCAS) in all negotiated prime contracts and subcontract defense procurements of \$100,000 or more. Public Law 90– 370, approved July 1, 1968, directed us to undertake such a study, in cooperation with the Secretary of Defense and the Director, Bureau of the Budget, and in consultation with the accounting profession and representatives of that segment of American industry actively engaged in defense contracting, and to report the results to the Congress by December 31, 1969. During fiscal year 1969 about 170 members of our professional staff in Washington and in the field expended over 25,000 hours on this study. We are able to provide assistance to the Congress on a worldwide basis in countries where Federal assistance or other governmental activities are taking place. During fiscal year 1969 we issued a report to the Congress on aid assistance provided to Korea (B-164264, July 16, 1968) and had other countrywide reviews in progress in Southeast Asia, Africa, and Central America. Our objective in these cases was to provide a comprehensive and analytical report on the total U.S. assistance to a given country. We believe these can be helpful to the Congress in identifying areas where economies or efficiencies can be achieved.

A considerable portion of our overseas effort has been devoted to programs and activities in Vietnam. During the last fiscal year we issued 21 reports on our Vietnam reviews. The majority of these were requested by congressional committees or individual Members of Congress. Our surveillance of the more significant areas of the U.S. programs and activities relating to Vietnam and Southeast Asia will continue.

We have initiated reviews of U.S. participation in international organizations. We sent reports to the Congress on U.S. participation in the World Health Organization (B-164031(2), Jan. 9, 1969) and the Organization of American States (B-165850, Apr. 9, 1969) and will be issuing reports early in fiscal year 1970 on our reviews of U.S. financial participation in the United Nations Children's Fund and the Food and Agricultural Organization, with others to follow later in the year.

We submitted 34 reports to the Congress on reviews initiated on our own in such major functional areas of defense activities as procurement, supply management, research and development, facilities and construction, support services, manpower, and management control systems. The magnitude and complexity of DOD's operations require that we place extremely heavy responsibilities upon our staff. For example, in the area of procurement alone, the Department of Defense is awarding contracts for weapons systems and related equipment and supplies at the rate of over \$49 billion a year.

During the fiscal year we issued reports on such matters as:

- Need to improve the Army Tank-Automotive Command's supply management data system (B-146772, Sept. 23, 1968).
- Operation FRELOC where 70,000 military forces stationed in France and 800,000 tons of material from 190 Army and Air Force installations were relocated to other NATO countries (B-161507, Aug. 7, 1968).
- Army and Air Force controls over inventories in Europe, a followup review on Operation FRELOC to examine actions taken to gain control over large quantities of supplies and equipment (B-161507, June 30, 1969).

- The TITAN III program—a limited review of test launch and tracking facilities acquired to support the TITAN program and a classified satellite booster program (B-164027, July 3, 1968).
- Military shipments to Southeast Asia—a survey of transportation and traffic systems supporting the supply demands of the U.S. military forces in Southeast Asia where we found several areas which appeared to offer opportunities for significant savings (B-165683, Apr. 30, 1969).

SPECIAL REPORTS REQUESTED BY COMMITTEES AND INDIVIDUAL MEMBERS OF CONGRESS

Our work in response to specific requests from congressional committees and from individual Members of Congress has continued to increase. During the past 3 fiscal years our staff effort involved in this aspect of our work increased from 238 man-years in 1966 to 470 man-years in 1969—an increase of 232 man-years or nearly 100 percent.

During the year we issued 204 special reports requested by the committees and individual Members of the Congress. These requests ranged from obtaining information on the procurement of bristles from Russia and Yugoslavia, and nylon fiber from France by the Federal Prison Industries, Inc. (B-164406), to reviewing procedures of the Department of Agriculture for making quarterly estimates of meat imports and safeguards established to protect against a level of imports exceeding the amounts permitted by Public Law 88-482 (B-165475, Mar. 28, 1969).

We annually report significant audit findings developed during the year to the House Appropriations Committee before the commencement of its appropriation year. At its request we also prepared several other special reports on a wide range of Government operations. With respect to defense activities, we furnished the House Committee:

- A report on the application of the full funding concept and analysis of the unobligated and unexpended balances in selected appropriations of the Department of Defense, particularly the funds provided for aircraft and ship building (B-165069, Feb. 17, 1969).
- A report responding to the chairman's request to determine whether the centralization of supply management operations (COSMOS) system being implemented in the Department of the Army was planned properly and met criteria set forth in a previous GAO report to the committee (B-163074, Jan. 16, 1969).

The Conference Report on the Second Supplemental Appropriations, 1968, provided for the Department of Defense collaborating with the General Accounting Office in perfecting its accounting system for operations (PRIME). We have been pursuing this objective through the identification of problem areas in the implementation process and participating on a Steering Committee and Working Groups established to consider the problems and develop appropriate solutions. We have also been keeping the staff of the House Appropriations Committee informed of the progress in this endeavor.

In reporting the Legislative Branch Appropriations Bill for 1969 (H. Rept. 1576, 90th Cong.), the House Committee on Appropriations expressed concern about the projected loss in the operations of the House restaurant facilities and requested GAO to launch a full-scale study of all phases of the operation. In line with the suggestion of the committee, we engaged an industrial firm specializing in the food service industry as consultant in performing the work. We submitted our report and the report of the consultant to the Subcommittee on Legislation and also discussed the findings and suggestions in the report with the committee.

The chairman of the Subcommittee on Departments of Treasury and Post Office and Executive Office, House Appropriations Committee, requested us to examine into the effect the adoption of an all annual rate regular clerk and mailhandler work force program (the all-regular program) has had on productivity at a large post office. Our review showed that productivity increased after adoption of the all-regular program.

At the request of the chairman of the Senate Appropriations Committee, we made a special audit of the Government funds utilized under Department of Labor contracts with Youth Pride, Inc., Washington, D.C., and furnished the committee a report on our findings. This work required extensive field interviews to test ledger entries and payroll records (B-164537, Jan. 16, 1969).

The close working relationship between our Office and the Joint Atomic Energy Committee and its staff continues to be mutually beneficial in carrying out our respective responsibilities concerning the operations of the Atomic Energy Commission.

In response to requests made by the Joint Committee on Atomic Energy, we performed a number of comprehensive reviews concerning management and related activities of the Atomic Energy Commission. As a result of these reviews we furnished reports on such varied subject areas as:

- Administration and management of the biology and medicine research program.
- Matters relating to the possible transfer of gaseous diffusion plants to private ownership.
- Management of equipment by the Atomic Energy Commission.
- Selected contractor activities in connection with the construction of the 200 billion electron volt accelerator at Weston, Ill.

As a result of our reviews of management of equipment and of the program for biology and medicine research, the Commission agreed to take certain actions to improve administration of these areas.

During the year, we furnish two classified reports to the Joint Committee on Atomic Energy concerning our review of the development of the SENTINEL/SAFEGUARD Antiballistic Missile System by the Atomic Energy Commission and the Department of Defense. In accordance with the Committee's request, we plan to continue our review of this program during the coming year.

We responded to requests from the chairman of the House Committee on Science and Astronautics for reports on several phases of the National Aeronautics and Space Administration's comprehensive programs which included areas such as (1) adequacy of in-house laboratory facilities at Marshall Space Flight Center, (2) inspection functions performed during development and production of the lunar module of the Apollo spacecraft, (3) outfitting temporary facilities for the Electronics Research Center, (4) selected aspects of the management and operation of tracking and data acquisition facilities near Madrid, Spain, and at Goldstone, Calif., and (5) automatic data processing policies, procedures, and practices at the Jet Propulsion Laboratory.

There has been a noticeable increase in the utilization of our services by the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs since we established our International Division in 1963. This year the chairmen of both committees requested reports on the administration and management of Government activities throughout the world. With respect to the series of studies by the Subcommittee on American Republics Affairs of the Senate Foreign Relations Committee under the general heading "Survey of the Alliance for Progress" the chairman in expressing appreciation for the work of our staff advised that our reports on the American Institute for Free Labor Development and on nonproject assistance to Columbia (B-161798, July 8, 1969) were of great assistance as they threw additional light on the complex questions and were of a high order.

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We responded to numerous requests from individual Members of the Congress for special investigations. For example, in the defense area alone we submitted 31 reports to Members of the Congress on such matters as investigation of:

- POL thefts in Thailand from the U.S. Navy Fuel Supply in Bangkok and its subarea Petroleum Office (B-163928, Jan. 9, 1969).
- SENTINEL program costs and availability of SENTINEL funds for the SAFEGUARD program (B-164250, June 11, 1969).
- Procurement of AN/PRC-25 radio sets by the Department of the Army (B-161031, Apr. 11, 1969).
- DOD support to commercial film makers (B-166014, June 19, 1969).
- Household furnishings at Bitburg Air Base, Germany, Department of the Air Force (B-165269, Jan. 9, 1969).
- Development of test equipment for generator sets (B-162711, Oct. 28, 1968).

STAFF ASSISTANCE TO COMMITTEES

Our enabling legislation provides that "The Comptroller General shall also, at the request of any such committee (of either House having jurisdiction over revenue, appropriations or expenditures), direct assistants from his Office to furnish the committee such aid and information as it may request."

I have continued the policy of my predecessors in providing staff assistance to all of the committees of the Congress upon request of the committee chairmen, dependent upon available manpower and funds. I consider our function of providing staff an essential part of the professional assistance provided the Congress by our Office.

Whenever members of our professional staff are detailed to a committee, they work directly with and under the supervision of the committee staff. Generally this work is performed in Washington but the need for field work, including overseas, is not uncommon. Normally our staff is requested to assist with specific investigations or other special studies undertaken by a committee. Occasionally, we are asked to provide staff to assist with the on-going activities of a committee.

The experience gained by our employees on committee assignments is highly beneficial to the Office, as well as the employee. Assignments requiring extended periods of time, however, may interfere with the professional development and progression of our staff and for this reason we adopted a general policy of limiting such assignment to 6-month periods.

We again provided several professional staff members to assist the Surveys and Investigations Staff of the House Appropriations Committee. We continued to assist the Senate Permanent Investigations Subcommittee of the Government Operations Committee in a number of its pursuits, mainly through staff assistance from our field offices, as well as our Washington staff and overseas offices.

During the year our staff worked closely with staff members of the Senate Finance Committee on its consideration of problems related to Medicare-Medicaid programs. Our staff also worked with the House Ways and Means Committee in providing assistance in monitoring a review of welfare payments in New York State conducted by the State welfare officials and the Department of Health, Education, and Welfare.

As in the past we continued to provide staff assistance to the Manpower and Civil Service Subcommittee, House Post Office and Civil Service Committee, and the House Banking and Currency Committee in conducting special studies, and assisted with the hearings held by the committees during the past year.

A complete summary of the assignments of our professional staff to the committees of the Congress during the past fiscal year is set forth on page 384, Appendix H–7.

TESTIMONY AT HEARINGS

During fiscal year 1969, the Comptroller General and other officials of the Office testified before congressional committees on 24 occasions.

Except when appearing on pending legislation we normally testify before committees after our work is completed and the report of our findings and conclusions is issued to the Congress. However, on occasion we appear to discuss our pending work in areas of congressional interest. For example, our Office is engaged in a major review at the Federal Water Pollution Control Administration (FWPCA) which is expected to result in several reports to be issued to the Congress during the next fiscal year. In view of the congressional interest in the water pollution program, we have endeavored to keep the appropriate committee staff of both Houses of Congress informed as to the activities we are reviewing. We appeared before the House Public Works Committee on March 6, 1969, to discuss the status of our work concerning:

• The effectiveness of the construction grants program including investigation of State water pollution plans and priority system for awarding construction grants.

25

- Use of construction grant funds, including effect of increasing Federal participation three times since 1956.
- Action being taken to prevent, control, and abate water pollution from Federal installations and to determine whether FWPCA is providing technical advice and assistance to Federal agencies.
- Operation and maintenance of the treatment plants.
- Joint municipal-industrial and multimunicipal plants.
- Followup review of the disposition of industrial waste solids into navigable waters.

A good example of how Congress can best put our work to use in carrying out its oversight responsibilities is for the committee having legislative jurisdiction over the agency's operations to use the information we develop to initiate its own examination of the program involved. For example, the House Armed Services Committee, through its Subcommittee for Special Investigations, based one of its most important investigations of the year on our examination of the Army's development and production of the Sheridan Weapon System and the M60A1E1/E2 tank systems. We testified before the subcommittee on March 13, 1969, to furnish firsthand facts showing that the Army authorized mass production of the Sheridan even though no acceptable ammunition had been developed. Also the E1 tank turrets and E2 tanks were procured before sufficient testing was performed to adequately evaluate their suitability for operational use. This resulted in the procurement and storage of large numbers of tanks which could not be used as intended. The subcommittee thoroughly explored the procedures involved and in its report pinpointed the causes of the Army's imprudent decisions.

As noted previously, we submitted a report to the Congress on June 12, 1969, concerning our study of indirect costs of Federal research contracts and grants. On April 22, 1969, we testified before the Subcommittee on Government Research, Senate Committee on Government Operations, on this study. We discussed the basis of our conclusion that a uniform formula, in the sense of a uniform percentage rate applied to direct cost or some element thereof, will not result in a realistic determination of indirect cost, based on sound accounting principles. We also stated why we do not believe it feasible to determine indirect cost by a fixed method or procedure applied uniformly under all conditions. Overhead rates are merely a measure of the indirect portion of the total cost of research and there are a number of valid reasons why indirect costs rates vary. We do believe, however, that uniform principles and guidelines can be used for the determination of indirect cost, provided they have
sufficient flexibility to be applicable to a differing circumstance in an equitable manner.

At the request of the chairman, House Committee on Government Operations, we made a review of Federal involvement in housing construction in areas of potential geologic instability. We issued two reports to the committee on this review and our representatives presented the findings at hearings held by the Special Studies Subcommittee on May 7, 1969.

An important aspect of our testimony for the committees of the Congress is furnishing our views on pending legislation. For example, during the past fiscal year we testified on the following bills:

- S. 3706, 90th Congress, a bill to amend the Public Buildings Act of 1959 to provide for financing the acquisition, construction, alteration, maintenance, operation, and protection of public buildings, including parking facilities.
- H.R. 4805, 90th Congress, and related private relief bills growing out of Department of the Army contracts with Home Building Contractors, Inc., for prefabricated family housing units for shipment to foreign locations.
- H.R. 474, 91st Congress, "To establish a Commission on Government Procurement."
- H.R. 404, 91st Congress, a bill to amend the Budget and Accounting Act, 1921, to direct the Comptroller General to establish information and data processing systems to assist the Congress.
- H.R. 7363, 91st Congress, administrative waiver of overpayments of military personnel.
- H.R. 7366 and H.R. 10954, 91st Congress, bills to improve the financial management of Federal assistance programs and to authorize consolidation of Federal assistance programs.

A complete list of appearances, including identification of the subject matter, follows.

Committee	Date	Subject					
U.S. SENATE							
Public Works: Subcommittee on Public Buildings and Grounds.	July 18, 1968	To provide for financing the acquisition, construction, alteration, etc., of public building: (S. 3706, 90th Cong.).					
Government Operations: Subcommittee on Govern- ment Research.	Apr. 22, 1969	Federal support of project grants, and indirect costs and cost sharing.					
Appropriations: Subcommittee on District of Columbia.	Apr. 25, 1969	Planning-Programming- Budgeting System in the District of Columbia.					
Labor and Public Welfare: Subcommittee on Employ- ment, Manpower, and Poverty.	May 2, 1969	Results of General Accounting Office review of the Job Corps program administered by the Office of Economic Opportunity.					
Labor and Public Welfare: Subcommittee on Employ- ment, Manpower, and Poverty.	May 23, 1969	Review of Economic Oppor- tunity programs by the Comptroller General pursuant to the Prouty Amendment.					
HOUSE OF REPRESENTATIVES							
Judiciary: Subcommittee No. 2	July 18, 1968	Contracts with Home Building Contractors, Inc. (H.R. 4805, 90th Cong.).					
Public Works	Mar. 6, 1969	Federal Water Pollution Control Administration.					
Armed Services: Subcommittee for Special Investigations.	Mar. 13, 1969	General Accounting Office review of the development and production of the Sheridan Weapon System and the M60A1E1/E2 tank systems.					

Appearances by General Accounting Office Representatives at Congressional Hearings During Fiscal Year 1969

Committee	Date	Subject					
HOUSE OF REPRESENTATIVES— Continued							
Government Operations: Subcommittee on Military Operations. House Administration:	Apr. 15, 1969	To establish a Commission on Government Procurement (H.R. 474).					
Special Subcommittee on Electrical and Mechanical Office Equipment. Government Operations:	Apr. 22, 1969	Study on use of computer system to meet the needs of House Members and committees.					
Subcommittee on Govern- ment Activities.	Apr. 23, 1969	To direct the Comptroller Gen- eral to establish information and data processing systems (H.R. 404).					
Government Operations: Special Studies Subcom- mittee.	May 7, 1969	Operation of Federal housing programs in areas of potential geologic instability in Cali- fornia.					
Education and Labor	May 9, 1969	Results of General Accounting Office review of the Job Corp program administered by the Office of Economic Oppor- tunity.					
Subcommittee on Postal Rates. Judiciary:	May 13, 1969	Review of the Cost Ascertain- ment System.					
Subcommittee No. 2	May 21, 1969	Administrative waiver of over- payments of military person- nel (H.R. 7363).					
Government Operations: Subcommittee on Military Operations.	May 22, 1969	General Accounting Office posi- tion on review of Contract Appeals Board decisions.					
Government Operations: Subcommittee on Military Operations.	May 27, 1969	Contract support services and Bureau of the Budget Circular No. A-76.					
Armed Services	June 11, 1969	Review of selected aspects of the C-5A program.					

Appearances by General Accounting Office Representatives at Congressional Hearings During Fiscal Year 1969—Continued

ASSISTANCE TO THE CONGRESS

Committee	Date	Subject
HOUSE OF REPRESENTATIVES— Continued		
Government Operations: Subcommittee on Military Operations.	June 18, 1969	Indemnification of contractors for losses resulting from cata- strophic accidents.
Government Operations: Subcommittee on Inter- governmental Relations. JOINT	June 19, 1969	To improve the financial management of Federal assistance programs, and to authorize consolidation of Federal assistance programs (H.R. 7366 and H.R. 10954).
Economic: Subcommittee on Economy in Government.	Nov. 11, 1968	Procurement, Government- owned property furnished to contractors, supply systems, property accountability, cost reduction programs, manage- ment of automatic data processing systems, account- ing systems, and interagency coordination to improve ad- ministration of common ac- tivities.
Economic: Subcommittee on Economy in Government.	Jan. 16, 1969	Lockheed C-5 Cargo Plane cost.
Economic: Subcommittee on Economy in Government.	May 12, 1969	Guidelines for estimating the the benefits of the Public Expenditures.
Economic: Subcommittee on Economy in Government.	June 13, 1969	Military budget and national economic priorities.

Appearances by General Accounting Office Representatives at Congressional Hearings During Fiscal Year 1969—Continued

USE OF SYSTEMS ANALYSIS IN GAO TO ASSIST THE CONGRESS

It has been apparent that there is a growing need for the Congress to be supplied with more information which would assist Members in determining the relative benefits and costs of Federal programs. Many Members of Congress are calling for the General Accounting Office to provide this kind of assistance.

It has been my objective to develop this capability in the GAO to the extent feasible. To further this objective I established a systems analysis group in our Office of Policy and Special Studies in 1967 to be responsible for:

- 1. Making or reviewing special studies of Federal programs, policies, and activities which involve the application of systems analysis concepts and techniques.
- 2. Providing consulting advice and assistance in this area to congressional committees, Members of Congress, and Federal agency officials, as required.

During fiscal year 1969 the activities of this group included:

- A survey of progress in implementing the planning-programmingbudgeting system in 21 executive departments and agencies. The results of this survey were reported to the Congress in July 1969.
- Participation in the review of economic opportunity programs, described in Chapter Four, including direction of a major portion of this major review supported by contracted statistical and economic studies which made use of systems analysis.

REPORTS ON PENDING LEGISLATION

During the fiscal year 1969 we submitted 496 reports on legislative proposals to the committees of both Houses of Congress.

Our legislative reports present information obtained in the course of our Government-wide work bearing on the merits as well as technical guidance relating to the financial and operational features of the proposed legislation.

Following is a table showing the number of reports on bills furnished to the committees during fiscal year 1969:

Senate											
Armed Services											2
Banking and Currency											2
Commerce											154
Government Operations											32
Judiciary											2
Labor and Public Welfare											54
Post Office and Civil Service .											46
Public Works						•		•	•		1
										_	293
House											
Armed Services											2
Banking and Currency											1
Education and Labor											1
Government Operations											62
Interstate and Foreign Commerce											15
Judiciary											84
Merchant Marine and Fisheries											21
Post Office and Civil Service .											9
Public Works								•	•		1
Science and Astronautics											4
Ways and Means	•	•	·	•	•	•	•	•	•	•	3
										_	203
										=	
Total	•	٠	•	•	•	•	•	•	•	•	496

ADVISORY ASSISTANCE ON LEGAL AND LEGISLATIVE MATTERS

We are frequently called upon to provide advisory assistance in developing legislative proposals, or to provide advisory legal opinions on interpretation of laws, agency regulations, or proposed legislation. This assistance is generally provided at informal conferences with Members and committees of Congress or their staffs, particularly during the formative stages of legislative proposals culminating as needed in testimony before the committees and written reports or decisions. The services of our professional staff in all of our divisions and offices are always available to the committees and their staffs, as well as to the individual Members of the Congress.

We are in a unique position to provide advisory assistance of real value to the Members of Congress because of the wide range of knowledge of

governmental activities gained through our audits and the broad scope of questions our legal staff is called upon for decisions. Our goal is to insure that the proponents of proposed legislation receive the best information we can offer to attain the results intended.

Since our decisions concerning the legality of the use of appropriated funds are generally final and conclusive on the executive branch, the Appropriations Committees frequently request our opinion concerning the effect of proposed and enacted appropriation language.

We responded to the Appropriations Committees on several such questions including the period of the availability for obligation of funds provided to carry out the provisions of the Presidential Transition Act of 1963, and whether the changes in an REA power generation and transmission agreement were of sufficient scope to require the Administrator to advise the Congress of such changes as prescribed in directions contained in Senate Report No. 497, 88th Congress.

ASSISTANCE ON HOUSE AND SENATE FINANCIAL AND ADMINISTRATIVE OPERATIONS

We maintain a professional staff at the Capitol to furnish assistance on management, financial, and administrative problems requested by officers of the Congress. These requests are received practically daily and require us to work very closely with those officials on immediate problems as well as on long-range plans for improving Capitol operations.

During the past year we assisted employees of the Clerk of the House of Representatives in developing procedures to computerize the accounting system for the Finance Office, the Recording Studio Revolving Fund, and the Stationery Revolving Fund. We also assisted the Clerk in the analysis and evaluation of the proposals of various computer manufacturers relating to a high-speed addressing unit.

At the request of the officers of the Senate and of the House of Representatives we audited and reported on the following activities:

Capitol Guide Force Senate Office Beauty Shop Senate Employees Barber Shop Senate Recording Studio Revolving Fund House Recording Studio Revolving Fund House Stationery Revolving Fund House Finance Office

ASSISTANCE TO THE CONGRESS

We continued to assist the Architect of the Capitol in the areas of financial and administrative management for the various operations under his control and to make audits of the Architect's operations.

We made an audit of the financial transactions charged to the Joint Atomic Energy Committee's appropriations for salaries and expenses of the committee during the fiscal years ended June 30, 1967 and 1968. It has been the practice of the committee since its inception to request an audit upon change of the chairmanship which alternates between the House and Senate membership at the beginning of each new Congress. At the request of the House Select Committee on the House Beauty Shop we audited the operation of the shop for the calendar year 1968.

RECOMMENDATIONS FOR LEGISLATION

Our enabling legislation directs the Comptroller General to report to Congress on the work of the General Accounting Office including "recommendations concerning the legislation he may deem necessary to facilitate the prompt and accurate rendition and settlement of accounts and concerning such other matters relating to the receipt, disbursement, and application of public funds as he may think advisable. In such regular reports, or in special reports at any time when the Congress is in session, he shall make recommendations looking to greater economy or efficiency in public expenditures."

In fulfilling this requirement of our basic act we:

- · Report on our audits and reviews of agency operations,
- Report on bills,
- Testify on bills,
- Furnish legislative drafting assistance,
- Informally furnish advice concerning legislative proposals, and
- Recommend legislation in our reports to the Congress.

Many of the recommendations included in our reports to the Congress are directed to the agency under review calling for corrective action on the deficiencies noted. Whenever legislative action is considered needed or desirable to bring about improved efficiency, substantial economies, or clarification of congressional intent, specific recommendations for consideration by the Congress are also included in these reports.

A discussion of our legislative recommendations follows.

Recommendations Considered by the Congress in Fiscal Year 1969

1. Government's contribution to the cost of servicemen's group life insurance.—The law authorizing the servicemen's group life insurance program (38 U.S.C. 701) provides that members covered by the program bear the cost of normal mortality claims and that the Government bear the cost of mortalities traceable to the extra hazards of war. Our review of this program showed that, although the Veterans Administration computed the Government's extra hazard costs in accordance with the formula prescribed by law, the application of the formula resulted in servicemen contributing about \$15 million during fiscal year 1968 for the costs of death claims traceable to the Vietnam conflict.

Our review of the legislative history of the authorizing legislation showed that the Congress intended that the Government bear all mortality costs traceable to the extra hazard of war. We therefore recommend that, in order to implement the intent of the legislation, the Congress should consider amendatory legislation changing the formula contained in the law.

On June 16, 1969, H.R. 12157 was introduced in the House of Representatives to assure that the United States shall bear all of the cost of servicemen's group life insurance traceable to the extra hazards of war. (Legislation Needed to Avoid Servicemen's Bearing Wartime Mortality Costs Under the Servicemen's Group Life Insurance Program, B-114859, May 29, 1969.)

2. Need for revised legislation relative to collections of Federal unemployment taxes.—In January 1967 we reported to the Congress that a significant acceleration in the availability of funds for financing the administration of employment security activities could be realized if appropriate legislation were enacted to provide for quarterly, rather than annual, collection of the Federal unemployment taxes. The Treasury Department and the Department of Labor agreed in principle with the desirability of our proposal to change the collection of the taxes to a quarterly basis. We recommended that the Secretaries of Labor and the Treasury cooperatively determine the most feasible method of making quarterly collections of Federal unemployment taxes and submit the necessary legislative proposal for consideration by the Congress to provide the authority for such collections.

The Department of Labor proposed legislation to the Congress in March 1969 that provided for the quarterly collection of Federal unemployment taxes. Subsequently, Public Law 91–53, containing such a provision, was approved on August 7, 1969.

ASSISTANCE TO THE CONGRESS

Recommendations to the Congress During Fiscal Year 1969

1. Limitations on number of U.S. military personnel permitted in foreign countries under country-to-country agreements.—We found that Air Force units participating in Southeast Asia operations and stationed in Thailand had not received on a timely basis the personnel needed for support of their programs. The principal cause of the shortage of personnel was the limitation on the number of U.S. military personnel permitted in Thailand under existing country-to-country agreements.

We suggested that the Congress may wish to consider the level of existing country ceilings, the process by which such ceilings are adjusted, and their effect on the conduct of operations in Southeast Asia. (Effectiveness of the Air Force Systems for Managing Manpower Resources at Air Bases in Thailand, B-165863, May 23, 1969.)

2. Review of policies and practices for acquiring land for reservoir projects.—We reported that the Corps of Engineers was acquiring fee title to thousands of acres of reservoir project land when less costly flow-age easements would have sufficed or no interest was required for water control purposes. We estimated that the additional cost of acquiring fee title to 388 selected tracts at seven reservoir projects amounted to about \$2.7 million.

We recognized that fee acquisition may have been desirable to satisfy purposes other than water control. We found, however, that the Corps had not identified the additional cost incurred for other project purposes, mainly recreation and fish and wildlife. The Fish and Wildlife Coordination Act indicates that the Congress desires cost information on land acquired for fish and wildlife purposes. We found also that the total cost of the land acquired for recreation purposes was paid for by the Federal Government even though some of these costs may have been properly financed by non-Federal interests under the cost-sharing provisions of the Federal Water Project Recreation Act.

In response to our proposals, the Department of the Army stated that information on averages and approximate costs to be incurred for such purposes as recreation and fish and wildlife could be furnished to the Congress, if it was desired. With respect to the additional financing which may have been available from non-Federal sources, the Department stated that this would tend to decrease recreational development by local interests, and at some future date could cause substantial administrative problems.

We suggested that the Congress, in prescribing the nature and extent of reservoir project purposes, may wish to require that the Corps identify, for congressional consideration, the costs incurred in acquiring greater interests in land than are needed for water control purposes, the purposes

for which such interests are acquired, the related acreages, and the benefits to be derived from such interests. We suggested also that the Congress may wish to express its intent as to whether the additional costs incurred for recreation and fish and wildlife purposes shall be treated as separable costs and be subject to cost sharing under the Federal Water Project Recreation Act. (Review of Policies and Practices for Acquiring Land for Reservoir Projects, B-118634, Feb. 3, 1969.)

3. Need for guidance in the manner and extent to which Federal funds are to be used for State highway safety programs.-We found that the policy established by the Federal Highway Administration (FHWA) for Federal participation in the cost of State highway safety activities permits the States to use the cost of their on-going safety activities to match Federal funds made available for additional safety efforts undertaken pursuant to the Highway Safety Act of 1966. We stated that this policy may not be consistent with the intent of Congress because the legislative history of the enabling legislation indicated to us that the Federal funds were to be used to assist the States by sharing proportionately with them in the cost of additional safety efforts. Further, we noted that FHWA was administering the program inequitably among the States. We noted that, as a result of FHWA's policy, some States were obtaining full reimbursement for the cost of federally approved additional highway safety activities undertaken and that other States were sharing in the cost of such activities.

We recommended to the Secretary of Transportation that FHWA revise its policy to assure that the matching of Federal and State funds be applied to the cost of additional safety efforts and that the practice of using expenditures for existing State activities for matching Federal funds be discontinued. The Department of Transportation disagreed with our interpretation of the enabling legislation and declined to accept our recommendation. Basically, the Department believed that the intent of the Congress was to permit the States to match the available Federal funds with expenditures for on-going safety activities of the States.

We did not believe that the enabling legislation or the legislative history supported the Department's position. Therefore, we suggested to the Congress that it might wish to consider providing whatever additional guidance it deemed necessary to clarify its intent with respect to the manner and extent to which Federal funds were to be used for funding State highway safety programs. (Problems Arising from the Manner and Extent to which Federal Funds Are Granted for State Highway Safety Programs, B-165355, June 19, 1969.)

4. USDA-FHA-Clarification of the law regarding the use of available funds under other loan programs before the use of emergency loans is approved.—Our review in 14 counties designated as emergency areas by the Secretary of Agriculture showed that 3-percent emergency loans had been made when substantial amounts of 5-percent Farmers Home Administration operating loan funds were available. Section 321(a)of the Consolidated Farmers Home Administration Act of 1961 requires, in part, a determination that a general need for agricultural credit exists which cannot be met from other responsible sources, including Farmers Home Administration programs, prior to designating a county for emergency loan assistance. No documentation was available to show that this determination had been made prior to designation of the 14 counties.

The Farmers Home Administration contends that emergency area designations may be made before applicable Farmers Home Administration funds are exhausted and the Congress never contemplated that a disaster designation should be withheld as long as such funds are available.

We found no specific criteria in the enabling legislation or pertinent legislative history indicating the intent of the Congress in this matter. Accordingly, we suggested that the Congress may wish to clarify the law regarding the use of funds in other loan programs before the use of emergency loans is approved.

The Department of Agriculture advised the chairman of the House Committee on Government Operations in May 1969 that (1) our report correctly showed the Department's position on designating emergency areas and making 3-percent emergency loans when other program funds are available and (2) because this has been a longstanding practice without congressional objection, the Department did not see a need for legislation on this matter.

We believe that since the law or pertinent legislative history is not sufficiently clear regarding the use of funds in other programs before emergency loan funds are used, clarification of existing legislation is needed. (Policies and Procedures for Recommending Emergency Area Designations, B-114873, Mar. 24, 1969.)

5. Opportunities for reducing interest costs to the Government on certain types of Federal income tax refunds.—The Government generally is required to pay taxpayers 6-percent interest on income tax refunds. Under the Internal Revenue Code of 1954, taxpayers who claim refunds by correction of or amendment to their income tax returns, receive a consideration, in the form of interest, not accorded to taxpayers who claim refunds at the time they file their returns.

For refunds claimed on initial returns, interest is not allowed if the refunds are paid within 45 days following the due date for filing the tax return or the date the return is actually filed, whichever is later. For

those refunds claimed by correction of or amendment to income tax returns, interest usually accrues for the period from the prescribed due date for filing the return until the refund is certified for payment. Returns may be corrected or amended up to 3 years after they are required to be filed.

We suggested a change in the Internal Revenue Code to provide that interest on refunds, resulting from taxpayers' furnishing additional information to correct or amend their initial income tax returns, accrue from the dates the claims for such refunds were filed and that IRS be authorized to establish a reasonable period after such claims were filed within which interest-free refunds would be made. The Department of the Treasury disagreed primarily on the basis that it has been recognized by the Congress that interest should be paid on taxes refunded as a result of claims because the Government has had use of the taxpayers' money. The Department also believed that if our proposal was adopted that similar legislation might be required which would make it unnecessary for taxpayers to pay interest on tax deficiencies until the expiration of a reasonable period after being notified of the deficiency. We did not agree with Treasury officials because the Congress in the past had made various changes in the Code to provide that interest not be allowed on certain refunds when justified by existing circumstances even though the Government has had use of the taxpayers' money during the retention periods.

We suggested that the Congress might wish to consider amending the Internal Revenue Code to provide that interest on refunds resulting from taxpayers' furnishing additional information to correct or amend their initial income tax returns accrue from the dates the claims are filed, except the Internal Revenue Service be authorized to establish a reasonable period after such claims are filed within which interest-free refunds may be made. We suggested also that if the Code were changed in this regard, the Congress might wish also to consider making the change applicable to excise, employment, and estate tax refunds. (Proposed Revision to the Internal Revenue Code Governing Interest Payments on Certain Types of Federal Income Tax Refunds, B–137762, Sept. 19, 1968.)

6. Clarification of requirement for builders' certifications of actual construction costs in support of mortgagors' cost certifications.—Legislative history of the cost certification provision of section 227 of the National Housing Act indicated to us that the general purpose of the provision was to insure that a mortgage loan insured by the Federal Housing Administration (FHA) would not exceed a specified percentage of actual project costs, and that this provision was made applicable to the multifamily cooperative housing program conducted under section 213

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ASSISTANCE TO THE CONGRESS

of the act to insure that the primary benefit of the program would be reduced costs to the consumers.

In our opinion, the mortgagors' cost certifications for Leisure World developments did not reasonably insure that the intent of the cost certification provision of section 227 was being carried out. We found that under circumstances where the construction contracts between the mortgagors and the builder were not, in our opinion, the result of meaningful arm's-length negotiations, FHA did not require that the mortgagors' certifications be supported by certifications of construction costs actually incurred by the builder.

In our opinior, the builder's total involvement in the developments as the originator, principal promoter, and owner of the land created a situation which was not conducive to meaningful arm's-length negotiations. Under such circumstances, the builder's certifications of actual construction costs were needed to insure that any economies in construction would accrue to the benefit of the cooperative consumers as contemplated under section 213 of the act. We suggested that the Congress might wish to consider clarifying whether builders' certifications of actual construction costs in support of the mortgagors' certifications are necessary, under the circumstances described in the report, for providing an effective and meaningful implementation of the cost certification requirements of section 227 of the National Housing Act.

In April 1969, the Secretary of Housing and Urban Development informed us that action would be taken in accordance with an earlier proposal made by us that HUD, as a condition for continuing to insure mortgage loans for Rossmoor Leisure World developments, require the builder to certify to the actual costs of construction. (Federal Housing Administration's Decision Not to Require Builder's Cost Certification for Rossmoor Leisure World Developments, B–158910, Feb. 19, 1969.)

7. Clarification of statutory provisions regarding the financing of community and neighborhood facilities.—We reported that the Department of Housing and Urban Development (HUD) based its interpretation of statutory authority for allowing local housing authorities (LHAs) to provide community facilities as part of low-rent public housing projects on section 2(1) of the United States Housing Act of 1937, which defined the term "low-rent housing" as embracing "all necessary appurtenances thereto." We found that the legislative history of this section of the housing act did not shed any light on congressional intent as to what were considered "necessary appurtenances" to low-rent public housing.

We also reported that HUD permitted LHAs to contribute funds toward the cost of neighborhood facilities to be developed under section 703 of the Housing and Urban Development Act of 1965. We pointed

out that the combination of housing assistance contributions and neighborhood facilities grants had the effect of providing two sources of Federal financing toward the costs of such facilities and would result in a greater cost to the Federal Government than the amount of Federal assistance authorized under the neighborhood facilities grant program.

We suggested in our report that Congress might wish to consider clarifying the statutory authority of HUD with regard to authorizing and financing the development of project community facilities as part of the low-rent public housing program, and clarifying the provisions of section 703 of the Housing and Urban Development Act of 1965 with regard to the contributions by LHAs toward the cost of developing neighborhood facilities under the Federal grant program established by the 1965 act. (Review of Financing of Community Facilities by the Department of Housing and Urban Development, B-118718, Jan. 17, 1969.)

8. Questionable statutory interpretation by EDA as basis for awarding certain grants.—The Economic Development Administration (EDA)—successor organization to the Area Redevelopment Administration—was established by the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. 3121). The act authorizes a loan and grants program to provide financial assistance to States and other entities for public works and related facilities. Basic grants up to 50 percent of project costs and supplementary grants that do not increase the total Federal contribution beyond 80 percent of project costs are authorized. Section 101(c) of the act requires that, in determining the amount of any supplementary grant, EDA consider the relative needs of the area, the nature of the project, and the revenues which the project could be expected to generate in excess of those which amortize the local share of initial costs and provide for its successful operation and maintenance (including depreciation).

Our review showed that, although EDA's established policy requires consideration of project revenues in determining the amount of a grant supplementary to a basic grant by EDA, it did not require consideration of project revenues where the basic grant was by another Federal agency and the combined grants would not exceed 50 percent of project cost. Consideration of revenue data for three such projects included in the 18 projects we reviewed indicated that, during a 30-year period, net revenues of about \$4.6 million could reasonably have been expected to be available to support loans in lieu of the \$363,200 supplementary grant assistance approved for the projects.

Because of the impact of the EDA policy on amounts of grant assistance provided to applicants and in the interest of providing financial assistance to as many needy projects as possible, we suggested that the Congress may wish to express its views as to whether EDA should consider project revenues when an EDA grant supplementary to a basic grant by another Federal agency does not result in the total Federal grant contribution's exceeding 50 percent of project costs. (Improvements Needed In Procedures for Determining Supplementary Grant Assistance for Public Works and Development Facility Projects, B-153449, Feb. 4, 1969.)

9. Limitation on vocational training expenses.—Our examination of the financial statement of Federal Prison Industries, Inc., Department of Justice, for fiscal year 1968, showed that during the fiscal year the corporation's expenses for vocational training of prisoners, after deducting revenues, were in excess of the limitation set by the Congress on the amount of funds available for that purpose. The legislative histories of the appropriation acts which established the expenditure limitations for the vocational training program do not clearly show whether the Congress intended such annual limitations as being inclusive or exclusive of revenues. The question as to congressional intent was also included in our report to the Congress dated January 20, 1967 (B-114826), on our examination of the corporation's financial statements for fiscal year 1966.

We suggested to the Congress that it may wish to consider clarifying the legislative intent as to whether revenues derived from vocational training activities may serve to reduce the expenses subject to the congressional limitations placed on the vocational training program. (Examination of Financial Statements of Federal Prison Industries, Inc., for Fiscal Year 1968, B-114826, Feb. 11, 1969.)

10. Economic Opportunity Programs.—Our review of the programs and activities carried out under the Economic Opportunity Act of 1964, pursuant to statutory directive under Title II of the Economic Opportunity Amendments of 1967 (42 U.S.C. 2702), showed the need for revisions to provide more effective means to achieve the objectives intended by the act. Accordingly, we offered recommendations in our summary report to the Congress in the areas where we concluded revisions were needed in the programs and organizations outlined in the act to eliminate poverty (B–130515, Mar. 18, 1969). These recommendations set forth matters for consideration by the Congress as well as recommendations directed to the agencies conducting the programs. The principal recommendations are summarized on pages 78 to 82 of Chapter Four.

Restatement of Prior Year Recommendations

1. Proposed repeal of requirement that the Comptroller General make an annual audit of the General Supply Fund.—We submitted for the consideration of the Congress a legislative proposal recommending that section 109(e) of the Federal Property and Administrative Services Act of 1949 be amended to discontinue the specific statutory requirement that the Comptroller General make an annual audit of the General Supply Fund.

We believe that the Accounting and Auditing Act of 1950 and the Budget and Accounting Act, 1921, provide ample authority for our Office to review the General Supply Fund when determined necessary or when requested to do so by the Congress. In the absence of the specific audit requirements of the 1949 act, we would have the same freedom of choice under the broad general audit authority given to us under the 1950 and 1921 acts in selecting the period and scope of financial reviews that we have in other areas in the General Services Administration, and in other agencies in general.

A bill, S. 1767, that would implement our recommendation was introduced in the Senate in May 1967, but no further action had been taken prior to the close of the 90th Congress. At June 30, 1969, a similar bill had not been introduced in the 91st Congress.

2. Opportunities for reduction of interest costs on refunds attributable to net operating loss deductions.—The Internal Revenue Code of 1954 permits taxpayers to offset net operating business losses of a current tax year against a prior year's taxable income and thereby receive a tax refund. Interest on these refunds is paid by the Government at the rate of 6 percent, commencing on the first day following the close of the year in which the business loss occurred. Also, there is no interest-free period allowed the Government within which to process refunds attributable to net operating loss deductions. Therefore, taxpayers who delay filing claims for refunds for periods up to 3 years receive interest for the entire period. Interest paid on all refunds attributable to net operating loss deductions during fiscal year 1964 was estimated to total about \$28 million.

We suggested that the Congress might wish to consider amending the Code to prove that interest on refunds resulting from net operating loss carryback deductions begin from the date that applications or claims for such refunds are filed instead of from the date following the close of the taxable year in which the net operating loss occurs, except that the Internal Revenue Service be authorized to establish a reasonable period after applications or claims are filed within which interest-free refunds may be made. This change would be consistent with current provisions which allow the Government an interest-free period within which to process ordinary refund payments. The Assistant Secretary of the Treasury for Tax Policy stated that the Treasury is prepared to support legislation to carry out our proposal. We suggested also that Congress might wish to consider similarly amending statutory provisions concerning interest payments on refunds attributable to investment credit carrybacks, foreign credit carrybacks, and unused deductions of life insurance companies. (Opportunities for Reducing Interest Costs on Refunds Attributable to Net Operating Loss Deductions, Internal Revenue Service, B-137762, May 26, 1967.)

3. Need to clarify intent as to whether competitive negotiation requirements apply to the negotiation of architect-engineer contracts.— Although Public Law 87–653 requires that, in all negotiated procurements in excess of \$2,500, proposals be solicited from the maximum number of qualified sources and that discussions be conducted with all responsible offerors whose proposals are within a competitive range, price and other factors considered, Federal agencies subject to this requirement generally solicit a proposal only from the architect-engineer firm selected on the basis of technical ability.

In our view there is no statutory basis which would exempt architectengineers from the requirements of Public Law 87–653. However, we advised the agencies that their present procedures may be followed until the Congress had an opportunity to consider this matter in view of past administrative practices in the procurement of such services.

We stated that in our opinion the procurement of architect-engineer services was and should be subject to the competitive negotiation requirements of Public Law 87–653. We suggested that (1) in view of past administrative practices in the procurement of such services, it was important that the Congress clarify its intent as to whether the competitive negotiation requirements of the law are to apply to such procurements and(2) if the Congress determined that it was not so intended, the law should be amended to specifically provide for an exemption for this type of procurement. (Government-wide Review of the Administration of Certain Statutory and Regulatory Requirements Relating to Architect-Engineer Fees, B–152306, Apr. 20, 1967.)

4. Repeal of present statutory fee limitation on architect-engineer fees.—We found that major construction agencies contracted for architect-engineer services at fees in excess of the statutory provisions which limit the fees payable to architect-engineers to 6 percent of the estimated cost of construction. Generally, these agencies interpreted the limitation as applying only to that portion of the total fee relating to the production and delivery of designs, plans, drawings, and specifications. Under such interpretation, most of the architect-engineer contracts under which the total fee exceeded 6 percent would be in compliance with the limitation. However, we reported that in our opinion the military procurement statute and the Federal Property and Administrative Services Act of 1949 impose the 6-percent fee limitation on all architect-engineer services. Services performed by architect-engineers not involving the production of designs, plans, drawings, and specifications for specific projects include soil borings, supervision and inspection of construction, master planning, technical operating and maintenance manuals, and similar services.

We reported also that in our opinion the present statutory fee limitation is impractical and unsound principally because (1) the limitation is governed by estimated construction costs which do not necessarily relate to the value of the architect-engineer services rendered, (2) estimated construction costs may not be known at the time the limitation must be applied, (3) some architect-engineer contracts do not involve programmed construction projects, (4) the limitation may be partially avoided by agencies having their in-house resources perform services that have generally been contracted to architect-engineer firms, and (5)architect-engineer fees in terms of percentages of construction cost vary widely and thus render impracticable the establishment of a percentage at an appropriate level to effectively limit the fee for the majority of contracts.

The present requirements for competitive negotiation and the submission and certification of cost or pricing data, if properly applied to contracts for architect-engineer services, should provide adequate assurance of reasonable fees. Therefore, we recommended that the Congress repeal the 6-percent limitation imposed on architect-engineer fees by 10 U.S.C. 2306(d), 4540, 7212, and 9540 and by section 304 (b) of the Federal Property and Administrative Services Act of 1949, as amended (41 U.S.C. 254(b)). A bill to implement this recommendation, S. 2089, 90th Congress, was introduced in July 1967 but was not acted upon. At June 30, 1969, a similar bill had not been introduced in the 91st Congress. (Government-wide Review of the Administration of Certain Statutory and Regulatory Requirements Relating to Architect-Engineer Fees, B-152306, Apr. 20, 1967.)

5. Policies and procedures used in estimating costs, evaluating bids, and awarding contracts for dredging.—The law under which the Corps of Engineers, Department of the Army, awards contracts for dredging (33 U.S.C. 624) stipulates that appropriated funds shall not be used to pay for any work done by contract if the contract price is more than 25 percent in excess of the estimated cost of the Government's doing the work with its own equipment and crews.

Our review showed that the Corps has taken the position that it is not required to prepare in-house estimates unless a Government plant is or will be available to do the dredging. The Corps instead awards contracts for dredging to the contractor whose bid price is low and is not more than 25 percent in excess of the Corps' estimate of fair and reasonable cost to a contractor, exclusive of profit. Our examination

ASSISTANCE TO THE CONGRESS

of 32 dredging contracts showed that based on GAO estimates of in-house cost, 11 of the contracts were awarded at prices that were about \$2.1 million in excess of the statutory limitation and about \$4.4 million in excess of the costs that would have been incurred if the work had been done by the Corps itself.

The Department of the Army disagreed with our findings and stated that present policies and practices of the Corps are in accordance with the policies and intentions of both the Congress and the Administration.

In our opinion there has been a deviation from the provisions of 33 U.S.C. 624. Therefore we suggested in a report to the Congress that if it should determine that the Corps' present policies and procedures applicable to its dredging operations are to be continued, consideration be given to revising or repealing 33 U.S.C. 624. (Need for Improving Policies and Procedures for Estimating Costs, Evaluating Bids, and Awarding Contracts for Dredging, B-161330, Aug. 7, 1967.)

6. Proposed revision of law governing financing of salary costs of retired civil service annuitants reemployed by Federal agencies.—We recommended that the Congress consider amending the provision of the civil service retirement law, relating to the payment of annuities and salaries to reemployed retired employees (5 U.S.C. 8344), to provide that amounts equivalent to the annuities allocable to the period of actual employment, which are deducted from reemployed retired employees' salaries, be transferred by the employing Federal agencies to the Civil Service Retirement and Disability Fund.

Amending the civil service retirement law as proposed would result in the full salary costs of reemployed annuitants being financed by the employing agencies rather than a portion of such costs being financed by the retirement fund. (Proposed Revision of Law Governing Financing of Salary Costs of Retired Civil Service Annuitants Reemployed by Federal Agencies, B-130150, May 28, 1968.)

7. Cost of providing retirement, disability, and compensation benefits for Federal Deposit Insurance Corporation employees.—The Civil Service Retirement Act Amendments of 1956 (70 Stat. 747) require the Federal Deposit Insurance Corporation (FDIC) to contribute and pay into the Civil Service Retirement and Disability Fund an amount equal to $6\frac{1}{2}$ percent of all salaries paid to employees beginning with fiscal year 1958. However, the law does not require FDIC to pay into the fund the Government's share of the cost of providing the retirement and disability benefits for FDIC employees from its creation to the end of fiscal 1957, nor does it require the Corporation to make any payments into the employees' compensation fund or to bear any portion of the

cost of administering the civil service retirement system or the Employees Compensation Fund.

In our prior audit reports, we have recommended that the Federal Deposit Insurance Act be amended to require FDIC to pay its share of the above payments. We believe that the adoption of the recommendation would result in a more equitable allocation of the cost of retirement, disability, and compensation benefits between the Federal Government and FDIC.

During the first session of the 90th Congress legislation was introduced to amend the Federal Deposit Insurance Act to require FDIC to reimburse the Government for the costs of providing retirement, disability, and compensation benefits to FDIC employees. The proposed legislation was not acted upon prior to the adjournment of the 90th Congress. (Audit of the Federal Deposit Insurance Corporation for the Year Ended June 30, 1968, B-114831, May 27, 1969.)

8. Audits by GAO of the Federal Deposit Insurance Corporation on a calendar year basis.—In our prior audit reports we have recommended that section 17(c) of the Federal Deposit Insurance Act be amended to require that GAO audits of the Federal Deposit Insurance Corporation (FDIC) be made on a calendar year basis rather than on the fiscal year provided for in the act. We believe that the adoption of this recommendation would eliminate the inconsistency between the periods covered by our annual reports and by the annual reports of FDIC. (Audit of the Federal Deposit Insurance Corporation for the Year Ended June 30, 1969, B-114831, May 27, 1969.)

9. Authority for the Comptroller General to settle tort claims against its employees arising in connection with their duties in foreign countries.—We have been concerned with the possibility that our employees abroad may be forced to personally pay damages for personal injury or property damage as a result of an accident occurring in connection with General Accounting Office activities.

In January 1968 we submitted to the Congress a special report on this problem together with a draft of a bill that would authorize the Comptroller General to administratively settle tort claims against GAO employees in foreign countries to the same degree as now authorized by several other agencies.

After the Senate Judiciary Committee favorably reported the bill, S. 2999, 90th Congress, to carry out our recommendation it was passed by the Senate. No action was taken on the bill by the House of Representatives apparently because of the press of other business during the end of the session. Accordingly, in January 1969, after we resubmitted our legislative proposal to the 91st Congress it was introduced as the bill H.R. 4798 by the chairman of the House Judiciary Committee.

Since many of our employees are engaged in official activities in numerous foreign countries from Europe to the Far East it seems likely that sooner or later an incident will occur in some foreign country wherein our employee will be liable at which time it would be essential for us to have authority to administratively settle the claim. For this reason we urge that our recommendation be adopted by the Congress at an early date.



CHAPTER THREE

Assistance in Improving Agency Management Practices

SUMMARY OF ASSISTANCE PROVIDED

An important part of the work of the General Accounting Office is providing assistance to the agencies of the Government in bringing about greater effectiveness, efficiency, and economy in the conduct of their programs and activities. Such assistance is rendered principally in the form of (1) performing audit work and reporting on findings and recommendations to agency officials, (2) cooperating in the development of improved financial management systems, (3) promulgating accounting principles, standards, and policies, (4) furnishing consulting advice in acquiring and using automatic data processing systems, (5) providing advisory assistance in traffic and transportation problems, (6) settling claims, and (7) issuing legal decisions and advice.

This chapter describes our work in assisting agencies in establishing and maintaining their financial management information systems and improving their related management practices and our work in certain other management areas. Further assistance to management is discussed in Chapters Four through Six with regard to findings and recommendations for corrective action resulting from our audit work and in Chapters Seven through Nine with regard to our assistance in the areas of transportation, claims, and legal services. Our assistance to the Congress on its internal accounting and financial management is discussed in Chapter Two.

CONGRESSIONAL INTEREST IN FINANCIAL MANAGEMENT

The House Government Operations Committee has continued its interest in the progress being made in financial management improvements in the Federal agencies since enactment of the Budget and Accounting Procedures Act of 1950. The committee held hearings in 1964, 1966, and 1967 on the lack of progress in improving accounting systems in the departments and agencies of the Federal Government. It issued formal reports on these hearings, strongly urging constructive and prompt action by the respective Federal agencies and more aggressive attention to the area of financial management by the General Accounting Office, the Bureau of the Budget, the Treasury Department, and the Civil Service Commission.

The committee issued its latest report on March 5, 1968 (H. Rept. 1159, 90th Cong., 2d sess.), in which it recommended that the General Accounting Office (1) make an annual report to the Congress summarizing findings relating to inadequate accounting systems and the progress of agencies in developing systems for submission and approval by the Comptroller General, (2) continue to circulate among executive agencies examples of good financial management practices, and (3) reevaluate previously approved systems on a regular cycle basis. The first annual report to the Congress was issued in September 1969. This continued congressional interest has been helpful in stimulating continuing effort toward improved Federal financial management practices.

The House and Senate Committees on Appropriations have continued their interest in the improvements in accounting in the Department of Defense, particularly the implementation of the proposed system of accounting for operations which was the subject of our report to the Congress on April 12, 1968 (B-159797). A meeting was held with the House Appropriations Committee staff in January 1969 to report the progress in this development through Defense collaboration with us as directed by the Congress in the Department of Defense Second Supplemental Appropriation Bill for 1968, dated July 1, 1968.

During the year we have continued our review and evaluation of Defense directives and instructions for conformance with the accounting principles and standards promulgated by this Office, particularly in implementation of the proposed accounting system for operations. Of 11 such directives received for review, nine have been approved and two returned for further consideration.

Also, we continued our independent field reviews of service implementation of the accounting system for operations and participated with representatives of the Department of Defense, the military services, and the Bureau of the Budget in joint field reviews at service activities. These reviews identified problems being experienced by the services in implementing the system. Generally, the problems identified fall in areas where (1) service systems conflict with Department guidance, (2) Department systems design requirements need to be reconsidered, and (3) Department decisions have not been adequately formulated. In our independent surveys and our work with the joint survey teams, we visited over 100 military installations and expended 10,000 man-days.

The problems identified are being analyzed by the members of the joint survey teams and proposals presented to a steering committee composed of senior officials of the Defense Department, the Bureau of the Budget, and the General Accounting Office. The steering committee will recommend appropriate solutions of the problems for decision by the Assistant Secretary of Defense, Comptroller.

We will continue to inform the Congress of any changes in concepts and the status of the Defense Department's implementation of the accounting system for operations.

ASSISTANCE IN IMPROVING FINANCIAL MANAGEMENT

The ever-increasing scope, complexity, and cost of the Government's activities increase the importance of the development and maintenance of sound financial management systems. The Government's annual expenditures are now running at a rate in excess of \$190 billion, including trust fund expenditures, with significant increase as a result of new and expanded social programs, defense expenditures, and interest cost on a steadily mounting public debt. New social programs have been developed in recent years to broaden educational opportunities, to develop economically depressed areas of the Nation, to help finance health services and medical care, and to launch a concerted attack on poverty.

The growth of these domestic programs and the defense and related international programs, coupled with the corresponding decentralization of activities throughout the United States and the world, add to the complex responsibilities of Government's managers. Thus, the managers in Federal service need all available tools, including detailed and reliable data on the actual cost of activities, programs, and functions, to help them plan and administer Federal programs and funds effectively and economically and in accord with the intent of the Congress.

One very important management tool is an adequate accounting system designed to provide control over funds, property, and other assets and liabilities; to provide current and timely information on the costs of operations and other related information that is of value to management officials in decisionmaking; and to provide cost and other financial data to various levels of management related to the previous financial plans that were expressed in operating cost budgets of each agency. The availability of timely and reliable cost information, related to cost budgets and assignments of management responsibility, is essential in promoting in responsible officials and employees desirable attitudes of cost consciousness which are so important to the economical conduct of Government operations.

In an effort to promote better agency accounting for costs, the General Accounting Office has distributed to other agencies the following pamphlets containing examples of good cost control practices:

- "Productivity Accounting" prepared by the Office of Administrative Services, Department of Commerce;
- "Accounting" prepared by the Bureau of the Census, Department of Commerce;
- "Synopsis of Financial Management" prepared by the Bureau of Engraving and Printing, Department of the Treasury;
- "Responsibility Accounting" prepared by the U.S. Government Printing Office.

It is not possible to estimate the potential savings that could be realized by developing and using adequate budget and accounting systems. However, the savings should be substantial because of the improved information available to managers for their use in making better decisions. The need for improved budgeting, accounting, and reporting certainly warrants the unremitting efforts of all agency officials.

Prescribing Accounting Principles and Standards

An important accounting responsibility assigned to us by law is the prescribing of accounting principles and standards to be followed by the executive agencies in establishing and maintaining their accounting systems. The first comprehensive statement of these principles and standards, issued in accordance with this requirement, was released in 1952.

The establishment of accounting principles and standards is not a one-time action; revisions and additions must be made from time to time to reflect benefits gained from experience, evolution in financial management concepts, and the requirements of newly enacted legislation. A complete restatement of the accounting principles and standards prescribed by the Comptroller General was issued on June 30, 1965, as Title 2 of the General Accounting Office Manual for Guidance of Federal Agencies and was amended in 1967.

The restatement of principles and standards was again amended in July 1968:

- To restate the objectives of the Joint Financial Management Improvement Program.
- To clarify the prescribed accounting principles and standards to harmonize with the recommendations of the President's Commission on Budget Concepts with respect to accrued revenues and expenditures, implementing instructions for which are contained in Bureau of the Budget Bulletin No. 68–10 dated April 26, 1968.
- To provide for a three-stage development and approval procedure for agency accounting systems.

Accounting Recommendations of President's Commission on Budget Concepts¹

The President's Commission on Budget Concepts recommended that budget expenditures and receipts be reported on an accrual basis instead of the cash basis.

Specific instructions to the executive agencies for implementing the Commission's recommendations have been issued by the Bureau of the Budget and the Department of the Treasury. Necessary refinements have also been made in the principles and standards of accounting for Federal agencies prescribed by the General Accounting Office.

Special studies were completed during the year by the General Accounting Office, the Bureau of the Budget, and the Treasury Department to analyze the problems and develop workable procedures for implementing the accrued revenue and expenditure recommendations of the President's Commission on Budget Concepts. Special study reports were made on principal problems of (1) accounting for costs incurred by contractors but not yet reported to the Government under contracts for the furnishing of materials, facilities, and equipment in accordance with Government's specifications and (2) accounting for costs incurred by recipients of Federal funds under grant-in-aid programs. After the preliminary review by the three central agencies, the Treasury Department is further studying the problem of estimating revenues from income

¹Report of the President's Commission on Budget Concepts, U.S. Government Printing Office, Washington, D.C., October 1967.

ASSISTANCE TO THE AGENCIES

and other forms of Federal taxes on the accrual basis. These studies indicated, in part, that due to many and complex problems, more time would be needed by Federal departments and agencies in implementing accrual accounting systems.

The President, on February 22, 1969, reaffirmed support for the Commission's recommendations and urged continued vigorous effort in this area. Initially the Commission had recommended a conversion to the accrual basis for the 1971 budget, to be submitted to the Congress in January 1970. Some agencies made significant progress in developing a readiness for the important changes recommended by the Commission. However, it became evident that much more remains to be done. Accordingly, the President postponed the implementation of accrual accounting data until the submission of the 1972 budget. On March 10, 1969, the General Accounting Office, with the Department of the Treasury, the Bureau of the Budget, and the Council of Economic Advisers, issued a joint letter to the heads of departments and agencies advising them of the President's reaffirmation and urging each agency to take vigorous action now to meet the new target date.

The General Accounting Office is continuing to participate with the Bureau of the Budget and the Treasury Department in a followup effort to visit departments and agencies to review the progress being made and to discuss any problems agencies may have.

Cooperative Work in the Development of Accounting Systems

The concept of accrual accounting has been generally accepted throughout the Government. Current problems relate primarily to application of the concept and maintenance of adequate systems.

The task of developing an accounting system to the point where it can be approved by the Comptroller General varies from agency to agency and system to system. The task is often complex and time consuming.

There are scores of agencies, hundreds of programs, hundreds of geographic locations, and a wide variety of activities, for which improved accounting must be accomplished. Some agencies and programs are relatively small and not too complex; others are extremely large and are very complex. Some involve many large contract operations with industry, universities, and others. Some involve substantial programs with State and local governments, universities, and nonprofit organizations. Appropriate coordination of these interlocking operations is a task of some magnitude for the larger agencies involved.

We have continued to devote a substantial amount of manpower to the field of financial management, including cooperative assistance to the executive agencies in the development of improved accounting systems.

Our manpower has been directed to such matters as working with agency officials and staffs so that, with our technical assistance and advice, the agencies may proceed to develop and maintain financial management systems that are designed and operated in accordance with the concepts of the Budget and Accounting Procedures Act and that meet the needs of the operating and central agencies of Government. In our cooperative work, we keep ourselves informed as to what each agency is doing and the problems it is encountering in order that we may reach a common understanding as to the concepts and principles to be employed. Our purpose is to be as helpful as we can without assuming agency management responsibilities. The head of each executive agency has the statutory responsibility for establishing and maintaining adequate accounting and financial management systems.

Our cooperative efforts in the financial management area are the direct responsibility of the Management Control Systems Group in the Defense Division, the Financial Management and Special Projects Group in the International Division, and each of the audit groups in the Civil Division. During the year each of our responsible organizations has worked closely with agencies in the development and review of their accounting systems. A large part of our effort has been devoted to the development and review of statements of principles and standards. These statements set the stage for the detailed systems design and improvement effort that will follow in each agency.

Review and Approval of Accounting Systems

Our approval of an agency's accounting system is based on, among other things, a test of the operation of the system to the extent necessary to establish whether the system is adequate and conforms in all material respects with our prescribed principles and standards.

After approval, we have the continuing responsibility of providing consultative assistance on further refinements and of reviewing systems in operation from time to time to evaluate their continued adequacy and usefulness. If we subsequently find that the approved system is not being implemented as planned, or has been adversely modified since approval, then cooperative action is taken with the agency to achieve the corrective action needed.

ASSISTANCE TO THE AGENCIES

During the fiscal year 1969, the Department of Defense submitted for approval an additional 15 directives and instructions setting forth accounting principles and standards and one complete accounting system, the Air Force system of accounting for operations, making a total of 37 submissions for consideration during fiscal year 1969. In 1969, we approved 14 directives and instructions, principally in implemention of the Defense system of accounting for operations, and one complete system, the Army accounting system for military construction, a total of 15 approval actions.

Four submissions, including the Air Force system of accounting for operations, were returned for further development and one submission was returned as an instruction not requiring approval.

At the close of the year, we had 17 submissions under consideration, two complete systems, three segments, and 12 directives and instructions.

We are developing an agreement with Defense on the supporting documentation to be submitted. Defense adherence to this agreement should facilitate our approval work by improving the documentation of instructions and procedural manuals at the service and OSD levels prior to submission.

The potential number of complete accounting systems and segments of systems in use in Department of Defense activities which may require evaluation for conformance with the principles and standards established by the Comptroller General has not been specifically ascertained by the Department. However, Defense has scheduled for submission approximately 30 different types of industrial fund accounting systems. Other systems applicable to such areas as procurement, research and development, operations, and stock funds will follow.

Our review and approval activities for the civil and international departments and agencies during the fiscal year 1969 may be summarized as follows.

	Complete systems	Principles statements	Systems design	Segments of systems
Under review, July 1, 1968	18	13		3
Submitted for review	4	22	7	13
Approved	10	22	1	1
Returned or withdrawn	6	2	3	1
Under review, June 30, 1969 .	6	11	3	14

At June 30, 1969, out of 142 civil and international department and agency accounting systems subject to approval, the accounting systems of 66 organizational entities had been approved.

Joint Financial Management Improvement Program

The Joint Financial Management Improvement Program is a Government-wide cooperative effort of all departments and agencies under the joint leadership of the Comptroller General of the United States, the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Chairman of the Civil Service Commission to establish and maintain systems of financial management that will be of maximum usefulness throughout the Federal Government.

The program is coordinated through a Steering Committee composed of a representative of each of the central agencies. The Steering Committee meets regularly to consider problem areas, initiate work projects, and keep abreast of progress being made throughout the Government. The principals of the program meet from time to time to receive overall reports of progress and to furnish broad policy guides to the Steering Committee. At a meeting of the principals in May 1969, ongoing projects were reviewed and proposals for new projects were considered.

The more significant projects completed or started during the year were:

- 1. A study of the use by Federal agencies of letters-of-credit to finance contractors and grantees.—A task force comprised of a representative from each of the central financial agencies and a representative of the Department of Health, Education, and Welfare rendered its report during the year. The task force found that generally the letter-of-credit method has been adopted where appropriate. It was estimated that a reduction in annual imputed interest (at 4 percent) of \$15 million could be achieved on a program of \$18.3 billion by adoption of the letter-of-credit method, as compared to monthly advances by Treasury check.
- 2. A study of procedures for centralizing within the Federal Government the billing and payment of transportation charges incurred by Federal agencies.—The study team chaired by a representative of the General Services Administration and comprised of representatives from the General Accounting Office, the Bureau of the Budget, the Department of the Treasury, the Department of Commerce, the Department of Health, Education, and Welfare, and the Department of Agriculture completed its field work during the year. A report is expected to be issued in fiscal year 1970.
- 3. A study of financial administration of Federal grant-in-aid programs to State and local governments.—A task force chaired by a representative of the General Accounting Office and comprised of rep-

resentatives from the Bureau of the Budget, the Department of the Treasury, the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the Department of Labor, and the Office of Economic Opportunity conducted numerous interviews and conferences with key personnel of representative Federal agencies, State governments, county governments, and city governments. The first report of the task force is expected early in fiscal year 1970.

4. A study of intragovernmental billing and collection procedures.— A task force chaired by a representative of the Treasury and comprised of members from the Bureau of the Budget, the General Services Administration, and the General Accounting Office conducted a study and rendered a report containing recommendations for simplifying intragovernmental billing and collection procedures for services and goods furnished to other Federal agencies by the General Services Administration.

Other Factors Affecting Accounting Systems Development

The recommendations of the President's Commission on Budget Concepts made in its report of October 10, 1967, which were endorsed and adopted by the President, will have an important effect in stimulating the further development of agency accounting and reporting. The Commission heartily endorsed the trend toward the use of accrual systems of accounting and recommended that budget expenditures and receipts be reported on an accrual basis instead of the cash basis.

Another factor affecting accounting system design and development is the need to classify data so as to accommodate the planning-programming-budgeting system (PPBS). The availability of properly stated and classified financial information to correspond to classifications of PPBS is a significant factor in the effective use of PPBS as a planning and management device.

The continuing interest in the legislative branch, and at the highest executive branch level, in a Government-wide cost reduction program focuses additional attention on the need for improved Federal agency accounting. Adequate accounting systems can help in the identification of opportunities for cost reduction by disclosing unit cost information for comparative analysis purposes or by disclosing costs which might be eliminated or reduced when brought to the attention of management.

The mechanics of accounting and reporting, and the ability to classify and print data in various combinations, are greatly facilitated by the use of electronic computers and printers. The availability of such equipment has a very significant effect on Government accounting systems planning and development work.

The proper, efficient, and economical use of such equipment for accounting and reporting purposes requires careful and detailed planning, programming, and implementation over an extended period of time. The systems development work related to electronic equipment constitutes a real challenge to the systems accountants in the Government.

AUTOMATIC DATA PROCESSING

The acquisition and installation of automatic data processing systems by Federal Government agencies are still increasing at a rapid rate. During the past year over 400 additional computers were applied to a wide range of financial and other agency operational programs throughout the Government. Over 4,600 computers are now installed in Federal agencies.

The Federal Government now spends about \$2 billion annually for the purchase, lease, and operation of automatic data processing (ADP) equipment and the use of this equipment in ADP systems in carrying out Federal Government functions has had a significant impact on operation in almost every major agency of the Government. In the Department of Defense, the principal business applications are in supply and logistics programs and related financial management operations. In these activities computer systems are processing millions of transactions monthly in supply control and related financial management operations. Extensive communication facilities are being used to transmit data between using organizations and computer centers. Extensive use is being made of smallscale computers throughout the Department for base-level operations.

In the civil agencies, many large-scale paperwork operations have been converted to automatic data processing systems. Important examples may be found in the Treasury Department, the Social Security Administration, the Veterans Administration, the Department of Agriculture, the Post Office Department, and the Census Bureau.

We continued to provide advice and assistance to Federal agencies on questions involving the acquisition and use of automatic data processing systems. Also, in carrying out our review and evaluation responsibilities, we assisted agencies by reviewing with agency officials deficiencies disclosed during our audits related to the planning for and use of such systems. We are currently engaged in a general survey of ADP activities in civil departments and agencies in the Federal Government. The survey is concerned with the overall management and control of ADP activities, and the participation of internal audit groups in ADP matters.

We have continued to work with the U.S. Civil Service Commission and the auditing agencies of the Government in providing a training program for auditing in an automatic data processing environment. This course is now being offered by the Civil Service Commission to auditors of all Federal agencies.

In addition to advising and assisting individual Government agencies, we have as a result of our continuing studies in this field made recommendations which were directed at achieving improvements in the management and administration of automatic data processing facilities on a Government-wide basis.

These studies are being made as a followup to our earlier studies that were the subject of comprehensive reports to the Congress in June 1958, December 1960, March 1963, April 1964, August 1965, and April 1968. Copies of these reports were widely distributed to Government agencies to assist in the development of automatic data processing programs throughout the Government.

Our latest report in this series was issued in June 1969 and was entitled "Study of the Acquisition of Peripheral Equipment for Use with Automatic Data Processing Systems." This report pointed out that it is common practice for Government ADP managers to obtain all required ADP equipment from computer system manufacturers even though certain items of equipment can be procured more economically from the original manufacturer or from alternate sources of supply. We identified selected computer components that are directly interchangeable (plug-to-plug compatible) with certain other systems manufacturers' components and are available at substantial savings. The report recommended that each Federal department and agency head:

- Take action to implement steps requiring replacement of leased components of computer systems that can be replaced with more economical plug-to-plug compatible units.
- Pending the issuance of more specific policy guidance by the Bureau of the Budget and the General Services Administration, consider the factors described in this report in evaluating alternate sources of automatic data processing equipment.
- Consider third-party leasing arrangements in those cases where purchase of plug-to-plug compatible equipment is determined not to be advantageous.

The use of plug-to-plug compatible components for Federal ADP equipment is currently being studied by the General Services Administra-

tion (GSA). Present plans call for GSA to study also the acquisition of other components and peripheral equipment from alternate sources at a later date. GAO expressed the opinion that the GSA study is important and that it should be accelerated to provide a basis for promulgating more specific policies for the guidance of Federal agencies in obtaining ADP components from the most economical source of supply.

REVIEW OF AGENCY INTERNAL AUDITING

The General Accounting Office, in discharging its statutory audit responsibilities and as a matter of generally accepted auditing practice, reviews and evaluates the effectiveness of departmental and agency systems of internal control, including internal audit or other methods of internal review.

The General Accounting Office first issued a statement of principles and concepts on internal auditing in 1957. During 1969 we prepared a complete revision of that statement. Copies of the revised statement were sent to the departments and agencies, and it is incorporated as Chapter 11, Title 3, in the General Accounting Office Policy and Procedures Manual for Guidance of Federal Agencies.

The new statement reflects the benefits of substantial experience gained in internal auditing since the earlier statement was prepared. It also reflects extensive discussions with representatives of the departments and agencies of the Government and with representatives of public accounting organizations and private industrial organizations.

The revised statement places greatly increased emphasis on the usefulness of internal auditing to strengthen management systems and on the very essential role the heads of Federal departments and agencies must play to make internal audit systems function effectively.

During the year we continued to review the activities of the audit organizations in the civil departments and agencies and the Department of Defense and to make recommendations for changes and improvements where appropriate. We submitted five reports to the Congress on these reviews in the Department of Health, Education, and Welfare (HEW), the Federal Aviation Administration (FAA), Department of Transportation, the Department of Defense, the Agency for International Development (AID), and the United States Information Agency (USIA). In February 1969 we submitted a report to the chairman of the Senate Committee on Government Operations, which contained a current list of the reports we issued on internal audits activities and the reviews in
process or planned. This report was also sent to several other congressional committees which have a specific interest in this subject. We also issued reports on internal auditing to responsible officials of the Federal Highway Administration, Department of Transportation, and the National Science Foundation (NSF).

The more important matters discussed in these reports are summarized below and digests of the reports sent to the Congress during the year are included in Chapters Four, Five, and Six.

- Need for balanced coverage of important internal audit areas (HEW, FAA, AID, USIA, and NSF).
- Need to establish a central internal audit organization responsible to the highest practicable level (FAA).
- Relocation of internal audit function at a higher level needed (AID and USIA).
- Need to further expand coverage and increase the number of internal audits of civilian payroll operations (Defense).
- Need to improve management and deployment of external auditors and make more effective use of internal audit reports (Federal Highway Administration).

In our reports on the HEW, FAA, AID, and USIA internal audit activities, we expressed the opinion that where the internal audit organization does not report directly to the agency head, that official should take action to ensure that the activity will be sufficiently independent to provide him with independent and impartial appraisals of the agency's programs and activities.

At the fiscal year end we were preparing reports to the Congress on our reviews of internal audit activities at the Treasury Department, Department of State, and the Veterans Administration. In addition, we were preparing reports to responsible agency officials on our reviews of such activities at the Department of Housing and Urban Development; Railroad Retirement Board; and Internal Revenue Service, Treasury Department.

Hearings are planned for the fall of 1969 by the Subcommittee on Government Activities of the Committee on Government Operations, House of Representatives, on the status of internal auditing in the various Government departments and agencies. We have been requested by the subcommittee chairman to participate in these hearings.



CHAPTER FOUR

Audit

of Civil

Operations and Programs

GENERAL

Our work in the civil departments and agencies in the executive branch was directed primarily to those agency operations and programs having major significance and evidence of interest in the Congress. Many of our reviews originated with congressional requests.

As a result of our work in the civil departments and agencies of the executive branch and in the legislative and judicial branches, we submitted 247 reports to the Congress. Of these reports, 120 were submitted to the Congress as a whole and 127 were submitted to its committees, officers, or Members on reviews made in response to their specific requests. In addition, we submitted 275 reports to agency officials. A list of these reports appears in Appendix C-2 of this report, beginning on page 292.

Collections and other measurable financial savings resulting from our work in the civil departments and agencies during the year totaled \$1,534,000 and \$50,130,000, respectively. The details of these amounts are included, among others, on pages 357 to 365 of Appendix G.

The following sections of this chapter describe the audit work performed during the year in the major civil departments and agencies in the executive branch, our findings, and agency comments and action taken on our suggestions and recommendations for improvement in their operations. These sections also contain digests of our reports to the Congress. Audit work performed in the legislative and judicial branches also is described.

Our efforts in constructively assisting the civil departments and agencies to further improve their financial management systems are set forth in the comments on this subject contained in the following sections.

A considerable amount of our audit effort in fiscal year 1969 in the Office of Economic Opportunity, the Department of Labor, and the Department of Health, Education, and Welfare was spent in reviewing various programs carried out under the Economic Opportunity Act of 1964, pursuant to statutory directive contained in section 201 of the Economic Opportunity Amendments of 1967, approved December 23, 1967.

SPECIAL REVIEW OF ECONOMIC OPPORTUNITY PROGRAMS

Title II of amendments enacted on December 23, 1967, to the Economic Opportunity Act of 1964 (42 U.S.C. 2701) authorized and directed the Comptroller General of the United States to make an investigation of programs and activities financed in whole or part by funds authorized under the act to determine—

"(1) The efficiency of the administration of such programs and activities by the Office of Economic Opportunity and by local public and private agencies carrying out such programs and activities; and

"(2) The extent to which such programs and activities achieve the objectives set forth in the relevant part or title of the Economic Opportunity Act of 1964 authorizing such programs or activities."

The statutory direction to make this investigation did not add greatly to the authority already vested in the Comptroller General to review, investigate, and appraise performance of the programs and activities authorized by the act. The assignment made by title II, however, was, at least in degree, considerably greater in scope than the audit work normally performed by the General Accounting Office. The unique and unprecedented character of this examination lies in the direction contained in paragraph (2) above. There we were directed to formulate judgments as to the extent to which OEO's antipoverty programs are achieving the objectives set forth in the act.

This task was an extremely complex and difficult one. The methods of evaluating social programs such as these and the indicators of progress

or accomplishment are not well developed or understood. We recognize that, as the scope of governmental activity broadens and as the complexity of governmental programs increases, the Congress is recurrently confronted with the necessity of appraising accomplishments that cannot be measured in terms of dollars expended or in terms of such tangible yardsticks as the number of miles of road built or pieces of mail delivered. We recognize that it is essential that efforts be made to develop new yardsticks of effectiveness, to meet the needs of the Congress.

Plan of GAO Review

Our examination of the OEO programs and activities was made over a period of 14 months. The examination was conducted on the basis of two closely related approaches.

- 1. Field examinations into the efficiency of administration and the achievement of objectives of the major programs at selected locations and a review of management functions of the administering Federal agencies as they pertained to the antipoverty programs. These examinations were made at field offices of the responsible Federal agencies and of grantees, contractors, and delegate agencies.
- 2. Statistical and economic analyses designed to broaden the geographical coverage of our field examinations pertaining to the achievement of objectives and studies of various aspects of the function of evaluating the antipoverty programs.

Of the programs authorized by the Economic Opportunity Act, the most significant, in monetary terms, are the Job Corps, Community Action, Neighborhood Youth Corps, Work Experience and Training, Concentrated Employment, and Volunteers in Service to America programs. We conducted field examinations at various places with respect to each of these programs and the Economic Opportunity Loan program, the Rural Loan program, and the Migrant and Seasonal Farmworkers program.

Our review of management functions of the administering Federal agencies as they pertain to the antipoverty programs was directed to their headquarters and field offices and included organizations, interagency coordination, recruiting and staff development, and past and current evaluation efforts by these agencies.

Although we concentrated principally on programs authorized under the Economic Opportunity Act, we also obtained data on similar programs authorized under other legislation for comparative purposes. These other programs included the preschool program under title I of the Elementary and Secondary Education Act (HEW), institutionalized training under the Manpower Development and Training Act (Labor), and the Vocational Rehabilitation program (HEW).

The statistical and economic analyses relating to achivement of objectives on a national basis were undertaken because of the difficulty of generalizing from conclusions based on detailed audit work performed at relatively few places. This difficulty stems from such factors as local variations in the characteristics of the people served, institutional environment, economic environment, and proximity to related non-Federal activities or to related non-OEO-sponsored Federal activities. Therefore we expanded our review work on achievement of objectives to obtain performance and accomplishment information from a large number of localities, for use in our effort to make assessments on a national basis.

In making evaluations as to the achievement of objectives, we expected that there would be shortcomings in the types of data available. Therefore in conducting our review, we performed extensive work to fill gaps in the available data and to check the validity of the data used in our evaluations.

To assist us in our examination, we engaged the services of three firms under contracts, and we were also assisted by a number of individual consultants in specialized fields.

A report on our overall findings and recommendations was submitted to the Congress on March 18, 1969 (B-130515).

Supplementary reports on our examination have been submitted to the Congress as they have been completed (1) on our field examinations where such work was performed, (2) on our review of management functions of the administering Federal agencies, (3) on our program evaluation work on a national basis, and (4) on the special studies performed for us under contract. At June 30, 1969, 21 such reports had been issued and an additional 37 were scheduled for issuance by September 30, 1969. The reports issued during fiscal year 1969 are listed on page 292 of this report.

Summary of Principal Findings and Recommendations

Our overall findings and recommendations as summarized in Chapter 2 of our March 18, 1969, report are reproduced below. Our findings were grouped under the following broad categories:

1. The financial dimensions of the total Federal antipoverty effort and the part played by the Office of Economic Opportunity (OEO).

- 2. The extent to which the objectives set forth in the act have been achieved.
- 3. The efficiency with which the programs authorized by the act have been administered.
- 4. The actions which should be taken to realize more effective and economical use of the resources available for reducing poverty.

Total Federal Antipoverty Effort

In terms of the Federal budget, the Economic Opportunity Act of 1964 represented a relatively small increment to the already existing programs for aiding the poor.

The aggregate of all Federal programs for assistance to the poor amounted to \$22.1 billion in fiscal year 1968 and an estimated \$24.4 billion in fiscal year 1969. The projection for fiscal year 1970 is \$27.2 billion. Increases in Federal programs in recent years have been accompanied by a reduction in the number of the poor, based upon the definition used by the Social Security Administration, from about 34 million in 1964 to 22 million in 1968. Although Federal programs for assistance to the poor undoubtedly contributed importantly to this reduction, much of the reduction can be attributed to the expansion of the national economy in recent years.

In monetary terms, the funds appropriated for programs authorized by the Economic Opportunity Act (\$1.8 billion in 1968 and \$1.9 billion in 1969) are small in relation to the total Federal effort. In other terms the role of OEO is significant—it is the only Federal agency exclusively devoted to antipoverty; its programs are for the most part innovative in one or more aspects; and it shares with the Economic Opportunity Council the responsibility for coordinating antipoverty activities of other Federal agencies, at least nine of which in addition to OEO administer significant programs directed to assisting the poor.

Overall Perspective

The accomplishments achieved under the Economic Opportunity Act should be appraised in the light of the difficulties encountered by the agency (OEO) created to carry out the purposes of the act. These difficulties include:

• The urgency of getting programs underway as quickly as possible.

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71

- Problems in the development of a new organization and in obtaining experienced personnel.
- Problems involved in establishing new or modified organizational arrangements at the local level.
- The delays and uncertainties in obtaining congressional authorizations and appropriations.
- The problems of working out relationships with other agencies and with State and local governments.
- Lack of consensus as to the meaning of poverty, that is, who are the poor for purposes of receiving assistance.

Our review properly and inevitably focuses on problems, shortcomings, and recommended improvements. OEO and other participating agencies expressed agreement with many of our conclusions and recommendations and have initiated actions to deal with certain of these problems.

Achievements of the programs authorized by the act can be assessed only in judgmental terms. This is so for several reasons: The programs are new; they deal with such intangible concepts as the economic and social levels of disadvantaged people; they impose requirements and are subject to conditions which are not amenable to reliable, and in some cases, any quantitative, measurement. More specifically:

- Criteria is lacking by which to determine at what level of accomplishment a program is considered acceptably successful.
- The methods for determining program accomplishments have not yet been developed to the point of assured reliability.
- The large volume and variety of pertinent data necessary to ascertain program results have been and still are either not available or not reliable.
- Program results may not be fully perceptible within a relatively short time frame.
- Other programs—Federal, State, local, and private—aimed at helping the poor, as well as changes in local conditions—employment, wage scales, local attitudes—have their effect upon the same people who receive assistance under the programs authorized by the act.
- Amendments to the act and revisions in agency guidelines, at various times, have necessitated redirection of programs and other changes, which have affected the progress of programs in the short run.

Achievement of Objectives

The basic objective of the Economic Opportunity Act is to strengthen, supplement, and coordinate efforts to provide to everyone the opportunity for education and training, the opportunity to work, and the opportunity to live in decency and dignity.

Toward the achievement of this objective, the act authorized a series of programs and activities designed to bring new approaches to the task of eliminating poverty and to supplement efforts authorized by other legislation. The programs authorized by the act can be grouped in five broad categories—community action, manpower, health, education, and other.

An important and basic objective is coordination of the programs authorized by the act with one another and with related programs administered by other agencies. This coordinating task was assigned to the Economic Opportunity Council created by the act and to OEO, the former having the dominant role.

The Council has never functioned effectively and as recast by the 1967 amendments has not been established.

OEO, preoccupied with setting up the machinery to get a new agency started and then with its responsibility for initiating and administering programs authorized by the act, was not able to devote as much effort to its coordinating function as that function demanded. This coordinative task was made difficult by the necessity of OEO's influencing the actions and policies of older established agencies; OEO, a new agency of lesser status in the Federal hierarchy, was unable to bring together all programs related to attacking poverty. As a consequence, effective coordination has not been achieved; we do not believe that it can be so achieved under the existing organizational machinery.

An important part of the overall program management process is the evaluation of performance and accomplishments. Evaluations during the first years of OEO operations were too small in scope and too unrelated to one another to provide satisfactory information on the achievement of objectives nationally. OEO has more recently responded to the provisions of the 1967 amendments to the act which directed an expansion of evaluation efforts.

Community Action Program

The community action program (CAP) was intended by the act to be the means of bringing a unified effort to bear on the problems of the poor in urban and rural communities through projects designed to

organize community residents; to engage the poor in the planning and implementation of projects; and to be an organized advocate for the poor to effectuate changes which would expand the availability of services to the poor.

The program has achieved varying success in involving local residents and poor people in approximately 1,000 communities; it has been an effective advocate for the poor in many communities and appears to have gained acceptance in most communities as a mechanism for focusing attention and action on the problems of the poor; and it has introduced new or expanded existing services to the poor. However, CAP has achieved these ends in lesser measure than was reasonable to expect in relation to the magnitude of the funds expended. This shortfall is attributable principally to deficiencies in administration which should be evaluated in the light of the nature of the program and the fact that it has been in operation for a relatively short time.

Manpower Programs

Unemployment and the lack of those capabilities that enable individuals to obtain employment are major causes of poverty. To attack these causes, OEO currently invests approximately one-half of its resources in manpower development, training, and employment programs; a significant portion of this effort is focused on youth. The programs have provided training, work experience, and supportive services to the participants. Apparent results—in terms of enhanced capabilities, subsequent employment, and greater earnings—are limited.

The Concentrated Employment program (CEP) has shown some promise, during the short period it has been in existence, of contributing meaningfully to the coordination of existing manpower programs in specific target areas. There is evidence, however, that there is an especial need for better coordination with the federally funded State employment security agencies and with the Job Opportunities in the Business Sector (JOBS) program sponsored by the National Alliance of Businessmen.

Through the institutionalized training of the Job Corps program, Corps members have had opportunity to receive certain benefits, many of which are not subject to precise measurement; however, post-Job Corps employment experience, which is measureable, has been disappointing. In light of the costly training provided by the Job Corps program, we doubt that the resources now being applied to this program can be fully justified. Our doubt is especially applicable to the conservation center component of the program. The in-school and summer components of the Neighborhood Youth Corps (NYC) program have provided youths enrolled with some work experience, some additional income, improved attitudes toward the community, and greater self-esteem. If it is intended, however, that these components continue to have as a principal objective the reduction of the school dropout problem, greater flexibility should be provided in the use of funds for such things as the enlargement of existing school curriculums, more intensive and professional counseling, and tutoring for potential dropouts.

We question the need for retaining the NYC out-of-school component as a separate entity. The objective of this component seems to be encompassed in other existing programs, particularly the Manpower Development and Training Act (MDTA) program, with which it could be merged. As presently operated the out-of-school component has not succeeded in providing work training in conformity with clearly expressed legislative intent.

The Work Experience and Training program, soon to be replaced by the Work Incentive (WIN) program, has enabled persons on the welfare rolls to obtain employment and assume more economically gainful roles in society. On the other hand the program experienced deficiencies in certain functions of administration which detracted from the accomplishment of the program's mission.

Our limited review of locally initiated employment and job creation programs under CAP revealed varying degrees of success.

The available data showed that most of the manpower programs experienced high, early dropout rates which strongly indicated that many enrollees received little or no actual help.

Health Programs

The Comprehensive Health Services program is a rather recent innovation and, partly because of delays in becoming operational, has reached only a portion of its intended population. Many of those that it has been able to reach have been provided for the first time with readily accessible medical care on a comprehensive basis. Uniform plans and procedures are needed to evaluate OEO and the Department of Health, Education, and Welfare health projects during the development phase and on a long-range basis. More appropriate and equitable standards need to be established for determining eligibility for free and reimbursable services.

The family planning programs are also of recent origin, and only limited data as to results was available.

Education Programs

Head Start (for preschool-age children) has been one of the most popular programs in the economic opportunity portfolio. Potential longrange effects cannot yet be measured.

Available evidence suggests, however, that Head Start children at the locations visited made modest gains in social, motivational, and educational characteristics and were generally better prepared for entry into regular school than their non-Head Start counterparts. The children also benefited from medical and dental services, although some did not receive them because of delays in providing these services; from wellbalanced meals; and from group instruction activities. The program, however, has not succeeded in getting sufficient involvement by parents of Head Start children, which is a primary objective of the program.

The Upward Bound program has provided participants with opportunities to overcome handicaps in academic achievement and in motivation, to complete high school, and to enter college. National statistics show that Upward Bound students have lower high school dropout rates than is considered normal for the low-income population; have higher college admission rates in comparison with the national average for high school graduates; and have college retention rates above the national average for all college students. The extent to which ineligible youths are accepted detracts from the effectiveness of the program.

Other education programs have experienced some success by raising the enrollees' proficiency in basic educational skills and by culturally enriching their lives; however, the management of such programs was in need of improvement.

Other Programs

The Legal Services program has improved the plight of the poor by affording them legal representation and educating them as to their legal rights and responsibilities. The success of this program in assisting the poor to form self-help groups, such as cooperative and business ventures, has been limited and few legal services projects have engaged in efforts to bring about law reform.

An overall evaluation of the performance of the Volunteers in Service to America (VISTA) program is a complex task, because VISTA volunteers are involved in a variety of functions alongside other program personnel.

The Migrants and Seasonal Farmworkers program in Arizona has been beneficial in helping migrant adults to obtain or qualify for employment

and in preparing preschool migrant children to enter elementary school. Program effectiveness could be increased by more closely relating education and training courses to the specific needs of program participants and by limiting participation to the target population.

The Economic Opportunity Loan program (transferred to the Small Business Administration (SBA) in 1966) would better achieve the objective for which it was established if it offered greater assistance to borrowers to aid them in improving their managerial skills and if it were carried on with greater administrative efficiency. The Economic Opportunity Loan program for low-income rural families administered by the Department of Agriculture made only a limited contribution to bettering the income of a majority of loan recipients included in our review. Our evaluation which was based on borrowers' operations for a 1-year period, did not permit an assessment of whether program objectives would be achieved in succeeding years. Inadequate counseling and supervision and lack of definitive eligibility criteria tended to limit program effectiveness.

Efficiency of Administration

The effectiveness of the total antipoverty effort is dependent, in considerable measure, on the manner in which individual programs and activities are administered. It was to be expected that establishment of a new Office of Economic Opportunity (in 1964) with responsibility for launching innovative (i.e., unprecedented) programs and for difficult or impossible coordination would create many administrative problems in the early years of operations. Also, the emphasis placed in 1964 on getting programs underway and obtaining results quickly did not leave sufficient time to plan and establish well-designed and tested administrative machinery. Although progress has been made in the past 4 years, the administrative machinery is still in need of substantial improvement; the nature of needed improvements is specified in this report.

Program and project managers, in most programs, have not been provided with adequate guidance and monitoring by OEO and other responsible Federal agencies. There is need for improved policies and procedures to strengthen (1) the process by which program participants are selected, (2) the counseling of program participants, (3) the supervision of staff, (4) job development and placement, (5) the ways in which former program participants are followed up on and provided with further assistance, and (6) the recordkeeping and reporting necessary to permit more effective evaluations of accomplishments and more adequate accountability for expenditures. Some of these shortcomings can be attributed to insufficient and inexperienced staff, particularly at the local level.

The Community Action program, for which a substantial portion of OEO funds are expended, requires greater effort to aid the local CAAs build effective administrative machinery, more adequate program planning and evaluation, and better operational procedures and trained personnel at the neighborhood centers and to support innovative efforts of the type currently underway at OEO to evaluate CAPs.

The administrative support to the antipoverty programs will have to be substantially augmented and improved to achieve satisfactory effectiveness of antipoverty efforts with the limited resources available.

For substantially all programs, payroll procedures, particularly in the manpower programs, need to be strengthened to afford adequate control against irregularities; procurement practices should be modified to limit purchases to what is demonstrably needed and at the lowest cost; and more effective procedures are needed to insure the utilization and safeguarding of equipment and supplies and their timely disposition when they become excess to needs. Closer attention should be given to claims for non-Federal contributions so that only valid items supported by adequate documentation are allowed.

Many of the administrative deficiencies identified in our examination could have been avoided or corrected sooner if requisite auditing and monitoring by responsible local and Federal agencies had been more timely and comprehensive.

Principal Recommendations

We believe that, to provide more effective means for achieving the objectives of the Economic Opportunity Act, revisions are needed in the programs and organization through which the effort to eliminate poverty has been outlined in the act. Accordingly, we offered the following recommendations:

Community Action Program

Community action agencies and OEO should institute efforts to—

 (a) Improve the planning of local projects.

(b) Generate greater cooperation among local public and private agencies.

(c) Stimulate more active participation by the poor.

(d) Develop means by which the effectiveness of programs can be evaluated and require periodic evaluations to be made.

(e) Strengthen the capability of the neighborhood centers to carry out their functions of identifying residents in need of assistance in the target areas and of following up on referrals made to other units or agencies for rendering needed services.

2. OEO should consider including income among the eligibility requirements for those component programs, such as education and manpower, which are directed to individuals or families and involve a significant unit cost and for which income is not now an eligibility requirement.

3. OEO should give greater emphasis to research and pilot projects that offer promise of alleviation of poverty in rural areas and should encourage community action agencies in rural areas to broaden the range of activities that will contribute to economic development.

4. The Congress should consider whether additional means are necessary and desirable to assist residents of rural areas that cannot build the economic base necessary for self-sufficiency to meet their basic needs.

Manpower Programs

5. The Secretary of Labor should take further steps to insure that-

(a) Full use is made of the existing facilities and capabilities of the State employment security agencies in connection with CEP operations.

(b) CEP operations are coordinated fully with the JOBS program.
6. The Congress should consider whether the Job Corps program, particularly at the conservation centers, is sufficiently achieving the purposes for which it was created to justify its retention at present levels.

7. The Congress should consider—

(a) Redefining and clarifying the purposes and intended objectives of the NYC in-school and summer work and training programs authorized for students in section 123(a)(1) of the Economic Opportunity Act of 1964, as amended.

(b) Establishing specific and realistic goals for programs authorized and relative priorities for the attainment of such established goals.

8. The Congress should consider merging the NYC out-of-school program, currently authorized in section 123(a)(2) for persons 16 and over, with the MDTA program.

9. The Secretary of Labor, to make the WIN program effective, should give close and continuing attention to the problem of enrollee absenteeism, and ascertain the causes of early terminations and absenteeism and how these causes may be alleviated or eliminated through additional services, modification of program content, or other means.

Health Programs

10. The Director, OEO, through his cognizant program office, should define the circumstances under which health centers may finance costs of hospitalization, establish more appropriate and equitable criteria to be used in determining the eligibility of applicants for medical care, and in accordance with grant conditions require centers to claim reimbursement from third parties.

11. Increased attention should be given by both the Director of OEO and the Secretary of HEW to the coordination of the agencies' health efforts and the development of uniform standards for evaluating health projects and programs, including family-planning programs, both during the development phase and on a long-range basis.

Education Programs

12. The Director, OEO, should direct and assist local Head Start officials to make further efforts to involve more parents of Head Start children in the program in order to enhance the opportunity for developing the close relationship between parents and their children that is so vital to the child's social and educational growth.

13. The Director, OEO, should improve procedures for the recruitment and selection of participants in the Upward Bound program.

14. The Director, OEO, should require, as prerequisites to funding locally initiated education programs:

(a) Determinations as to whether the program will conflict with existing programs directed to the poor and whether it could be financed with other than OEO funds.

(b) The identification of available resources and facilities which could be used in the program to reduce the expenditure of limited OEO funds.

(c) The identification of complementary education programs through which further educational assistance could be afforded to OEO program graduates.

Other Programs

15. The Director, OEO, should-

(a) More clearly define program objectives and major goals to the legal services project directors and instruct them on the methodology of engaging in activities directed toward economic development and law reform.

(b) Make efforts to develop and implement measures of the extent to which legal services projects are achieving national program priorities and objectives.

16. To improve procedures leading to the assignment of selected applicants to the VISTA regional training centers, the Director, OEO, should give consideration to the feasibility of requiring that applicants be interviewed and given aptitude tests before they are considered eligible for VISTA training.

17. The Director, OEO, should require, with respect to the migrant and seasonal farmworkers program, that---

(a) Systematic employability plans be prepared whereby participants' handicaps can be identified at the time of enrollment so that an appropriate curriculum may be developed to meet such needs.

(b) Participants' progress in the program be periodically reviewed.

(c) Data on participants' postprogram experience be maintained.
 18. The Administrator, Farmers Home Administration, Department of Agriculture, should—

(a) Conduct a study primarily aimed at—

1. Establishing minimum standards with respect to the amount of supervisory assistance that should be given borrowers under the economic opportunity loan program in order to insure that they receive adequate guidance.

2. Determining, consistent with the foregoing standards, the quantity and types of supervision needed, and the loan activity level which can be sustained within the supervisory capabilities available.

(b) Revise the instructions as to loan eligibility to require appropriate consideration of net assets and the recording of the circumstances considered to justify the making of loans to applicants whose income and/or assets exceed specified amounts.

81

Coordination and Organization

19. A new office should be established in the Executive Office of the President to take over the planning, coordination, and evaluation functions now vested by the act in the Economic Opportunity Council and OEO.

20. OEO should be continued as an independent operating agency outside the Executive Office of the President, with responsibility for administering the Community Action program and certain other closely related programs.

21. Funding and administration of certain programs now funded by OEO should be transferred to agencies which administer programs that have closely related objectives.

22. The proposed new office in the Executive Office of the President should have responsibility for insuring coordination of activities of local cities demonstration agencies and the community action agencies. If this new office is not established, consideration should be given to placing this responsibility under the Secretary of Housing and Urban Development.

23. The Congress should direct that a report be submitted on longer term actions required to coordinate and to maximize the use of community action and citizen participation efforts in federally assisted anti-poverty programs.

The Evaluation Function

24. The recommended new office in the Executive Office of the President should further develop the evaluation function with respect to antipoverty programs.

General

25. The responsible Federal agencies should give particular attention to providing for more frequent and comprehensive audits of all antipoverty programs.

Congressional Hearings

The Comptroller General and other GAO officials testified on the results of this review before the Subcommittee on Employment, Manpower, and Poverty of the Senate Committee on Labor and Public

Welfare on May 2 and May 23, 1969, and before the House Committee on Education and Labor on May 9, 1969. This testimony was given in connection with the committees' consideration of proposed closing of certain Job Corps centers and extension of economic opportunity programs.

DEPARTMENT OF AGRICULTURE

During fiscal year 1969, we submitted 10 reports to the Congress on our reviews of Department of Agriculture operations. Six of these reports were submitted to Congress as a whole and four were submitted to its committees or Members. Also, we issued one report to the Director, Bureau of the Budget, and 28 reports to Department or agency officials.

We used time equivalent to that of about 77 professional staff members during the year in reviewing and testing selected activities in 11 constituent agencies and offices of the Department at the central office in Washington, D.C., and at various field locations. A significant portion of this effort was devoted to programs for regulating the use of pesticides and preventing or controlling animal diseases, loan policies and procedures of the Farmers Home Administration, and assistance to the Department in improving its financial management system.

On the basis of our reviews, we expressed the belief that the Department could improve the effectiveness of its operations or achieve economies in certain management areas. Some of our more significant findings concerned:

- Improvements needed in the Agricultural Research Service's regulatory enforcement procedures involving pesticides.
- Need for the Agricultural Research Service to resolve questions of safety involving certain registered uses of lindane pesticide pellets.
- Opportunities for economies and improvements in operating the screwworm eradication program of the Agricultural Research Service.
- Need for the Farmers Home Administration to revise its policies and procedures for recommending emergency area designations under the disaster loan program.

Our reviews on pesticides disclosed serious deficiencies in the actions taken by the Department of Agriculture to carry out its responsibility to protect the public from hazardous pesticides. Our reports resulted in

hearings by the Intergovernmental Relations Subcommittee, House Committee on Government Operations, in June 1969.

These and other findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in the digests of our reports to the Congress included at the end of this section.

Our report to the Director, Bureau of the Budget, concerned the need for uniform policies and procedures for the sale of marginal Federal timber. We pointed out that in western Oregon and western Washington the Forest Service generally charged for marginal timber, whereas, the Bureau of Land Management, Department of the Interior, did not. Also, in two reports to the Secretary of Agriculture, we commented on the need for certain improvements in the Forest Service's policies and procedures for appraising timber.

In a report submitted to the Congress in September 1967, we recommended that the Commodity Credit Corporation's policy on loans to agricultural producers for the purchase or construction of farm storage facilities and for the purchase of equipment to dry stored grain be revised to require that producers be charged interest at a rate not less than the rate the corporation pay to finance the loans. We were informed by the Secretary of Agriculture, however, that the interest rate would not be increased at that time.

In a letter to the Secretary in January 1969, we again commented on this matter, pointing out that the interest rate paid by the corporation had reached an all-time high of $6\frac{5}{8}$ percent. Effective May 30, 1969, the Corporation increased the rate charged producers from 4 percent to 6 percent. We estimated that, as a result of the rate increase, the Corporation would earn an additional \$1 million in interest during the 5-year life of the loans expected to be made in fiscal year 1970.

We continued our efforts in assisting the Department to improve its financial management systems. During the year, we approved statements of accounting principles and standards for the Agricultural Stabilization and Conservation Service, the Consumer and Marketing Service, the Farmers Home Administration, the Forest Service (two systems), the Office of Management Services (two systems), and the Soil Conservation Service.

Audit work in process at June 30, 1969, included surveys and reviews of such activities as poultry and meat inspection and grading, the price support program for rice, certain aspects of the sugar program, loan and grant management, construction and maintenance of forest roads and trails, and automatic data processing.

Digests of the reports submitted to the Congress follow.

Agricultural Research Service

Need to improve regulatory enforcement procedures involving pesticides, B-133192, Sept. 10, 1968

- Our review concerned actions that the Agricultural Research Service (ARS) may take under the Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 135-135k) to remove violative pesticides from the market, cancel the registration of such products, and report to the Department of Justice for prosecution those who ship pesticides that violate the law.
- We found that, in taking actions against products, ARS, with few possible exceptions, did not obtain product quantity and location data to determine whether shipments of the same products were available to the public in other locations. As a result, the actions taken may not have removed from the market products which, in some instances, were potentially harmful.
- We found also that ARS operating guidelines did not include procedures for determining when shippers that had allegedly violated the law would be reported to the Department of Justice for prosecution. We noted that there were no actions by ARS to report violators of the law for procecution in 13 years. This was true even in instances where repeated major violations of the law were cited by the agency and when shippers did not take satisfactory action to correct violations or ignored ARS notifications that prosecution was being contemplated.
- In addition we found that, at the time of our review, ARS was not publishing notices of judgments of the courts to take products off the market even though such publications, which are to be made available to the general public, are required by the law.
- In response to our recommendations, ARS agreed to establish and implement procedures providing for obtaining shipping and product data, reporting violators of the law for prosecution, and publishing notices of judgments at specific intervals.

Need to resolve questions of safety involving certain registered uses of lindane pesticide pellets, B-133192, Feb. 20, 1969

- We found that the Agricultural Research Service registered lindane pellets for use in vaporizing devices on a continuous basis in certain commercial and industrial establishments—such as restaurants and other food handling establishments—even though there had been long term opposition to this practice by the Public Health Service and the Food and Drug Administration, Department of Health, Education, and Welfare, as well as other Federal, State, and private organizations. We pointed out that the controversy associated with the use of the pellets stemmed from varying conclusions as to the adequacy of the scientific data that was available to prove that the continuous vaporization of lindane pellets in certain commercial and industrial establishments was safe.
- We noted that ARS had not resolved questions of safety raised by the other Federal agencies and by State and private organizations, nor had it taken action to restrict or disapprove the use of lindane pellets in vaporizers in certain commercial and industrial establishments since the products were first registered with the agency in the early 1950's. We expressed the opinion that the very existence of differences of opinion by various interested organizations emphasized the need for ARS to take action to resolve the question of safety to human health. We recommended that the Secretary of Agriculture review the ARS policy of registering the pellets, with a view toward resolving this question.
- In commenting on our recommendation, the Department stated in November 1968 that ARS planned to meet with representatives of other Federal agencies to determine steps necessary to resolve lindane problems and with medical

experts who serve as collaborators to ARS to obtain advice and counsel on the use of pesticides.

In April 1969, ARS cancelled the registration of lindane products for use in vaporizing devices, subject to appeal procedures available to registrants. In its letter to registrants, ARS cited our report to the Congress and stated that on the basis of its reevaluation of the toxicology of lindane, the results of its recent laboratory studies, and the opinion of its medical advisors, the continued registration of the products was contrary to provisions of the Federal Insecticide, Fungicide, and Rodenticide Act.

Review of Agricultural Research Service program for screw-worm eradication, B-133192, Mar. 20, 1969

- Our review showed that while we generally considered the screw-worm eradication program of the Agricultural Research Service a successful program, certain operations of the program could be improved and economies achieved.
- The technique used to eradicate screw-worms, a parasite destructive to livestock, involves mass production, sterilization by application of gamma rays emitted by Cobalt 60, and systematic release from aircraft of screw-worm flies over infested areas. Native female flies that mate with the sterile factoryreared males lay infertile eggs, incapable of hatching.
- We found that ARS might not have been releasing the minimum quantities of flies needed to achieve the objectives of the program because information on all factors relevant to such determinations was not available to decisionmaking personnel. We found also that economies and more satisfactory meat products needed for the production of flies could be obtained by ARS if contract provisions governing the quality of meat were enforced. In addition, we found that inventory records of meat were not current, complete, or accurate, which precluded the effective use by program personnel of inventory data.
- ARS, in commenting on our recommendations, informed us that it planned to add expert epidemiologists to the screw-worm eradication program staff in order to more effectively plan fly drops and to document the reasons for each release and develop methods for recall of essential information to be applied in future fly-release decisions. ARS also advised us that it had revised meat contract specifications and instructed its eradication program staff to adhere closely to specifications and to insist on full compliance with specifications by meat suppliers.

Agricultural Stabilization and Conservation Service and Commodity Credit Corporation

Examination of financial statements of Commodity Credit Corporation for fiscal year 1968, B-114824, Mar. 12, 1969

- The Corporation reported a realized loss of \$3.2 billion for fiscal year 1968 in carrying out price-support and related programs. This loss, reimbursable through appropriations, was \$600 million less than the \$3.8 billion record high loss reported for fiscal year 1967. The amount of unreimbursed losses at June 30, 1968, was \$9.6 billion. In addition to its realized loss, the Corporation incurred costs of \$1.6 billion in carrying out special activities, mainly those under the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), which are financed through special appropriations.
- In commenting on the Corporation's financial statements, we stated that, in view of the unique character and vast scope of the Corporation's operations, it was not practicable for us to perform all the examination and verification steps which we believed would be necessary to reach an independent overall opinion concerning the accuracy and fairness with which the statements presented

the financial position of the Corporation at June 30, 1968, and the results of its operations for the year then ended. However, we expressed the opinion that the Corporation's accounting methods provided a generally satisfactory record of its financial transactions and that its system of financial reporting was, in general, adequate for the purpose of supplying the Corporation's management with information for conducting its affairs.

Farmers Home Administration

Policies and procedures for recommending emergency area designations, B-114873, Mar. 24, 1969

- Our review of emergency area designations for 14 counties in four States showed that there was a need for the Farmers Home Administration (FHA) to strengthen its procedures for recommending emergency area designations in order to prevent the use of 3-percent emergency loan funds in areas where there was not a general need for credit as a result of a natural disaster.
- In our opinion the emergency area designations for three of the 14 counties were not warranted because they were based on either inadequate representations concerning the extent of crop damage and the general need for credit or the possible future effects of a disaster on crop damage and credit.
- We found also that the designations in three other counties should not have been made on a county basis since the area affected by the occurrence of a natural disaster was confined to much smaller, well-defined parts of each county, or actual damages were limited to relatively minor crops of a few farmers. Because of these emergency designations in the three counties, loans were made to individuals who had not suffered production losses as a result of a natural disaster.
- We proposed that FHA revise its procedures to encourage the use of emergency loans to individuals who suffered demonstrated losses from natural disasters so that the designation of emergency areas could be postponed until such time as the general need for agricultural credit caused by a natural disaster could be accurately determined.
- On August 5, 1968, and March 3, 1969, FHA strengthened its procedures for recommending emergency area designations and revised its loan-making policy so that emergency loans will be provided only to those borrowers who have demonstrated substantial production losses as a result of a natural disaster.
- Our review also showed that 3-percent emergency loans had been made when substantial amounts of 5-percent FHA operating loan funds were available. Section 321(a) of the Consolidated Farmers Home Administration Act of 1961 requires, in part, a determination that there exists a general need for agricultural credit which cannot be met from other responsible sources, in cluding FHA programs, prior to designation of a county for emergency loan assistance. No documentation was available to show that this determination had been made prior to designation of the 14 counties.
- FHA contended that emergency area designations could be made before applicable FHA funds were exhausted and that Congress never contemplated that a disaster designation should be withheld as long as such funds were available.
- We found no specific criteria in the enabling legislation or pertinent legislative history indicating the intent of the Congress in this matter. In this regard, we suggested that the Congress might wish to clarify the law regarding the use of funds in other loan programs before the use of emergency loans is approved.
- The Department of Agriculture advised the chairman of the House Committee on Government Operations in May 1969 that (1) our report correctly showed

366-424 0----69-----7

the Department's positions on designating emergency areas and making 3-percent emergency loans when other program funds were available and (2) because this had been a longstanding practice without congressional objection, the Department did not see a need for legislation on this matter.

We believed that since the law or pertinent legislative history was not sufficiently clear regarding the use of funds from other programs before emergency loan funds are used, clarification of existing legislation was needed.

Federal Crop Insurance Corporation

Examination of financial statements for fiscal year 1968, B-114834, Mar. 20, 1969

- As a result of our examination of the financial statements of the Federal Crop Insurance Corporation (FCIC) for fiscal year 1968, we expressed the opinion that the statements presented fairly FCIC's financial position at June 30, 1968, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.
- FCIC experienced a loss of about \$14.2 million from insurance operations in fiscal year 1968 (crop year 1967), primarily because of unusually severe losses on cotton coverage. Operating and administrative expenses totaled about \$12.8 million. Thus the net result of operations during fiscal year 1968 was a loss of about \$27 million.
- At June 30, 1968, FCIC's capital was impaired by about \$19.2 million as a result of the continued payment from premium income, pursuant to the Federal Crop Insurance Act, of the direct cost of loss adjustment and part of the operating and administrative expenses. Through June 30, 1968, FCIC had used about \$36.7 million of premium income for these costs and thereby depleted its insurance reserve and almost half of its capital of \$40 million.

DEPARTMENT OF THE ARMY CORPS OF ENGINEERS (CIVIL FUNCTIONS)

During fiscal year 1969 we submitted two reports to the Congress on our reviews of the civil functions of the Corps of Engineers. In addition, we issued 12 reports to agency officials. The reviews involved the use of 22 man-years of professional staff time.

As a result of our reviews, we found that the Corps could decrease the cost of its operations in the following matters. We found :

- A need for the Corps to provide Congress with information on land costs incurred for recreation and fish and wildlife.
- A need for additional criteria for evaluating motor vehicle use and estimating vehicle needs.

These findings and agency comments thereon are summarized in the digests of our reports to the Congress included at the end of this section.

88 1

Ten of our reports to agency officials related to reviews we made to evaluate administrative procedures and controls applicable to the receipt and disbursement of funds by the Corps of Engineers. Another report covered our review of the Corps' accounts and accounting procedures used in connection with the preparation of data for inclusion in the financial statements of the Columbia River Federal Power System.

Digests of the two reports submitted to the Congress follow.

Need for additional criteria for evaluating motor vehicle use and estimating vehicle needs, B-164534, Sept. 19, 1968

- We reported that the Corps did not consider daily use along with annual mileage in determining the number of vehicles needed by each of its districts. We estimated that the equivalent of 97 vehicles, or slightly more than 10 percent of the general purpose vehicles covered in our review, were not used on at least 80 percent of the workdays of the 3- to 6-month test periods used for our review.
- We expressed the opinion that the 97 vehicles, which had a net replacement value of about \$113,000, could have been removed from service without impairing the districts' operations and that, if similar conditions existed in the 33 districts not included in our review, the Corps could considerably reduce its vehicle fleet on a nationwide basis.
- We reported also that annual mileage records for 861 vehicles assigned and available for use for about a 1-year period at the seven Corps' districts reviewed, showed that 333 vehicles, or 39 percent, had not met the Corps standard of 10,000 miles a year and that 78 vehicles, or 9 percent, had been driven less than 5,000 miles during the year.
- In our opinion, the Corps' utilization criteria, which was based solely on mileage, was not consistent with either the criteria provided by the General Services Administration (GSA) for the guidance of Government agencies, or the criteria that GSA employs for its interagency motor pools. We recommend that the Corps' criteria be revised to require that daily usage information be considered in conjunction with annual mileage.
- We recommend also that the Chief of Engineers initiate a Corps-wide review of vehicle utilization for the purpose of establishing the number of vehicles needed under normal conditions, giving full consideration to daily usage and alternative sources of transportation for meeting peak requirements and that excess vehicles indentified by the review either be transferred to locations needing additional vehicles, with the objective of reducing future vehicle procurement, or be declared excess where appropriate.
- At some districts, responsible officials concurred in our findings and took action either to sell the excess vehicles or to use them to meet increased work requirements. The Department of the Army, however, did not indicate in its comments on our report that any action would be taken to implement our recommendations.

Review of policies and practices for acquiring land for reservoir projects, B-118634, Feb. 3, 1969

We reported that the Corps was acquiring fee title to thousands of acres of reservoir project land when less costly flowage easements would have sufficed or when no interest was required for water control purposes. Our examination of 388 selected tracts at seven reservoir projects showed that additional costs of about \$2.7 million had been incurred for land that was not essential for successful operation of projects for water control purposes.

- We recognized that fee acquisition may have been desirable to satisfy purposes other than water control. We found, however, that the Corps had not identified the additional cost incurred for other project purposes, mainly recreation and fish and wildlife, even though the Fish and Wildlife Coordination Act indicated that the Congress desired cost information relating to land acquired for fish and wildlife purposes.
- We found also that the total cost of the land acquired for recreation purposes was paid for by the Federal Government even though some of these costs may have been properly financed by non-Federal interests under the cost-sharing provisions of the Federal Water Project Recreation Act.
- In response to our proposals, the Department of the Army stated that information on acreages and approximate costs to be incurred for such purposes as recreation and fish and wildlife could be furnished to the Congress, if it was desired. With respect to the additional financing which may have been available from non-Federal sources, the Department stated that this would tend to decrease recreational development by local interests and, at some future date, could cause substantial administrative problems.
- We suggested that the Congress, in prescribing the nature and extent of reservoir project purposes, might wish to require that the Corps identify, for congressional consideration, the costs incurred in acquiring greater interests in land than are needed for water control purposes, the purposes for which such interests are acquired, the related acreages, and the benefits to be derived from such interests. We suggested also that the Congress might wish to express its intent as to whether the additional costs incurred for recreation and fish and wildlife purposes should be treated as separable costs and be subject to cost sharing under the Federal Water Project Recreation Act.

DEPARTMENT OF COMMERCE

During fiscal year 1969 we submitted five reports to the Congress on our reviews of Department operations. Three of these reports were submitted to the Congress as a whole and two reports were submitted to Members. In addition, we issued seven reports to Department or agency officials.

We used time equivalent to that of about 24 staff members during the year in reviewing and testing selected activities of seven major constituent agencies and offices of the Department, with our effort divided about equally between economic development activities, scientific and technological activities, and Maritime activities.

As a result of our reviews, we found that the Department could increase the effectiveness of its operations or achieve economies by:

- Improving the management of laboratory equipment at the Boulder Laboratories.
- Improving procurement procedures for outfitting vessels activated for use in Southeast Asia.
- Improving procedures for determining supplementary grant assistance for public works and development facility projects.

These and other findings resulting from our reviews, and agency comments or action taken on our suggestions and recommendations for improvement, are summarized in digests of reports to the Congress included at the end of this section.

Our reports to agency officials included the results of a review of the procurement and utilization of ADP equipment by the Maritime Administration, a review of copying machines leased by the Department of Commerce, and a review of the business loan program in the Economic Development Administration.

We continued our efforts to assist the Department to further improve its financial management systems. The Department has seven complete accounting systems subject to approval by the Comptroller General. Three of these systems have been approved. In addition, the Departmentwide accounting principles and standards were approved by the Comptroller General on June 27, 1969.

Audit work in process at June 30, 1969, included surveys and reviews of the Department's personal service contracts, the Economic Development Administration's public works and development facility grant program, and the Maritime Administration's general agency program. Work in process also included surveys and reviews of the Environmental Science Services Administration's national ocean survey program and vessel utilization and the National Bureau of Standards' research associate program and financial management activities.

Digests of the three reports submitted to the Congress as a whole during fiscal year 1969 follow.

Need for improvement in the management of laboratory equipment at the Boulder Laboratories, B-164190, July 9, 1968

- On the basis of our review we concluded that there was a need for improved management of laboratory equipment at the Boulder Laboratories of the National Bureau of Standards (NBS) and the Environmental Science Services Administration (ESSA). We found that technical equipment—with an original cost of about \$294,000 and a net book value of about \$94,000 at December 31, 1966—which was excess or had not been used for an extended period of time, was being retained by the four organizational units of the Boulder Laboratories covered in our review. We also found adequate evidence that more entensive pooling of infrequently used equipment would be possible and thus would provide for more effective utilization of such equipment. In addition, we found that equipment with an original cost of about \$124,000 and a net book value of about \$49,000, which was on loan to non-Federal entities, was unused, unneeded, or being retained by borrowers who were not entitled to the use of the equipment.
- To provide for improved management of equipment at the Boulder Laboratories we recommended that (1) a systematic program, including procedures necessary to conduct periodic and controlled "walk-through" inspections of laboratory facilities, be established and implemented to facilitate the identification and reassignment or disposal of unneeded equipment, (2) a more extensive system of pooling infrequently used equipment be adopted to provide for more effective utilization of such equipment, and (3) all outstanding loans of equipment be reviewed to identify equipment which was not directly bene-

fiting the Laboratories and was unneeded, that unneeded equipment be declared excess, and that procedures for the systematic periodic follow-up of loans of equipment be instituted.

In response to our recommendations NBS and ESSA identified unused or excess equipment with an acquisition cost of \$1,184,418, made more extensive use of equipment pools, and reviewed all outstanding equipment loans.

Need to improve procurement procedures for outfitting vessels activated for use in Southeast Asia, B-118779, Nov. 4, 1968

- We reported that the Maritime Administration had not established adequate procedures to guide its three coast district offices in purchasing equipment and supply items for outfitting vessels withdrawn from the National Defense Reserve Fleet and operated under general agency agreements for service in Southeast Asia. Each district developed its own procurement methods and procedures and, as a result, Maritime did not, in our opinion, take advantage of opportunities for realizing significant economies in the procurement of outfitting items for the vessels activated from the reserve fleet.
- We found that separate and uncoordinated purchases by the individual districts of 12 items selected for review resulted in significant differences in the prices paid for the items. On the basis of those differences, we believed that program expenditures might have been reduced by about \$195,000 through improved procurement procedures. Also, Maritime had not taken full advantage of the economies available by using Government sources of supply. Many small supply items such as hand tools, paints, and cleaning supplies were available from, but generally not purchased from, Government sources of supply.
- We recommended that the Acting Maritime Administrator establish uniform procurement procedures to be followed by the coast district offices for outfitting vessels from the reserve fleet. We were informed that a group had been appointed to study the complete logistic support system of the general agency operation and that the group had defined high volume, high cost, logistical support materials susceptible to purchase through central procurement as well as from Government supply sources. Also, we were informed that the district coast directors had engaged in negotiations with their respective General Services Administration supply outlets to arrange for optimum use of these supply sources and that standard requisitions for stores, equipment, and subsistence items had been developed by the study group and implemented by the coast districts to ensure more positive control over material usage and to minimize overordering.

Improvements needed in procedures for determining supplementary grant assistance for public works and development facility projects, B-153449, Feb. 4, 1969

- We reviewed the records pertaining to supplementary grants of \$3.1 million awarded by the Economic Development Administration (EDA) under the Public Works and Economic Development Act of 1965, as amended, to applicants for 18 projects located in EDA's western and mideastern areas. The law authorized direct grants of up to 50 percent of project costs to assist States and other entities in financing public works and related facilities. Supplementary grants that do not increase the Federal contribution beyond 80 percent of project costs also are authorized.
- We noted that, in determining the amount of the supplementary grants for the 18 projects, EDA had not considered all available revenues, had computed the revenues incorrectly, had based the computations on questionable data, or had taken into account excessive charges for project expenses. On the basis of our review, we believed that 17 of the supplementary grants, totaling over \$2.6 million, should not have been made and one supplementary grant of about \$400,000 should have been reduced by about \$57,000.
- Our report contained recommendations to the Secretary of Commerce designed to avoid making unwarranted or excessive supplementary grants.

- EDA agreed that more adequate supervisory reviews of supplementary grant determinations should be made but did not develop supervisory review guidelines as we had recommended. Also, EDA did not agree with our recommendations that it determine the amount of supplementary grants on the basis of revenues which may be generated during the useful life of the projects, a 40-year loan repayment period, or the loan period permitted by the applicants' authorizing statutes, whichever is less, and give more consideration to the projects' existing indebtedness in determining the amounts of the grants.
- Although EDA's authorizing legislation requires that revenues be considered in determining the amount of any supplementary grant, EDA did not consider net project revenues in instances where the basic grant from one Federal agency and the supplementary grant from EDA did not exceed 50 percent of the project costs.
- We suggested that, because of the impact of the EDA policy on amounts of grant assistance provided to applicants and in the interest of providing financial assistance to as many needy projects as possible, the Congress might wish to express its views as to whether EDA should consider project revenues when an EDA grant supplementary to a basic grant by another Federal agency does not result in the total Federal grant contribution exceeding 50 percent of project costs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Our work in the Department of Health, Education, and Welfare (HEW) included reviews of selected areas and activities of the Office of the Secretary and each of the six major constituent agencies of the Department. Our reviews covered such matters as:

- Development and status of the Department's audit function.
- Administration of the Medicare program, including reimbursements to and final settlements with providers of medical services, payments for physicians' services, medical necessity for services provided to patients, and the certification of eligibility of facilities for participation in the program.
- Controls over grants for construction of community mental health centers and health research and teaching facilities, and for support of regional collaborative efforts to combat heart disease, cancer, and stroke.
- Administration of educational programs, including construction of facilities, provision of financial aid to students, and improvement of education for deprived children.
- Selected aspects of the Medicaid and public assistance programs.
- Administration of the air pollution control program.

Reviews made at the request of congressional committees and individual Members of Congress covered such matters as accounting controls over Federal grant funds made available for an educational laboratory theatre project, use of Federal funds by a local educational agency, Federal assistance provided for a local air pollution control program, independence of audits of Medicare reimbursements to a hospital, and the reporting of hours worked by medical consultants.

Our work during fiscal year 1969 required time equivalent to that of about 160 staff members. Part of this time was devoted to the review of the Work Experience and Training Program in carrying out the requirements of section 201 of the Economic Opportunity Amendments of 1967 (see page 68). This program, authorized by Title V of the Economic Opportunity Act of 1964, was being administered by HEW pursuant to delegation of authority from the Office of Economic Opportunity.

During fiscal year 1969, we issued 24 reports to the Congress on our reviews relating to Department operations, including six reports on work experience and training projects which supplemented our summary report to the Congress on the "Review of Economic Opportunity Programs" (B-130515, March 18, 1969). Of these reports, 16 were submitted to the Congress as a whole and eight were submitted to committees or individual Members of Congress. In addition, we issued 25 reports to Department or agency officials.

In our reports to the Congress as a whole, we pointed out opportunities for the Department to improve the effectiveness of its operations in several areas. We found a need for the Department to:

- Strengthen its management controls over the operations of its automated central payroll system.
- Provide for adequate screening and testing of compounds prepared under HEW-sponsored research grants in medicinal chemistry to stimulate the development of new drugs for use in the prevention and treatment of human diseases and disabilities.
- Take timely action in resolving problems affecting the eligibility of hospitals to participate in the Medicare program.
- Provide more explicit guidelines to State agencies for use in evaluating the reasonableness of institutions' requests for certain types of surplus property.
- Improve practices followed in adjusting Federal grants awarded for construction of academic facilities.

- Strengthen controls for determining compliance with statutory restrictions on use of academic facilities constructed with Federal financial assistance.
- Determine allowable costs and recover overpayments under general clinical research center grants.
- Take certain actions aimed at improving the methods followed by the various States in reporting on the Vocational Rehabilitation program accomplishments.

These and other findings, together with the Department's comments on actions taken with respect to our proposals or recommendations, are summarized in digests of reports included at the end of this section.

At June 30, 1969, we were making surveys and reviews of selected aspects of various education, public health, and social and rehabilitation service programs, including programs relating to Medicare, Medicaid, rehabilitation of narcotic addicts, disposal of solid wastes, control of air pollution, and accounting for reimbursable inspection and certification services relating to foods and drugs.

During the fiscal year we continued to cooperate with the Department in the development and improvement of its various accounting systems. The Department had established a system, designated as the umbrella system, comprising the policies, principles, and certain procedures and the basic framework of an accounting system prescribed for use in the development of nine individual accounting subsystems. We made a number of suggestions for revisions and improvements to this system as well as to the subsystems.

Near the end of the year, the Secretary of Health, Education, and Welfare informed us that the Department had elected to seek approval of its accounting system in three stages, as permitted by instructions promulgated by our Office. He expressed the opinion that the umbrella system encompassed the first two stages of development for which approval could be requested; i.e., the principles and standards to be followed and the design of the Department's accounting system. With respect to the third stage, i.e., the system in operation, the Secretary's letter contained forecasts as to when the nine subsystems would be fully implemented so that onsite reviews could be made by our Office to determine acceptability for approval.

Digests of the reports submitted to the Congress as a whole, other than the six reports on work experience and training projects which are discussed in a separate section beginning on page 68, follow.

Office of the Secretary

Need for improvements in the automated central payroll system of the Department of Health, Education, and Welfare, B-164031, Jan. 17, 1969

- HEW's computerized payroll system, which was fully implemented in 1965, absorbed the manual operations of 73 payroll officers throughout the country and, as of June 30, 1968, was being used to pay about 110,000 employees. On the basis of our review of the procedures and controls in use, we concluded that although an automated centralized system was feasible, substantial improvement in HEW's system was needed.
- Our review disclosed numerous errors in computing employees' earnings, leave, and payroll deductions. We estimated that, in the entire payroll for 1965, errors had totaled about \$900,000 in computations of gross earnings; about \$3.1 million in employees' leave balances; and about \$7.1 million in the gross earnings and tax deductions shown on employees' annual withholding statements which could result in overpayments and underpayments of Federal and State income taxes.
- In addition, we noted other errors and deficiencies. Although HEW internal auditors or special study groups had commented as far back as 1964 on the inadequacies of the system, effective corrective action had not been taken.
- In response to our suggestions, HEW initiated a number of actions to improve its payroll system, including a complete redesign of the system. Also, HEW took steps to strengthen its staff responsible for administering the payroll system and to correct errors in the data in the system. We recommended, among other things, that the Secretary of HEW assign a high priority to redesign of the system and keep these efforts under close surveillance until the redesign is successfully completed.

Donation of surplus mercury for educational and public health purposes, B-164031, Mar. 21, 1969

- HEW, pursuant to special conditions established by the General Services Administration (GSA), made surplus mercury available to State agencies for donation to eligible institutions, such as colleges and universities, for educational and public health purposes. Because most of the mercury used in the United States is imported and its purchase tends to adversely affect the U.S. balanceof-payments position, the mercury was made available with the special requirement that State agencies limit donations to quantities which donees otherwise would have purchased on the commercial market. Also, donations were to be limited to quantities required for use during a 12-month period.
- We found that many donces had received mercury in significantly larger quantities than we believed should have been provided under the special conditions or could have been justified by apparent needs. Large quantities of the mercury were stored and remained unused for an extended period of time. Because of the way in which the mercury donation program was carried out, one of the major program objectives intended to be accomplished by the special conditions imposed by GSA—the achievement of maximum favorable effect on the U.S. balance-of-payments position—was not accomplished.
- We believed that the adverse conditions surrounding the mercury donation program were caused, in part, by (1) misunderstandings of the special conditions applicable to the program, (2) inadequate warehousing procedures by State agencies and inadequate controls over mercury inventories by donees, (3) allocations and donations based on unrealistic or inadequate determinations of need, and (4) inadequate and untimely surveillance over implementation of the program by HEW and State agencies.
- HEW agreed, in general, with our recommendations for strengthening the administration of the surplus property program but did not agree with our

proposal that State agencies be provided more explicit guidelines for use in evaluating the reasonableness of institutions' requests for surplus property. Instead, HEW stated that it preferred to continue to stress to State agencies the need for exercising good judgment and reasonable surveillance to prevent donees' stockpiling of surplus property.

Observations on development and status of the audit function at the Department of Health, Education, and Welfare, B-160759, May 9, 1969

- The Department had made significant improvements in the organizational structure and operation of the HEW audit function. These improvements included vesting responsibility for the entire audit function in a single organization, establishing an aggressive recruitment and staff development and training program, broadening the scope of its audits, and adopting plans for improving audit service to top management.
- Because the head of the Audit Agency was under the general supervision of the Assistant Secretary, Comptroller, who was responsible for many of the activities subject to internal audit, we recommended that, to safeguard the existence of an adequate degree of independence, the Secretary should (1) satisfy himself that the official to whom the internal auditor reports not only permits but encourages the exercise of latitude in setting the scope of work and in reporting on results of internal audits, (2) concern himself with the scope, effectiveness, and staffing of the internal audit function and with the adequacy of attention paid to audit findings and recommendations, and (3) provide the internal auditor with direct access to the Secretary when the internal auditor deems this necessary to fulfillment of his responsibilities.

We had some reservations as to whether, under the Audit Agency's existing arrangement of organization and staffing, with responsibility for both internal and external auditing, adequate independent internal review coverage could be given to the external audits of grantees and contractors. We recommended that the Secretary, from time to time, satisfy himself as to the adequacy of the internal review coverage being afforded by the HEW Audit Agency to the manner in which its external audit responsibilities were being discharged.

Office of Education

Need for strengthening controls for determining compliance with statutory restrictions on use of academic facilities constructed with Federal financial assistance, B-164031(1), Dec. 23, 1968

- The Higher Education Facilities Act of 1963 authorizes Federal assistance for constructing, among other things, facilities to be used as classrooms, laboratories, or libraries, and related facilities necessary or appropriate for the instruction of students.
- We found that the regulations issued by HEW were not clear as to the type of facilities considered as not being related facilities necessary or appropriate for the instruction of students, and that, because of the absence of adequate guidelines, some Office of Education (OE) representatives had not determined whether the facilities were being used in compliance with applicable restrictions.
- Although we found indications of only a few violations of the use restrictions applicable to academic facilities constructed with Federal assistance, we believed that there was a need for OE to (1) issue more definitive guidelines setting forth the criteria and methods to be used in ascertaining whether institutions were complying with restrictions on the use of facilities constructed with Federal financial assistance and (2) make reviews to ascertain whether there was compliance with such restrictions.

By letter dated Feb. 6, 1969, HEW informed us that it had revised the instructions covering the preparation of applications for Federal assistance to emphasize the eligibility or ineligibility of facilities which appear questionable. We were also informed that HEW regional and central office personnel were making followup visitations to institutions to ascertain compliance with the limitation on the use of facilities constructed under the act.

Practices followed in adjusting Federal grants awarded for construction of academic facilities, B-164031(1), Mar. 4, 1969

- The Office of Education (OE) makes grants to institutions of higher education under title I of the Higher Education Facilities Act of 1963 to assist in financing the construction of academic facilities intended primarily for undergraduate use. On the basis of our review, we expressed the belief that opportunities existed for using Federal grant funds in a more effective and equitable manner in accomplishing this objective.
- Our review showed that OE had not established adequate procedures for making timely reductions in grant amounts for such reasons as decreases in estimated construction costs or ineligibility of certain costs for Federal financial participation. We found that OE, rather than reducing amounts of Federal grants as a result of reductions in the costs of facilities as originally approved, allowed many grantee institutions to retain and use such grant funds for procurement of additional items not included in project budgets approved at the time the grants were awarded.
- For 24 projects it appeared that reductions of about \$500,000 in grants could have been made except that OE had authorized the institutions to retain and use such grant funds, generally for procurement of additional equipment, although the grantee institutions had provided assurances to adequately equip the projects.
- We expressed the belief that Federal grant funds could have been made available for other eligible projects if appropriate grant reductions had been made on a timely basis after a need for such reductions became apparent. We pointed out that at July 1967, about \$755,000 of title I funds had been made available for return to the U.S. Treasury rather than being used for the title I program because required reductions of grants awarded in fiscal year 1965 were not made by OE until the time had expired within which the funds could have been legally obligated for other construction projects.
- We recommended that the Department require that (1) grant adjustment practices be strengthened with a view toward reducing grants for decreases in estimated project costs and that such reductions be made on a timely basis and (2) project files applicable to existing grants be reviewed for the purpose of reducing grants in those cases where available information indicates that eligible development costs will be less than the estimated costs on which the grants were based.
- HEW concurred with our recommendations and stated that actions had been taken or would be taken to strengthen grant adjustment practices followed by OE.

Public Health Service

Problem areas affecting usefulness of results of Government-sponsored research in medicinal chemistry, B-164031(2), Aug. 12, 1968

We found that many research investigators being supported with National Institutes of Health (NIH) grants were unable to obtain the screening and testing services considered necessary to determine the usefulness of compounds prepared during their research toward the development of new drugs for the prevention and treatment of human diseases and disabilities.

- Investigators stated that since 1962, when HEW revised its patent procedures, they were no longer able to obtain the cooperation of the pharmaceutical industry and that no adequate substitute services were available. We noted that, because of the difficulties they were encountering, some investigators were redirecting their research efforts away from drug development. We also noted certain difficulties in the administration of HEW regulations concerning invention rights which needed resolution to facilitate the discovery of potential new drugs.
- In response to our proposal that HEW effect more timely determinations of invention rights and clarify the circumstances under which such determinations may be made, HEW informed us that certain measures had been or would be taken to encourage screening and testing of new compounds. We recommended that, in addition to these measures, the Secretary of HEW should develop and put into effect such policies and procedures as are necessary to provide adequate screening and testing of compounds to facilitate the development of potential drugs.
- We were subsequently informed that HEW was now utilizing a new basic institutional patent agreement with all qualified grantee institutions and that wider use of this patent agreement would alleviate part of the difficulties which grantee investigators had encountered in obtaining screening services.

Need for further action to determine allowable costs and recover overpayments under general clinical research center grants, B-164031(2), Dec. 26, 1968

- Our review of grants awarded by the National Institutes of Health (NIH) to six selected grantee institutions for the establishment and operation of general clinical research centers showed that five grantees had received grant funds in excess of allowable costs. We identified overpayments of about \$678,000, out of total reimbursements of \$2.3 million to the six grantees, for costs of hospitalization of center patients and for indirect cost of center operations.
- The overpayments for hospitalization costs occurred because NIH (1) in the initial years of the program had reimbursed the institutions on the basis of a cost formula which resulted in allowing costs in excess of those based on actual patient days, (2) had not adequately reviewed the patient per diem rates proposed by the institutions, and (3) had not examined into the propriety of the institutions' reimbursement claims. The overpayments for indirect costs occurred because NIH (1) accepted claims for indirect costs based on certain direct costs for which related indirect costs were also being claimed through hospitalization reimbursement and (2) allowed the legal maximum rate rather than applying lower overhead rates with the institutions.
- We found that NIH had taken certain actions toward recovering overpayments and precluding future overpayments. In particular, NIH had discontinued use of the cost reimbursement formula for hospitalization costs and recognized the need for reviewing hospitalization charges by 59 general clinical research centers and making adjustments in those cases where overpayments had been made because of the use of the formula.
- However, since extended delays had occurred in the determination and settlement of these cases, we recommended that the Secretary of HEW direct that the HEW Audit Agency make audits of grantees' records wherever they had not yet been made and that, on the basis of such audits, NIH make timely settlements of all general clinical research center grants which involved overpayments resulting from excessive allowances for hospitalization and indirect costs.
- We were subsequently informed by HEW that NIH had requested priority audits on 16 general clinical research center grants, had collected \$91,000 of excessive allowances for hospitalization costs classified as accounts receivable at

the time of our report, and was reviewing indirect cost information to determine the appropriateness of indirect cost charges to center grants and would proceed with settlements where overpayments were found.

Social and Rehabilitation Service

Need to improve procedures for reporting individuals as rehabilitated under the Vocational Rehabilitation program, B-164031(3), Nov. 26, 1968

- Because success or failure of the Vocational Rehabilitation program was gauged to a great extent by the number of individuals reported as rehabilitated, we reviewed the reporting practices being followed by the States and the Department of Health, Education, and Welfare.
- We reviewed the case records for 853 people selected from 12,861 cases in six States, which involved, in addition to services provided by the States, expenditures of \$100 or less for purchased services such as training and hospital care. In 516 of the 853 cases examined, we questioned the reporting of the individuals as having been rehabilitated. In 363 cases, the case records did not contain evidence that substantial rehabilitation services were provided to the individuals; in 98 cases, eligibility of the individuals for rehabilitation services was not documented; and, in 55 cases, individuals were reported as rehabilitated more than once when only an extension of initial rehabilitation services had been provided to the individual.
- Our revew also showed certain weaknesses in the internal controls established by the State rehabilitation agencies for reviewing casework activities and reporting on program accomplishments. We found also that, although program reviews by the Department had pointed out certain weaknesses in the States' administration and reporting of program activities, these reviews did not indicate the basic causes of the weaknesses nor did the reviews include an evaluation of the actions taken, if any, by the States in an attempt to correct the underlying causes.
- Department and State agency officials indicated that, for the most part, the matters disclosed by our review resulted from poor case-recording practices and inadequate casework procedures. The Department agreed to improve Federal guidelines on casework review procedures and the standards to be followed by the States in reporting on program accomplishments. The Department agreed also to review the States' casework activities and work with the States in establishing appropriate management controls.

Social Security Administration

Need to strengthen procedures for determining continued eligibility of widows for Federal benefits, B-164031(4), Aug. 22, 1968

Our comparison of information obtained for limited periods from marriage records in seven States with data obtained from the records of five Federal agencies—the Department of Health, Education, and Welfare (HEW), the Veterans Administration, the United States Civil Service Commission, the Railroad Retirement Board, and the Department of Labor—showed that benefit payments had been made to 147 widows who were ineligible for such benefits because they had remarried. Our review was concerned principally with the entitlement of widows receiving survivor benefits from the Social Security Administration of HEW, and was extended to a lesser degree to the programs of the other cited agencies.
- Subsequent to our reporting of these cases, the agencies terminated benefit payments in 135 cases and, in the 12 remaining cases which had been previously terminated, took action to correct improper termination dates. In addition, action was taken in an effort to collect the overpayments, which amounted to about \$82,000. If these benefit payments had been continued, they could have amounted to about \$1.2 million.
- We recommended that the Director, Bureau of the Budget, arrange with the five agencies to make feasibility studies to determine whether the benefits to be derived from using State marriage record data for identifying unreported or incorrectly reported remarriages of widow beneficiaries would exceed the costs of such a program and to evaluate the results of the studies and, if warranted, (1) make arrangements for obtaining from the various States data on widows who have remarried, and (2) assign to one of the agencies the responsibility for receiving State marriage-record data and for converting such data to a form usable by each of the agencies for identifying ineligible beneficiaries and incorrect benefit payments.
- The Director, Bureau of the Budget, advised us that the Social Security Administration, Department of Health, Education, and Welfare, had underway a study involving the matching of its beneficiary rolls with marriage records of 15 States and that the Bureau of the Budget would arrange for interagency participation in this study. The Director stated also that, if, after evaluating this study, it appeared that a more extensive study was desirable, the Bureau of the Budget would take the lead in making the arrangements.

Need for timely action in resolving problems affecting the eligibility of hospitals under the Medicare program, B-164031(4), Dec. 27, 1968

- We found that the Social Security Administration (SSA) had been slow in resolving the status of 42 hospitals that the Texas State Department of Health had initially determined to be eligible for participation in the Health Insurance for the Aged program (Medicare) but had subsequently determined not to be meeting the standards and had therefore recommended that their participation in the program be terminated. The deficiencies noted by the State Department of Health included failure of the hospitals to provide 24-hour nursing service, inadequate equipment in operating rooms, fire hazards, unsanitary conditions for handling food, and inadequate control over drugs.
- By April 1968, the status of 16 of the 42 hospitals had been resolved, but action on the remaining 26 hospitals was still pending although the State's recommendations for termination of participation were initially made from 8 to 19 months earlier. We concluded that the delays in resolving the status of these hospitals were partially due to the absence of specific time limits within which hospitals should be required to eliminate significant deficiencies or lose their eligibility to participate in the Medicare program.
- We recommended that the Secretary of Health, Education, and Welfare direct SSA to (1) emphasize to State agencies the need for establishing such time limits, and (2) initiate prompt action to terminate participation in the Medicare program of hospitals that inexcusably fail to correct their deficiencies within the established time limits.
- Officials of SSA stated that instructions issued to State agencies in August 1968 were intended to provide for time-phased plans to correct deficiencies but agreed that additional emphasis was desirable and that the guidelines would be strengthened and amplified.
- In June 1969, SSA issued instructions requiring State agencies to obtain a written plan, including expected completion dates, for correction of any significant deficiencies disclosed following each survey of a facility. These instructions stated that one of the purposes of the plan was to support future termination proceedings if, as a last resort, such action became necessary. Also, we were advised by SSA that, as of June 24, 1969, the status of 39 of the 42 hospitals had been resolved.



A Portion of a Department of Housing and Urban Development Sponsored Campus-Related Community.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Our work in the Department of Housing and Urban Development (HUD) included reviews in areas of HUD activity involving urban renewal and model cities, metropolitan development, mortgage financing and other insurance operations, housing assistance and urban technology, and Department-wide financial administration and management. These reviews required about 74 man-years of professional staff time. Twenty-five reports were submitted to the Congress during the year; 11 of these reports were submitted to the Congress as a whole and 14 were submitted to congressional committees or individual Members of Congress. In addition, we issued nine reports to HUD officials.

As a result of our reviews, we found that HUD could improve the effectiveness of its operations or achieve economies in the following matters. We found that:

- Fees assessed by the Federal Housing Administration (FHA) were insufficient to recover the full cost of processing home mortgage insurance applications.
- FHA could realize substantial savings by discontinuing the purchase of title insurance and substituting a Government guarantee for the protection of private lending institutions that finance purchases of home properties sold by FHA.
- FHA could earn additional interest income from earlier investment of mortgage insurance premiums if premiums were remitted by mortgagees monthly rather than annually.
- Builder's certifications of actual construction costs for Rossmoor Leisure World developments were needed to insure that any economies in construction would benefit the cooperative consumers as contemplated by law because, in our opinion, the construction contracts between the mortgagors and the builder were not the result of meaningful arm's-length negotiations.
- Selection of purchasers of properties sold by FHA through evaluations of purchase offers and other appropriate considerations would be more advantageous to the Government than the drawing method used.
- Clarification of statutory provisions regarding the financing of community and neighborhood facilities was needed.
- The Federal share of the cost of demolishing unsound structures under the demolition grant program could be significantly reduced if the Federal grants were based on demolition costs less the partial recoveries of such costs that are made by the cities involved.

These and other findings resulting from our reviews are summarized in the digests of our reports to the Congress included at the end of this section.

We assisted HUD in developing the design requirements for its accounting system and continued to work closely with HUD in developing documentation for its accounting system.

Audit work underway at June 30, 1969, included surveys and reviews of the administration of the urban renewal and model cities programs, the open space land programs, the program for rehabilitating existing structures for use as low-rent housing, the rent supplement program, the multifamily mortgage insurance program for low- and moderate-income families, cost certification procedures under mortgage insurance programs, the program for disposing of FHA-acquired multifamily properties, and the coordination of Federal programs in major metropolitan areas.

Digests of the 11 reports submitted to the Congress as a whole during fiscal year 1969 follow.

Federal Housing Administration

Need to increase home mortgage insurance application fees, B-114860, July 8, 1968

- Our review of fees assessed applicants by FHA for processing home mortgage insurance applications showed that the fees were insufficient to recover the full cost of processing. We estimated that, in fiscal years 1966 and 1967, costs unrecovered by fees amounted to about \$33 million, or about 37 percent of the cost of processing applications in those years.
- All costs of the FHA home mortgage insurance programs, including the unrecovered cost of processing applications for mortgage insurance, are borne by mortgagors through payment of fees and premiums and through investment earnings thereon. Our review showed that about 50 percent of the applications processed by FHA do not result in mortgage insurance, and the unrecovered cost of processing these applications is therefore borne by mortgagors participating in the mortgage insurance programs.
- We pointed out that FHA fees of \$45 for an application pertaining to new housing and \$35 for an application pertaining to existing housing would have had to be increased to \$70 and \$56, respectively, to result in the full recovery of the processing costs.
- We expressed the belief that FHA should follow the Government's general policy regarding charges for services performed by Federal agencies and establish fees, and adjust them annually as necessary, to recover, to the extent practicable, the full cost of processing the applications. The additional net income which would result from increasing fees would serve to increase the reserves for future losses on FHA mortgage insurance programs. We noted that such reserves were below the requirements which FHA deemed necessary to cover estimated future losses in the event of adverse business conditions.
- FHA was of the opinion that an increase in application fees would discourage individuals from applying for federally insured home mortgages. However, application fees are a one-time expense of homeownership, and we stated that we did not believe that fee increases of \$25 and \$21 would be any more

likely to discourage those who desire to purchase a home than the fees that have been established in the past.

- Accordingly, we recommended that the Secretary of HUD require FHA to establish application fees at levels which would recover the cost of processing applications for mortgage insurance. We also recommended that FHA be required to ascertain, annually, application processing costs and to adjust its fees, to the extent practicable, for increases and decreases in such costs.
- Savings available through discontinuing purchase of title insurance on sales of houses acquired by the Federal Housing Administration, B-114860, Aug. 26, 1968
 - Our review showed that FHA could realize substantial savings if it discontinued the practice of purchasing title insurance and furnished private lending institutions that finance the purchase of home properties sold by FHA a guarantee that their investment would be protected from title defects arising prior to the purchase. A similar guarantee was being made by FHA to the Government National Mortgage Association when it financed the purchase of FHA home properties. We found that FHA received assurance of good title at the time it acquired properties, and, in our opinion, FHA should be aware of any action during the period it held the properties which could affect their title at the time of sale.
 - HUD agreed that discontinuing the purchase of title insurance would be desirable and financially advantageous but pointed out that action should not be taken in this regard until there was improvement in the availability of private financing for sales of FHA properties. Although purchase of FHA home properties with private financing totaled less than 10 percent of the sales in fiscal years 1967 and 1968, we estimated that FHA's cost of providing title insurance in these years amounted to more than \$400,000. Moreover, on the basis of FHA's sales forecasts, we estimated that FHA could save about \$2.7 million, nationwide, in 1969 and substantial amounts thereafter by discontinuing the purchase of title insurance in connection with sales of home properties.
 - We stated our opinion that the realization of such savings by discontinuing the purchase of title insurance should not be delayed pending improvement in the availability of private financing for sales of FHA home properties. We recommended that prompt action be taken to discontinue FHA's practice of purchasing title insurance and to adopt a policy of furnishing private lenders who finance purchases of home properties sold by FHA a guarantee that their investments will be protected against title defects arising prior to the purchase of such properties.
 - In July 1969, the Secretary of HUD informed us that regulations were being issued which would accomplish the intent of our recommendation.

Substantial benefits available through earlier collection of mortgage insurance premiums, B-114860, Sept. 26, 1968

- Our review disclosed that remittance of premiums by mortgagees on a monthly basis, rather than on the present annual basis, would permit FHA to invest these funds on the average of about 6 months earlier. We estimated that additional interest income resulting from earlier investment would amount to approximately \$650,000 annually for new insured mortgages during the first full year of operation and would increase, as new mortgages are insured in subsequent years, to more than \$4 million a year.
- The Assistant Secretary-Commissioner, HUD, FHA, advised us that it would not be appropriate to change premium payment procedures at the time because of mortgage market conditions, but that the desirability of a change would be considered at a more favorable time.
- We expressed the belief that it would be advisable for FHA to plan in advance for the time when a change in procedures was appropriate so that the change could be made on a timely basis. We recommended that the Secretary of HUD

initiate a study to determine the most feasible and economical manner to implement the administrative changes required to collect the premiums on a monthly basis, and revise FHA regulations, at such time as deemed appropriate, to require monthly collection of premiums.

Examination of financial statements for fiscal year 1967, B-114860, Nov. 29, 1968

- We expressed the opinion that (1) because of a significant overstatement of net income, the Federal Housing Administration's (FHA) statements of income and expense did not present fairly the results of operations for fiscal year 1967 in conformity with generally accepted accounting principles, and (2) except to the extent affected by the overstatement of the net income, the balance sheets and the statement of source and application of funds presented fairly FHA's financial position at June 30, 1967, and the source and application of its funds for the fiscal year then ended.
- FHA's net income for fiscal year 1967 included about \$8.1 million which resulted from the sale of a multifamily property. FHA included the \$8.1 million as income in fiscal year 1967 by recording about \$2.6 million as profit and by reducing the established allowance for estimated future losses applicable to the property by about \$5.5 million.
- We expressed the opinion that the \$8.1 million should not have been recognized as income in fiscal year 1967, using as our basis the generally accepted accounting principle that profits should not be deemed to be realized if collection of the sales price is not reasonably assured. Uncertainty as to the ultimate collection of the sales price of the property existed at June 30, 1967, because (1) regular payments on the note accepted in the sale were not required to commence until 12 years after date of the note, and (2) there was no reasonable assurance at the time of sale that the property would yield sufficient income to meet regular principal and interest payments to liquidate the full sales price.
- We recommended that FHA defer recognition of the profit on the sale until collection of the sales price was reasonably assured and establish an appropriate allowance for estimated future loss on the note accepted in the sale of the property.
- In a letter dated March 27, 1969, the Secretary, HUD, advised us that while the allowance set up for loss on the note accepted in the sale was consistent with the customary allowance set up by FHA for notes taken back on the sale of property, he recognized that the transaction was more than usually complex and that it would not be inappropriate in the interest of resolving the issue to establish a special rule for transactions which involve a balloon payment as this one did. At June 30, 1969, we were working with representatives of FHA to resolve this matter.

Federal Housing Administration's decision not to require builder's cost certification for Rossmoor Leisure World developments, B-158910, Feb. 19, 1969

- We expressed the opinion that the mortgagors' cost certifications for Rossmoor Leisure World developments did not reasonably insure that the intent of the cost certification provision of section 227 of the National Housing Act was being carried out.
- Legislative history indicated to us that the general purpose of the cost certification provision was to insure that an FHA-insured mortgage loan would not exceed a specified percentage of actual project costs and that this provision was made applicable to the multifamily cooperative housing program conducted under section 213 of the act (the section under which Rossmoor Leisure World mortgages were insured) to insure that the primary benefit of the program would be reduced costs to the consumers.
- At the time of our review, FHA had insured or had commitments to insure mortgages totaling about \$265 million for five Leisure World developments, which were planned to eventually total more than \$1 billion.

- We stated our opinion that the builder's total involvement in the developments as the originator, principal promoter, and owner of the land created a situation which was not conducive to meaningful arm's-length negotiations, and that, under such circumstances, builder's certifications of actual construction costs were needed to insure that any economies in construction would accrue to the benefit of the cooperative consumers as contemplated under section 213 of the act.
- Our review showed that the amounts paid from mortgage proceeds for construction were based primarily on FHA cost estimates which did not take into account possible economies available to the builder due to the large size of the developments and, in some cases, the relatively continuous nature of their construction. Because neither we nor FHA had the authority to audit the builder's records, we were unable to ascertain the costs actually incurred or the profit, if any, realized by the builder.
- FHA, the sponsor of the Leisure World developments, and the builder did not agree that builder's certifications of actual construction costs were necessary. In our opinion, the reasons they advanced might not have adequately recognized the basic legislative intent for making the cost certification requirement of the National Housing Act specifically applicable to multifamily cooperative housing projects. Therefore, we suggested that the Congress might wish to consider clarifying whether builders' certifications of actual construction costs in support of the mortgagors' certifications are necessary, under the circumstances described in our report, for providing an effective and meaningful implementation of the cost certification requirements of section 227 of the National Housing Act.
- In April 1969, the Secretary of HUD informed us that action would be taken in accordance with an earlier proposal made by us that HUD, as a condition for continuing to insure mortgage loans for Rossmoor Leisure World developments, require the builder to certify to the actual costs of construction.

Selection of purchasers of residential properties sold by the Federal Housing Administration, B-114860, Mar. 19, 1969

- Our review of sales of acquired single-family residential properties by FHA showed that FHA's selection of purchasers by a drawing, when more than one offer was received for a property, often resulted in the selection of purchase offers which were not the most favorable to the Government. Generally, the mortgage loans for these sales were insured by FHA. Many of the loans were financed by the Government National Mortgage Association (GNMA).
- FHA statistics showed that its rate of foreclosure on residential properties acquired and subsequently sold was several times as high as the rate applicable to properties insured for the first time. We stated that FHA could reduce the number of reacquisitions and the amount of borrowings by the Government needed to complete FHA's sales of these properties if it would select purchasers on the basis of the offers which are the most advantageous to the Government. We pointed out that the Veterans Administration (VA) was using an evaluation procedure to select the purchaser when more than one offer was received for a VA-acquired property.
- HUD stated that selection of a purchaser by a drawing provided a fair and impartial means of offering properties to all potential home buyers. HUD also said that this procedure was in line with the policy objective, embodied by the Congress in the Housing and Urban Development Act of 1968, of providing a greater opportunity for lower income families to own their own homes.
- Although selection of purchasers by a drawing would presumably give all persons who bid on an FHA-acquired property an equal chance to be selected, it does not insure, but leaves to chance, the selection of a lower income family. We expressed our opinion that selection of purchasers through an evaluation of offers, with consideration being given to lower income families to the extent that FHA believes appropriate, would give FHA more assurance that it is contributing to the goals of helping lower income families become homeowners.

- Moreover, we expressed the belief that the selection of purchasers on the basis of an evaluation of the purchase offer terms received and such other considerations as FHA believes appropriate would tend to minimize FHA reacquisitions of properties and the amount of GNMA financing required to complete the sales.
- We recommended that, when more than one offer is received for an FHA-acquired residential property, the Secretary of HUD require FHA to select the purchaser on the basis of an evaluation of the purchase offers received and such other considerations as may be appropriate.

Federal National Mortgage Association

Examination of financial statements for fiscal year 1967, B-114828, Sept. 20, 1968

- We expressed the opinion that the financial statements presented fairly the financial position of the Federal National Mortgage Association (FNMA) at June 30, 1967, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied, except as noted below, on a basis consistent with that of the preceding year and with applicable Federal laws. The change in application, with which we agree, concerned the presentation of interest income and interest expense on mortgages subject to trust agreements.
- We also expressed our opinion on the financial statements of the Government Mortgage Liquidation Trust, the Small Business Obligations Trust, and the Federal Assets Liquidation Trust for which FNMA is trustee. We stated that, in our opinion, the financial statements of the trusts, except as noted in the comments that follow, presented fairly their financial position at June 30, 1967, and the results of their operations and the sources and application of funds for the period then ended, in conformity with generally accepted accounting principles and with applicable Federal laws.
- In our opinion, the trusts' statement of income and expense would be more informative if interest paid to participation certificate holders were described as interest expense and treated as a cost of trust operations, instead of being termed "increase in preferred equity of participation certificates—accrued interest," and were deducted from net income from operations. We noted also that the financial statements of the Federal Assets Liquidation Trust—the only trust that sold participation certificates in fiscal year 1967—would be more informative if commissions paid to brokers on the sale of participation certificates were shown as part of the cost of trust operations.
- As to consistency of presentation between fiscal years, we pointed out that FNMA, as trustee, made a change with which we agree in the presentation of the trusts' statements of income and expense for fiscal year 1967. These statements showed the full income and expense of the trusts instead of only the income and expense from trustee services.

Housing Assistance Administration

Review of financing of community facilities by the Department of Housing and Urban Development, B-118718, Jan. 17, 1969

Our review showed that HUD based its interpretation of authority for allowing local housing authorities (LHAs) to provide community facilities as part of low-rent public housing projects on section 2(1) of the United States Housing Act of 1937, which defines the term "low-rent housing" as embracing "all

necessary appurtenances thereto." HUD believed that community facilities were needed for the successful development and management of public housing projects, and that reasonable expenditures for these facilities were eligible for inclusion in project development costs.

- We estimated that HUD had financed indoor community facilities at over 3,100 public housing projects, that the development cost of these facilities would total about \$141 million, and that related interest costs would total about \$127 million.
- We found that the legislative history of section 2(1) of the act shed no light on congressional intent as to what were considered to be "necessary appurtenances." While we did not contend that HUD's interpretation of its authority was contrary to law, nor did we question the benefits that could result from community facilities, we reported that it was our opinion that HUD's interpretation was not free from doubt and that, in a program involving many millions of dollars of Federal funds, any such doubt should be removed.
- We also found that HUD was permitting LHAs to contribute funds toward the cost of neighborhood facilities to be developed under a Federal grant program authorized by section 703 of the Housing and Urban Development Act of 1965. We pointed out that the combination of housing assistance contributions and neighborhood facilities grants would result in the total ultimate cost to the Federal Government for such facilities being greater than the amount of the maximum Federal assistance authorized under section 703. We stated our opinion that the statutory provisions for the neighborhood facilities grant program needed clarification regarding contributions by LHAs.
- HUD disagreed with our views regarding the need for clarification of statutory intent on these points. It was our opinion, however, that these matters warranted the attention of the Congress. Accordingly, we suggested that the Congress might wish to consider clarifying the statutory authority of HUD with regard to authorizing and financing the development of community facilities as part of the low-rent public housing program, and the provisions of section 703 of the Housing and Urban Development Act of 1965 with regard to contributions by LHAs toward the cost of developing neighborhood facilities under the Federal grant program established by the act.

Audit of the financial statements of the low-rent public housing program fund, fiscal year 1968, B-114863, Feb. 20, 1969

Our audit of the financial statements of the low-rent public housing program fund, administered by the Housing Assistance Administration, for the fiscal year ended June 30, 1968, was made in accordance with generally accepted auditing standards and included such tests of accounting records and financial transactions and such other auditing procedures as we considered necessary in view of the nature and volume of the transactions and the effectiveness of the internal controls. We expressed our opinion that the financial statements presented fairly the financial position of the fund at June 30, 1968, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

Renewal Assistance Administration

- Savings available in Federal share of cost of demolishing buildings, B-118754, Nov. 12, 1968
 - HUD is authorized to make grants to localities for two-thirds of the cost of demolishing unsafe or uninhabitable structures as part of the Federal Govern-

ment's overall program against slums and the causes of urban blight. We found that HUD would pay a locality two-thirds of its cost to demolish an unsafe structure even though the locality later recovered a portion of its cost from the property owner. In our opinion, demolition grants made to the cities included in our review, which received 41 percent of such grants, could have been reduced by about \$400,000 if they were limited to two-thirds of the net demolition costs.

- We proposed that all recoveries from property owners be taken into account in determining the amount of the grants. Subsequently, HUD established a policy which provided that the Federal Government be reimbursed for up to two-thirds of the net amount recovered by cities prior to project completion. However, since it appeared that many recoveries of demolition costs were made after projects were considered completed, we recommended that the Secretary provide for Federal participation in recoveries made after completion of demolition activities.
- We found also that the practices followed by some cities of using their own employees instead of contractors to demolish unsafe buildings and of awarding demolition contracts for individual structures instead of groups of structures may not have resulted in the lowest possible costs under the program.
- HUD believed that the use of city employees was justified under certain circumstances and we agreed that it might be. In regard to the award of demolition contracts, HUD subsequently issued instructions which provided that contracts be awarded for groups of structures when they are to be demolished within reasonable periods and are located in the same neighborhoods.
- We recommended that the Secretary of HUD revise departmental regulations to require cities to use the most economical methods of demolishing structures unless otherwise justified.

Improvements needed in the management of the urban renewal rehabilitation program, B-118754, Apr. 25, 1969

- HUD reports showed that during the $4\frac{1}{2}$ year period ended December 1967, an annual average of about 13,000 dwelling units were rehabilitated under the HUD project-oriented rehabilitation program. We expressed the belief that improved management and increased emphasis on the rehabilitation program was essential if HUD's intention of rehabilitating about 130,000 dwelling units in fiscal years 1969 through 1971, or an average of about 43,000 dwelling units a year, was to be achieved.
- Also, we expressed the opinion that the reported rehabilitation accomplishments were questionable. Inspections made in three projects of 150 selected properties which the local public agencies (LPAs) had reported as being rehabilitated showed that, to varying degrees, 78 percent of the properties examined did not meet established property rehabilitation standards and that 69 percent did not meet local health and safety standards. In our opinion, HUD administrative reviews at the local level were not adequate.
- We recommended that the Secretary of HUD (1) reassess the rehabilitation program based on in-depth reviews at the project level to identify and resolve weaknesses, problems, or difficulties which impede completion of projects, (2) require HUD representatives to strengthen their review and administration of rehabilitation projects at the local level to insure that rehabilitation objectives are actually being attained, and that accurate and usable data concerning the program is prepared for HUD management officials, and (3) devise more effective methods for insuring that rehabilitated properties are maintained at the renewed level.
- We were advised that HUD had increased its emphasis on rehabilitation and that instructions would be issued strengthening HUD's administration of the program. We were further advised that, within the limits of available personnel, HUD's regional offices would conduct surveys of rehabilitation projects. Subsequent to the issuance of our report, HUD issued the mentioned instructions.

DEPARTMENT OF THE INTERIOR

During fiscal year 1969, we submitted 18 reports to the Congress on our reviews of Department operations. Fourteen of these reports were submitted to the Congress as a whole and four reports were submitted to committees or Members of the Congress. In addition, we issued 21 reports to Department or agency officials.

We used time equivalent to that of about 100 staff members in reviewing and testing selected activities of 12 major constituent agencies and offices of the Department, with about 50 percent of our effort being devoted to water and power activities of the Department.

As a result of our reviews, we found that the Department could improve the effectiveness of its operations or achieve economies in the following matters. We found that:

- The Bureau of Indian Affairs should improve its management of supplies and its system for managing the repair and maintenance of buildings and utilities.
- The Bureau of Reclamation should reexamine discounts granted to generating and transmission cooperatives in the market areas of the Eastern Division of the Missouri River Basin Project.
- Procedures for administering the small reclamation projects loan program should be improved.
- More effective negotiations on the part of the Bureau of Reclamation were needed in negotiating contracts with water users.
- Policies and procedures for relocating railroad facilities at Federal water resources projects should be improved.
- Coordination of transmission-line design and construction practices by the Bureau of Reclamation and the Bonneville Power Administration should be improved.
- Policies of the Bureau of Sport Fisheries and Wildlife for acquiring migratory waterfowl refuges could be improved.
- The effectiveness of audits by the Office of the Government Comptroller of the Virgin Islands could be improved.

These and other findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvements, are summarized in the digests of our reports to the Congress included at the end of this section.

We continued to increase our efforts in constructively assisting the Department to further improve its financial management systems. During fiscal year 1969, Stage 1, Statement of Principles and Standards, of the Bonneville Power Administration, the Bureau of Sport Fisheries and Wildlife, the Bureau of Outdoor Recreation, the National Park Service, and the Bureau of Land Management were approved by the Comptroller General. We plan to continue our efforts in the financial management systems area and our reviews of selected programs and operations which appear to need strengthening.

Among the activities under review at June 30, 1969, were the feasibility of the Celilo-Mead direct current transmission line, interest rate criteria for use in determining the financing cost of the Federal power program, the construction grants program to abate water pollution, operation and maintenance of federally assisted waste treatment plants, construction of joint municipal-industrial and multimunicipal waste treatment plants, the Federal Government's program to supply current and future helium needs, practices in awarding oil and gas leases on Federal lands, Johnson-O'Malley education program, Geological Survey's map-pricing practices, and financing of acquisition of land for recreation purposes from the Land and Water Conservation Fund.

In March 1969, we appeared before the House Committee on Public Works, which was considering legislation on water pollution control, to discuss our work at the Federal Water Pollution Control Administration.

Digests of 12 reports submitted to the Congress during the year follow. Two of our reports to the Congress, for which digests have not been included, related to reviews of the operation of Job Corps Centers by the Bureau of Indian Affairs and the National Park Service under the Economic Opportunity Act of 1964. These reviews are discussed in a separate section of this report, beginning on page 68.

Bonneville Power Administration

Examination of the financial statements of the Columbia River Federal Power System, fiscal year 1968, B-114858, Dec. 16, 1968

- This report to the Secretary of the Interior on our examination of the financial statements of the Columbia River Federal Power System for fiscal year 1968 was included in the Bonneville Power Administration's report sent to the Congress in accordance with applicable law.
- We expressed our opinion that, subject to the financial effects not now fully determinable, of future adjustments for adoption of firm-cost allocations and the resolution of other matters described in our report, the financial statements presented fairly the assets and liabilities of the Columbia River Federal Power System at June 30, 1968, the financial results of its power operations, and the source and application of its funds for the year then ended, in conformity with accounting principles and standards prescribed for executive agencies of the Federal Government by the Comptroller General of the United States, applied on a basis consistent with that of the preceding period, except for the inclusion in 1968 of the cost of rental services as commented on in our report.

Bureau of Indian Affairs

Improvements achieved in the management of supplies, B-114868, July 31, 1968

- Our review showed that many Bureau schools had accumulated large quantities of supplies, such as books and paper, which were in excess of estimated current requirements. The excess resulted principally from ordering supplies without considering stocks on hand.
- We concluded that there was a need for improved instructions, more critical reviews by area office officials of purchase order justifications, improvement in identifying excess stocks and distributing them to other schools, and vigilant surveillance by central office officials over the procurement functions delegated to the field office level, to insure that such functions are carried out economically and efficiently.
- In response to our findings and proposals, the Bureau took action to improve supply operations at its field locations which we believe should significantly improve the system of control to prevent unnecessary or premature procurement.

Proposals for improving the system for management of repair and maintenance of buildings and utilities, B-114868, Sept. 25, 1968

- Our review showed that the Bureau of Indian Affairs had expended large sums to repair, improve, and rehabilitate old buildings. Some of these buildings were demolished shortly after they had been extensively repaired or rehabilitated, and others were scheduled for demolition in the near future. We found that this situation occurred because the Bureau had no procedures for systematically evaluating existing facilities to determine their remaining useful life, establish replacement standards, and determine dates beyond which it would be uneconomical to make further repairs or improvements.
- In addition, we noted that the Major Alteration and Improvement (MA&I) funds and Repair and Maintenance (R&M) funds were used interchangeably to finance the same type of projects, and in some instances, the costs of supporting services were not charged to the proper fund. Use of R&M and MA&I funds in this manner does not insure control of funds by the Bureau in the manner that the Congress intended when it made separate appropriations for these specific purposes.
- We recommended that the Bureau make certain revisions in its system for the management of buildings and facilities and that it take whatever action was necessary to insure that R&M and MA&I funds are used only for the purposes for which appropriated.
- We were advised that the Department of the Interior agreed with our recommendations and that the Bureau was developing a management information reporting and control system along the lines we had recommended.

Bureau of Reclamation

Discounts granted generating and transmission cooperatives, Eastern Division, Missouri River Basin Project, B-125042, Aug. 6, 1968

We reviewed the Department of the Interior's policy of granting discounts on power sales to generating and transmission cooperatives (G&Ts) located in the Eastern Division of the Missouri River Basin Project (MRBP) to determine the effect on the repayment of the Government's investment in the project. The Department stated that the rate structure of the Eastern Division of the MRBP had not been set up to cover the cost of constructing Governmentowned transmission facilities or the cost of using the lines of third parties (wheeling) for delivery of power to customers located within short distances of a Bureau substation. Nevertheless, the Department followed a policy of allowing G&Ts in the market area discounts in lieu of wheeling on all firm power deliveries although in certain instances some deliveries were for G&T members located short distances from Bureau substations.

- Bureau customers other than members of G&Ts located near Bureau substations were required to build their own transmission facilities or make their own wheeling arrangements. This inconsistency in policies provided certain G&Ts and their members with price advantages not available to other Bureau customers located short distances from a Bureau substation.
- We examined into the discounts granted to two G&Ts and noted that about \$300,000 of the discounts had been granted on power deliveries to member customers whose distribution systems were in close proximity to the Bureau's substations.
- We suggested that the Secretary of the Interior direct the Bureau to reexamine, in connection with future contracts or contract amendments with G&Ts, discounts granted in lieu of wheeling power short distances. We suggested also that such discounts be limited to those deliveries which conform to the wheeling policy on which the power rates were established.
- The Department did not agree with our suggestions. The Department stated, however, that it would have no objection to making a study to determine whether the amount of discounts allowed the G&Ts were in conformance with the contract provision that, if average wheeling costs are less than 1 mill per kilowatt-hour, the lower cost will apply.
- We continued to believe that our suggestions had merit and therefore recommended that they be adopted. We recommended also that the Department's cost-finding study on the relationship of wheeling costs to the discounts being granted to G&Ts be based on the wheeling policy on which the rates were established and that consideration be given to all alternatives including estimates of the Bureau's cost of constructing and operating its own transmission lines to provide direct service to members of the G&Ts that are eligible for such service at Bureau expense.
- We were informed by a Department official that cost studies were subsequently made and would continue to be made in connection with new contracts or contract amendments with G&Ts to determine whether the amounts of discounts allowed G&Ts conform with the contract provision.

Savings available by improving administration of the small reclamation projects loan program, B-114885, Aug. 27, 1968

- We reported that the Bureau had not established adequate procedures for administering the small reclamation projects loan program, and, where procedures had been established, the Bureau had not always required their consistent application in making loans. Generally, the portion of a loan attributable to providing water for irrigation purposes is repayable without interest: the portion attributable to providing water for domestic, municipal, and industrial purposes is repayable with interest.
- The legislation establishing the small reclamation projects loan program indicates that projects constructed with loan funds are to be primarily for irrigation purposes. We found, however, that of the 34 loans totaling about \$83.6 million made by the Bureau of Reclamation through June 1, 1967, five had been made for projects which, on the basis of information submitted by the loan applicants, will benefit primarily domestic, industrial, or municipal water users instead of irrigation users. These five loans totaled \$10 million. We recommended that the Secretary of the Interior require that consideration be given to the proposed project design in determining whether a loan is primarily for irrigation purposes and that loans be fully repaid when nonirrigation usage reaches 50 percent.

- In addition, although Bureau policy requires loans to be repaid within the shortest practicable time, we identified three loans for which excessive repayment periods had been established, and we estimated that the delay in the return of funds to the Government would cost about \$3.2 million in interest We recommended that repayment periods be based on the repayment capacity expected to result from the project and that the repayment period be shortened when the cost of projects proves to be less than estimated.
- Also, we expressed the belief that inadequate procedures for allocating loan funds between interest-bearing and non-interest-bearing purposes for repayment would result in underrecovery of about \$2.9 million in interest; that the application of inappropriate criteria in allocating project construction advances would result in underrecovery of about \$220,000 in interest; and that the Government was incurring additional interest costs of about \$515,000 because two loan recipients had been permitted an inordinate amount of time in which to begin repayments. We recommended that procedures for allocating costs for repayments of interest be improved and that loan repayments begin at the time when project benefits, as originally planned, are first realized.
- Department of the Interior officials agreed that the small reclamation projects loan program could be improved with more positive and formal policies and procedures.
- Review of negotiations of contracts for water from the Central Valley Project, B-125045, Oct. 18, 1968
 - During our review we noted that, although water had been delivered to users north of the city of Sacramento, Calif., through releases from Shasta Dam and Reservoir (a major unit of the project) since its completion in 1944, the Federal Government was not able to reach agreement with the users until 1964 as to the amount of Federal water made available by the project for which the users would be required to pay \$2 an acre-foot. Calculations made by the Bureau of Reclamation showed that, during the 20-year period of negotiations, water users used, without charge, about 6 million acre-feet of project water valued at \$12 million.
 - We reported that at December 1967 the Bureau had concluded, or had pending, 141 contracts with water users covering about 2.3 million acre-feet of water. These contracts will, in our opinion, permit the water users to use annually, without charge, 950,000 more acre-feet of water, having a contract value of \$2 an acre-foot, than was available for use in an average year prior to the operation of Shasta Dam and Reservoir.
 - We recommended that the Secretary of the Interior, in future negotiations of this nature, establish, prior to construction of a project, definite limits as to the quantity of water that would have been available without the project and the maximum period of time to negotiate acceptable agreements with the users. We recommended also that, if acceptable agreements cannot be reached within these limits, the Congress be advised of the situation, including the possibility that litigation might be required after the project is constructed to arrive at a reasonable settlement. In this way the Congress can then reconsider the authorization of the project.
 - In December 1968, the Department stated that they agreed with the substance of our recommendations.

Need to improve policies and procedures for relocating railroad facilities at Federal water resources projects, B-114885, Dec. 30, 1968

We reported that the Bureau had provided four railroad companies with replacement facilities better than the facilities being replaced because Bureau instructions did not clearly define the Government's obligation for equivalent replacement. In those instances where sufficient information was available

to estimate the costs involved, we believe that the Bureau could have saved about \$436,000 by providing only those replacement facilities needed to meet the Government's obligation for equivalent replacement.

We suggested that the Bureau revise its instructions to (1) require more formal descriptions of existing facilities and detailed comparisons between existing and proposed replacement facilities, (2) require that proposed relocation agreements to be reviewed for policy compliance by the Chief Engineer and significant concessions deemed necessary in the agreements be approved by the Commissioner of Reclamation, (3) assure Bureau negotiators that condemnation is an available recourse action when it is believed that the railroads are requesting more than should be provided, and (4) require that nominal or salvage value be considered as the basis for payment for facilities that will not be relocated.

In March 1969, the Department stated that they agreed with all of our

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Bureau of Reclamation and Bonneville Power Administration

Need for improved coordination of transmission-line design and construction prac-

We found that the Bureau of Reclamation and the Bonneville Power Administration (BPA), which independently designed their respective sections of a 500-kilovolt (KV) alternating current line, specified a number of construction practices which differed significantly in terms of cost and, in some cases, reliability and safety standards. Although not necessarily a measure of actual avoidable cost, we estimated that there was a difference of about \$3.7 million between the estimated cost of \$12.5 million for designing and constructing the Bureau's 94.3 mile section of the line and the estimated cost of \$8.8 million for designing and constructing BPA's adjoining 94.3 mile section.

We noted that the Bureau and BPA were planning to follow many of the differing practices for the design and construction of their respective sections of a 750-KV direct current line. In view of the opportunity for achieving economies through increased coordination, we discussed our findings with Bureau and BPA officials in April 1967 and formally advised the agencies and the Department of the Interior of our findings by letters dated June 6, 1967.

In March 1968, the Director of Survey and Review, Department of the Interior, informed us that the Department did not take issue with our general thesis that improvements should be possible from more uniformity in the practices of the large power agencies. In response to our proposal, he informed us that the Assistant Secretary, Water and Power Development, had appointed a task force, chaired by a member of his immediate staff and including representatives of the Bureau, BPA, and the Southwestern Power Administration, to study agency practices and inconsistencies and recommend affirmative im-

The action taken by the Department was consistent with our proposal and should result in improved coordination. We will follow the progress of the study and, when completed, will review and evaluate the results as well as any

Bureau of Sport Fisheries and Wildlife

Opportunities for improvement in policies for acquiring migratory waterfowl refuges, Our review showed that the Bureau had acquired, or had scheduled for acqui-

sition, under an accelerated land acquisition program, about 2.7 million acres

of land, or approximately 60 percent of its objective, at an estimated cost of about \$205 million, without, in our opinion, having established adequate goals and guidelines for determining migratory waterfowl refuge land needs.

- By not having established more specific goals and guidelines, we believed that the Bureau, in several instances, (1) acquired greater quantities of suitable waterfowl habitat than were required to meet the needs of waterfowl in particular geographical areas, (2) acquired or had scheduled the acquisition of substantial amounts of biologically uncessential peripheral refuge lands to gain control of suitable habitat, and (3) established refuges in areas of relatively low value to waterfowl.
- We recommended that the Secretary of the Interior establish goals by specific geographical areas and develop related land investment guidelines; seek cooperative agreements with States and private owners of waterfowl areas which would define the specific responsibilities of each for meeting migratory waterfowl needs; give consideration to limiting future acquisitions until goals and guidelines are developed; and reevaluate prior acquisitions in light of the goals and guidelines to be established.
- At the time our report was issued, the Department informed us it was not in a position to comment on our conclusions and recommendations because a Secretarial Advisory Board had recently conducted a study on what the national wildlife refuge system should be and its conclusions and recommendations were under detailed review.
- In February 1969, the Department informed us that it agreed with our recommendations for improvement but disagreed with some of the information in our report and could not accept our findings and conclusions in total. The Department stated, however, that numerous actions were being taken to strengthen the administration of this program.

Office of Territories

Examination of the financial statements of the Virgin Islands Corporation (in liquidation) for fiscal years 1967 and 1968, B-114822, May 23, 1969

- During fiscal years 1967 and 1968, the Corporation was in the process of liquidation. The services of regular employees were terminated as of June 30, 1966, and officials of the Department of the Interior were designated to serve as officers of the Corporation and to complete the liquidation process. During our review we noted that the sale, by the Corporation, of its electric power and salt water distillation facilities to the Government of the Virgin Islands in fiscal year 1965 was renegotiated by the General Services Administration in fiscal year 1967. The renegotiation resulted in an increase of \$2.2 million in the sales price.
- We noted also that the Corporation, in fiscal year 1968, made a lump-sum payment of \$1,029,453 to the Government of the Virgin Islands, representing annual payments in lieu of taxes which had not been made for about 13 years. We were unable to verify completely the accuracy of the computation of the payment since records showing certain bases used in making the computation were not available.
- We expressed the opinion that, although the Corporation acted within its legal authority in acknowledging the liability, the statutory requirement for making payments in lieu of taxes was initially established to afford the Government of the Virign Islands year-to-year financing and was not intended to provide financing in the form of a lump-sum payment upon liquidation. We suggested that the Congress might wish to consider whether it was appropriate for the Corporation to make the lump-sum payment during liquidation.

In commenting on the financial statements of the Corporation, we expressed the opinion that, subject to the comments relating to the lump-sum payment in lieu of taxes, the financial statements presented fairly the financial position of the Corporation at June 30, 1967 and 1968, and the results of its operations and the sources and application of its funds for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding years and with applicable Federal laws.

Review of the activities of the Office of the Government Comptroller of the Virgin Islands, fiscal years 1966 and 1967, B-114808, June 30, 1969

- On the basis of our examination, we expressed the belief that the effectiveness of the Comptroller's audits of the insular government would be enhanced if greater emphasis was placed on identifying basic management weaknesses which permitted the occurrence of adverse conditions found during his audits and developing recommendations directed not only to any action required as to the specific matters reported, but more importantly, to the needed improvement in the management system. We noted that in many cases the reports issued by the Comptroller in fiscal years 1966 and 1967 did not disclose the basic weaknesses in the insular government's management system even though such weaknesses appeared to have existed, because numerous instances of adverse conditions were found in the activities audited and subsequent followup audits of the activities disclosed that similar deficiencies continued to occur.
- After we brought the details of our finding to the attention of the Department, we were advised that as a matter of audit policy the Department and the Comptroller concurred with the underlying principle upon which our proposal was based. The Department further stated that its own cognizance of the Comptroller's previous report effectiveness, when coupled with our proposal, suggested that improvements could be expected in the operations of the insular government by better identification of principal weaknesses in the management systems which permit the occurrence of deficiencies disclosed by the Comptroller's audits. Accordingly, the Department advised us that the Comptroller would devote additional effort to identifying weaknesses in the management systems.

Southwestern Power Administration

Examination of financial statements, Southwestern Federal Power System, fiscal year 1967, B-125031, Dec. 19, 1968

We expressed the opinion that subject to the correction of an overallocation of joint-use plant investment and the financial effects, not now fully determinable, of future adjustments for adoption of firm-cost allocations, the financial statements presented fairly the assets and liabilities of Southwestern Federal Power System at June 30, 1967, the financial results of its power operations, and the source and application of its funds for the year then ended, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States applied on a basis consistent with that followed in prior financial statements, except for the changes, in which we concur, in the financial statement presentation and in computing and recording depreciation as described in our report.

DEPARTMENT OF JUSTICE

During fiscal year 1969, we submitted three reports to the Congress on our reviews of operations of the Department of Justice. One of these





reports was submitted to the Congress as a whole and two reports were submitted to individual Members of the Congress. In addition, we issued 12 reports to departmental officials or to officials of constituent organizations. Time equivalent to that of about 14 staff members was used during the year in reviewing and testing selected activities at Department headquarters and at 11 field offices.

Our report to the Congress covered the results of an examination of the financial statements of the Federal Prison Industries, Inc., for the fiscal year 1968, as required by the Government Corporation Control Act. Our opinion on the financial statements was unqualified. A digest of our report to the Congress on this examination appears at the end of this section.

We also reported to two Members of Congress on the purchase of bristles from Communist countries and nylon fiber from France by the Federal Prison Industries, Inc. Our reports to agency officials included a review of selected operations of the Immigration and Naturalization Service's district office in Frankfurt, Germany, a review of automatic data processing activities, a review of the utilization of office copying machines, and reviews for the purpose of settling the accounts of accountable officers.

We continued our efforts in constructively assisting the Department to improve its financial management systems. During the fiscal year we reviewed and approved Department-wide accounting principles and standards and reviewed various other phases of the Department's management activities.

A digest of the report submitted to the Congress during fiscal year 1969 follows.

Examination of the financial statements of Federal Prison Industries, Inc., for fiscal year 1968, B-114826, Feb. 11, 1969

We expressed the opinion that the corporation's financial statements presented fairly its financial position at June 30, 1968, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

DEPARTMENT OF LABOR

Our audit work in the Department of Labor during the year, which required time equivalent to that of about 91 staff members, was directed primarily to reviews of activities of the Manpower Administration. We made selected reviews of the Federal-State employment security system, various institutional and on-the-job training programs under the Manpower Development and Training Act of 1962, and the Neighborhood Youth Corps, Concentrated Employment, and related programs under the Economic Opportunity Act of 1964, as amended.

Certain Economic Opportunity Act programs are administered by the Department of Labor under delegation of authority from the Office of Economic Opportunity. Considerable time of our staff members was used in reviewing these programs pursuant to the requirements of section 201 of the Economic Opportunity Amendments of 1967. Our work in this area is described in the section beginning on page 68 of this report.

We also made reviews of Federal employees' death and disability compensation programs and departmental determinations of prevailing wage rates under the Davis-Bacon Act and related laws.

During fiscal year 1969, we submitted 14 reports to the Congress on our reviews of Department operations and activities. Seven of these reports were submitted to the Congress as a whole, four reports were submitted to congressional committees, and three reports were submitted to individual Members of the Congress. In addition, we issued seven reports to agency officials.

In our reports to the Congress as a whole we pointed out that the Department could improve the effectiveness of its operations or achieve economies by:

- Strengthening controls to reduce the costs of hospitalization, medical services, and drugs provided to disabled Federal employees.
- Requiring contractors to comply with maintenance-of-effort requirements of contracts under the Manpower Development and Training Act to insure that payments by the Government are for training not normally provided by the contractors.
- Carefully screening applicants for the Neighborhood Youth Corps program to insure that only youths whom the program is intended to benefit are enrolled.
- Using excess Federal personal property to furnish and equip State employment security agencies.
- Prescribing more realistic minimum wage rate determinations for certain federally financed housing in the Washington, D.C., metropolitan area.

These and other findings, and agency comments or action taken on our suggestions and recommendations for improvement, are summarized in digests of our reports included at the end of this section.

The Department has two accounting systems, one of which has nine separate segments. As of June 30, 1969, we had approved the Depart-

ment's statements of accounting policies, principles, and standards and one of the segments and were reviewing one of the systems and five segments of the other system that had been submitted by the Department for approval. The Department planned to submit the other three segments during fiscal year 1970.

At June 30, 1969, we were expanding our audit coverage of the Department's various manpower training programs. Activities being reviewed included those under the Job Opportunities in the Business Sector program and the on-the-job and institutional training programs under the Manpower Development and Training Act. We also had underway reviews of departmental determinations of prevailing wage rates under the Davis-Bacon Act and related laws.

Digests of our reports to the Congress follow.

Bureau of Employees' Compensation

Opportunities for reducing costs of hospitalization, medical services, and drugs provided to Federal employees for job-related disablements, B-157593, May 29, 1969

- Our review at four of the 10 district offices of the Bureau of Employees' Compensation revealed that the Bureau had not made substantial efforts to use less costly, available Federal medical facilities for the treatment of disabled Federal employees. We estimated that annual savings of about \$120,000 would have been possible at just one of the Bureau's 10 districts if Federal rather than private facilities had been used for treating one common type of disablement requiring hospitalization.
- Also, the Bureau had not adopted an official medical fee schedule for use by the district offices' voucher examiners in evaluating the reasonableness of bills submitted by private physicians for their services. Significant differences were noted in physicians' fees paid by the Bureau for certain services, although the ailments or conditions shown on the physicians' bills were the same and the bills did not show that any additional services had been performed which would have justified the higher fees charged.
- In addition, the Bureau's voucher examiners were approving disabled Federal employees' claims for reimbursement of drug costs without requiring sufficient descriptive information to evaluate the reasonableness of the claims.
- In January 1969, the Bureau issued instructions reminding Bureau personnel of their responsibilities to make every effort to use Veterans Administration and Department of Defense medical facilities in appropriate cases and to determine whether medical fees are reasonable before authorizing payment. The Department of Labor advised us that local fee schedules, generally based on Blue Cross and Blue Shield rates, would be established and used for determining the reasonableness of medical fees and, where significantly higher fees are warranted by special circumstances, written justifications would be required.
- The Department of Labor disagreed with our finding regarding the need to obtain information necessary to determine the reasonableness of prescription drug costs. The cost, such as salaries of Bureau personnel, of obtaining such information was considered by the Bureau to far outweigh the advantages to be derived from the proposed information. We recommended that the Bureau consider using statistical sampling to strengthen control over amounts paid for prescription drugs. Such sampling, in our opinion, would not require additional staff.

Manpower Administration

Improvements needed in contracting for on-the-job training under the Manpower Development and Training Act of 1962, B-146879, Nov. 26, 1968

- This report resulted from our review of the Department of Labor's program for providing the disadvantaged and hard-core unemployed with on-the-job training (OJT) through contracts awarded to private firms.
- We found that certain contracts awarded principally in the Los Angeles County area of California during fiscal years 1965 through 1967 had served primarily to reimburse employers for on-the-job training which they apparently would have conducted without the Government's financial assistance. These contracts were awarded even though the intent of the program was to induce new or additional training efforts beyond those usually carried out.
- Also, the Department had not developed adequate guidelines and procedures for its field personnel in implementing the "maintenance-of-effort" clause which was included in every OJT contract. Prior to awarding the contracts, the Department did not ascertain either the number of employees normally trained by the employers or their costs. We believe that the maintenance-ofeffort clauses in the contracts were overlooked by the Department in not making these determinations.
- In addition, we found that (1) the Department had not established standards and guidelines governing the length of training to be given in various occupations, (2) there was a need for better coordination of the OJT program in the Los Angeles County area, and (3) the program could be operated more efficiently and economically through greater use of fixed-price contracts instead of cost-reimbursement contracts.
- The Secretary of Labor agreed with most of our findings and proposals but questioned whether the Department should engage in a costly administrative process to determine compliance with the maintenance-of-effort clauses of the contracts in the absence of a statutory requirement therefor. It was our opinion that the Department's policy of including maintenance-of-effort clauses in all OJT contracts was formulated as an interpretation of legislative intent and we questioned whether any substantive change of policy regarding the maintenance-of-effort concept would be proper without first obtaining congressional approval.

Need for improvements in certain Neighborhood Youth Corps program operations in Detroit, Mich., B-162001, Dec. 26, 1968

- We found a need for more careful screening of youths applying for the out-ofschool component of the Neighborhood Youth Corps (NYC) program to insure that the youths whom the program was intended to benefit were enrolled. A substantial number of the enrollees in the out-of-school component in Detroit did not meet the Department's criteria for enrollment or could not be identified by us as having met the criteria, because the sponsors had not recorded sufficient information in the enrollees' records to support a positive determination of eligibility.
- Also, there was need for reasonable followup procedures to identify those youths who needed further advice and assistance and to serve as a basis for program evaluation and redirection; for improved supervisory controls of the timekeeping records for NYC enrollees in the in-school component sponsored by the Board of Education; and for more effective monitoring of sponsors' operations in Detroit by the Bureau of Work-Training Programs, Department of Labor.
- In addition, the Detroit Board of Education had not contributed its required share for costs of an NYC project in the summer of 1965. This was caused by the Department of Labor's policy permitting NYC sponsors to include in the payment for their share of the project expenditures, other Federal

funds which they receive while administering programs for other Federal agencies. We have issued legal decisions stating that, as a general rule, where a Federal grant requires non-Federal matching funds to be provided, Federal or required non-Federal matching funds under another Federal grant may not be considered as meeting the grantee's matching requirements.

The Department and the sponsors initiated actions in response to our recommendations to screen NYC youths adequately, strengthen followup and payroll procedures, and intensify the Department's monitoring activities. The Secretary of Labor advised us that the Department and the sponsors had initiated corrective actions and that every effort was being made to adjust to the requirement that a sponsor's share of the program costs not be derived from other Federal funds or funds obtained from non-Federal sources previously used to match Federal funds under other programs.

Review of certain aspects of the administration of the Neighborhood Youth Corps program in Los Angeles County, Calif., B-165214, Jan. 7, 1969

- Our review indicated that the Neighborhood Youth Corps (NYC) program in Los Angeles had not always reached those youths in need of the program as defined by the Bureau of Work-Training Programs. A substantial number of youths enrolled in the NYC program in Los Angeles County did not meet the eligibility criteria established by the Department, or we could not readily verify their eligibility because the files did not show that the sponsor had elicited from the enrollees sufficient information upon which to make a sound determination of eligibility.
- There was a need for the sponsor to evaluate the effectiveness of the orientation programs being given by its subsponsors to new NYC enrollees; to improve the quality of work supervision and increase counseling services given to enrollees; to increase enrollment of NYC enrollees in supplemental education programs and improve class attendance by those youths enrolled in such programs; and to provide increased emphasis on job development and followup services for enrollees whose participation in the NYC program had terminated.
- In addition we found a need for improvement by the sponsor in controls over wages and salaries paid to enrollees and the administrative staff; documentation of the non-Federal contributions to the NYC program; timeliness of the auditing of the activities of its subsponsors; and communication between NYC administrators.
- We recommended that the Department of Labor monitor the implementation of actions planned by the sponsor and its subsponsors to improve eligibility determinations and to ensure that such improvements are accomplished on a timely basis. Also, the recommendations provided in general that the Department of Labor assist the sponsor in implementing corrective actions to improve other aspects of the administration of the NYC program.
- The Department of Labor advised us of appropriate corrective actions taken or to be taken by the Department, the sponsor, and the California State Employment Service on our findings and recommendations.

Economies available if excess Federal personal property is used to furnish State employment security agencies, B-133182, Sept. 25, 1968

- The Bureau of Employment Security, Department of Labor, procedures permitted State employment security agencies to use Federal funds to purchase personal property rather than acquire such property through the General Services Administration's (GSA) excess Federal property program.
- Our review of employment security offices in the State of California responsible for dealing with the employment problems of youth showed that savings could be realized if the Bureau established and implemented a policy which would enable the State agencies to acquire excess Federal personal property for use in their State and local offices. We estimated that about \$68,000 could have

been saved if excess personal property had been made available to furnish these offices in California.

- In broader perspective, we concluded that to the extent excess Federal personal property is available, additional, substantial savings to the Federal Government could be possible through reduced expenditures for the replacement and purchase of additional equipment in the more than 2,000 State and local employment security offices located throughout the country and for the furnishing of equipment to new offices.
- The Department of Labor determined that the Bureau of Employment Security did have the authority to make excess Federal personal property available to the State agencies and advised us that the Bureau was implementing our suggested policy.
- We were advised also that, as a result of our proposal, the Department had made arrangements with GSA for State agencies to procure supplies, equipment, and services through GSA supply sources. In March 1969, the Department issued instructions urging all State agencies to use GSA supply sources to the maximum extent possible and urging those State agencies who are precluded from making such procurements to seek appropriate amendments of their State laws or regulations.
- The Department's instructions to the States stated that its recent comparison of commercial and GSA prices for 13 selected items purchased by State agencies revealed that GSA prices were usually lower than commercial prices. The Department advised the States that the appropriation request for fiscal year 1970 for grants for supplies and equipment had been reduced by \$2 million in anticipation of the savings to be realized by State agency procurements through GSA supply sources.

Office of the Solicitor

Need for more realistic minimum wage rate determinations for certain federally financed housing in Washington metropolitan area, B-164427, Sept. 13, 1968

- The minimum wage rates prescribed by the Department of Labor for construction of four federally financed housing projects in the Washington metropolitan area were significantly higher than the wage rates paid in the area on comparable private residential construction. The Department had, for the most part, prescribed the negotiated wage rates applicable to commercial-type building construction in the Washington metropolitan area as the minimum wage rates payable on federally financed military family housing and low-rent public housing construction in the area. We concluded that the higher minimum wage rates prescribed by the Department for construction of four federally financed housing projects during the fiscal years 1965, 1966, and 1967, resulted or would result in about \$1.4 million in extra construction costs.
- We recommended that the Department (1) prescribe the prevailing wage rates for residential housing construction in the Washington metropolitan area as the minimum rates applicable for similar military family housing and for low-rent publc housing projects in the area, (2) make greater use of onsite surveys to supplement and verify data obtained from interested parties, (3) undertake a general reexamination of its policies and practices for making wage determinations for military family housing and other federally financed and subsidized housing throughout the country, and (4) show in its area wage determinations the residential construction wage rates found to be prevailing in the area of the housing construction for which the Government may be contracting or may be providing financial assistance.
- During our review the Department of Labor changed its policy in regard to two other military family housing projects in the area and prescribed the wage rates generally prevailing for private residential construction in the area as

- 6

the minimum wage rates for the construction contracts for those housing projects. The Secretary of Labor informed us that the Department would continue to prescribe separate and different wage rates, as distinguished from the rates for industrial and commercial construction, for military housing construction wherever separate and different wage rates prevailed for housing work in the area.

The Secretary stated that, while the Department currently lacked adequate facilities for collecting wage information in various parts of the country, four additional field representatives had been requested. Since the Secretary's comments regarding its new policy appeared to be directed principally to the minimum wage rates for military family housing, we expressed the belief that the policy should be extended to other federally constructed and assisted housing, especially low-rent public housing in the Washington metropolitan area and in other areas of the country.

POST OFFICE DEPARTMENT

During fiscal year 1969 we submitted four reports to the Congress on our reviews of Post Office Department operations. One report was submitted to Congress as a whole and three reports were submitted to its committees or Members in response to inquiries on specific subjects. In addition, we issued 12 reports to the Postmaster General or to other Department officials.

We used time equivalent to that of about 54 staff members during the year in reviewing and testing selected activities, preparing reports on certain legislative proposals, and assisting the Department in improving its financial management system. Our reviews covered varied activities, such as planning for large mechanized mail-handling facilities, manpower utilization and staffing of postal facilities, and transportation and delivery of mail.

We provided assistance to the Congress by commenting on five legislative proposals dealing with the modernization of postal operations through the establishment of various types of Government corporations or other organizational structures. In addition, we testified before the Subcommittee on Postal Rates, House Committee on Post Office and Civil Service, on the Department's Cost Ascertainment Report. We expressed the opinion that elimination of unnecessary detail and repetition and correction of inconsistencies and other deficiencies we noted in the report could increase its usefulness to the Department and to the Congress and could result in reducing the cost of gathering the data and publishing the report.

We continued to provide assistance to the Department in developing its accounting system and in improving overall financial management of its operations. During the year we began field tests of four accounting systems segments which had been formally submitted to the Comptroller General for approval. In addition, we held numerous discussions with officials of the Department's Bureau of Finance and Administration regarding several segments which had been furnished informally for advance consideration and, in some cases, we submitted written comments to the Department on matters that appeared to require correction or revision. We plan to continue our efforts in the financial management systems area in addition to making reviews of selected activities which appear to need improvement.

Audit work underway at June 30, 1969, included surveys and reviews of such matters as the construction and lease of postal facilities, the maintenance and repair of mechanized mail-handling equipment, the domestic money order system, the assessment and collection of secondclass mail revenues, and the use of resources in large mechanized post offices.

A digest of our report to Congress follows.

Need for improvements in planning for large mechanized mail-handling facilities by the Post Office Department, B-114874, Aug. 23, 1968

- Our review showed a need for improved planning for lease construction and mechanization of large mail-handling facilities—Post Office buildings or complexes containing 50,000 square feet or more of interior space—to avoid additional costs and delays on future projects and to insure provision of facilities having mail-processing capacities commensurate with future needs.
- We found that the Post Office Department had incurred costs of about \$4.8 million at four completed facilities for additional construction work, for changes in mechanized systems, and for rental of space in the completed buildings that was not used because the systems had not been completely installed, and had experienced delays ranging from 13 to 34 months in obtaining full use of these facilities.
- We found also that the Department should have given more adequate and timely consideration to the probable changes in mail volumes and distribution responsibilities that would result from full implementation of previously approved nationwide mail distribution plans, should have had more adequate requirements for accumulating historical data regarding the volume of mail processed to provide a sound basis for estimating future mail volumes and space and equipment requirements, and should have made more comprehensive predesign studies to identify potential problems requiring consideration during the early stages of planning.
- In commenting on a draft of our report, the Deputy Postmaster General stated that the Department's formal distribution and operations concept for each proposed new postal facility already spelled out the functions of the new building as related to the Department's nationwide long-range planning, including the existing operations which were to be continued. However, he informed us that the Department planned to use the postal source data system being installed in 75 major post offices for collecting data on mail volumes for all purposes; that the Department was in the process of developing a standardization program for mechanization on an interbureau basis and that it would develop, as a part of this program, criteria for mechanized mail-handling equipment; and that the Department had developed an improved system for reporting project status and problem areas to management.
- Although the Department had made, or was making, a number of improvements in its planning procedures, we believe that further improvements were needed.

We recommended therefore that the Postmaster General establish, for each facility that may be proposed, operating plans and concepts clearly defined to take into consideration changes that can be expected to occur when approved nationwide mail distribution plans are implemented; develop a sound system for predicting future mail volumes; increase the depth and scope of predesign studies; and pursue aggressively the Department's program for standardizing mechanization and developing specific criteria for mail-handling equipment.

DEPARTMENT OF TRANSPORTATION

During fiscal year 1969 we submitted 13 reports to the Congress on our reviews of Department operations. Nine of these reports were submitted to the Congress as a whole and four were submitted to committees or Members. In addition, we issued 21 reports to Department or agency officials.

We used time equivalent to that of about 75 staff members during the year in reviewing and testing selected activities of the six major constituent agencies and offices of the Department. Approximately 65 percent of our effort was devoted to operations in the Federal aviation and Federal highway program areas, with an additional 15 percent of our effort being spent on financial management activities, including the Department's accounting systems.

As a result of our reviews we found that the Department could improve the effectiveness of its operations or achieve economies in the following matters. We found:

- A need to centralize and expand the internal audit function in the Federal Aviation Administration.
- Opportunities for the Federal Aviation Administration to improve the administration of its activities in its European Region.
- A need for the Federal Aviation Administration to establish a policy requiring airport sponsors to use the proceeds derived from sales of donated Federal land to offset costs of airport development eligible for Federal assistance.
- A need for improved appraisal practices for right-of-way acquisitions under the Federal-aid highway program.
- An oppoortunity to increase Highway Trust Fund investment income by revising the Federal Highway Administration's policy for reimbursing States for highway construction costs.
- Problems in the manner and extent to which Federal funds were granted for State highway safety programs.

• An opportunity for the Coast Guard to realize savings by using civilian personnel rather than military personnel for civilian-type duties.

These and other findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in the digests of our reports to the Congress included at the end of this section.

We continued our efforts in constructively assisting the Department to further improve its financial management systems. Our major emphasis in this area during the year was in the Federal Aviation Administration, where we examined the operation of segments of the accounting system to determine their conformity with the principles, standards, and related requirements prescribed by the Comptroller General. We also assisted the Federal Aviation Administration in developing detailed accounting procedures for other segments of its accounting system. At yearend, we were reviewing a statement of accounting principles and standards intended for Department-wide application, which had been submitted for the Comptroller General's approval.

Audit work in process at June 30, 1969, included surveys and reviews of supply management practices at FAA's supply depot at the Aeronautical Center in Oklahoma City; automation of the national airspace system; the airport inspection program; certification of aircraft, airmen, and airports; contracts for the development of the supersonic airplane; urban transportation planning; overlays (resurfacing) of the interstate highway systems; highway beautification; highway safety programs; Coast Guard functions and related services provided to the small boating public in connection with search and rescue missions; the Coast Guard's value engineering program relating to vessel construction; Alaska Railroad; and high-speed ground transportation demonstration projects.

Digests of the nine reports submitted to the Congress follow.

Federal Aviation Administration

Need for improvements in internal auditing, B-160759, July 2, 1968

- We found three major weaknesses in the Federal Aviation Administration's internal audit function; namely, that (1) the audit staffs did not possess the desired degree of independence from officials responsible for many of the operations reviewed, (2) the independence of the audit staffs was impaired by the performance of advisory services for operating officials concurrent with their internal audit duties, and (3) the audit staffs had not achieved adequate audit coverage in certain areas of agency operations.
- We therefore proposed that the FAA Administrator (1) centralize the field and headquarters internal audit staffs administratively into a single organization whose director would report to the highest practicable level in the agency, (2) separate the advisory services functions from the internal audit staffs, and (3) take action to insure that all significant areas of the Administration's operations are audited on a systematic basis.

The FAA Administrator agreed generally to implement our proposals. Subsequently, we were informed that the Associate Administrator for Administration would provide executive direction to the internal audit group. We were later informed that the Secretary of Transportation had decided to consolidate at the departmental level executive direction of all internal audit staffs within the Department, including those at FAA.

Activities of the Federal Aviation Administration in its Europe, Africa, Middle East Region, B-164497(1), Sept. 18, 1968

- We reported that FAA could realize annual savings of about \$284,000 if certain actions were taken to improve the administration of its activities in the European Region. We estimated that about \$215,000 could be saved each year by consolidating the activities of the Beirut flight inspection group and the Frankfurt flight inspection group. Other savings could be realized by increasing reimbursement rates for flight inspection services furnished to foreign countries to fully recover the costs of providing such services and by utilizing Government personnel rather than contractor personnel to maintain European regional aircraft.
- In addition to reducing operating costs, these actions could improve the U.S. balance-of-payments position.
- We reported also that there was a need for FAA to improve the administration of its supply function at Frankfurt and that an aircraft assigned to the regional office in Brussels was not being utilized sufficiently to warrant its retention by that office. In addition, we noted that FAA's internal audit staff was not examining FAA's activities in the European Region.
- FAA generally concurred in our findings and proposals for corrective action and cited specific measures that had been taken or planned in conformance with our proposals.

Policy revised to require airport sponsors to use funds derived from sales of donated Federal land for specific airport purposes, B-164497(1), Sept. 24, 1968

- We found that airport sponsors had used proceeds derived from sales of donated Federal land to offset (1) their share of the cost of Federal-aid airport program (FAAP) projects and (2) the cost of airport developments not eligible for Federal participation under the FAAP. In some cases, funds derived from the Government (proceeds from the sale of donated land and FAAP grants) were sufficient to offset substantially all of a sponsor's investment in its airport.
- We suggested that FAA (1) establish a policy to require airport sponsors to use the proceeds derived from the sales of donated Federal land to offset costs of airport development eligible for Federal assistance before giving additional FAAP funds to the sponsors and (2) determine the status of the unexpended proceeds and assure itself that such proceeds would be used for specific airport purposes.
- FAA revised its policy to eliminate the inequitable matching aspect caused by the sponsors' applying proceeds from the sale of donated Federal land to meet their share of project costs and to provide greater assurance that such proceeds would be used for specific airport purposes. FAA also agreed to take action to insure that unexpended proceeds would be used for specific airport purposes.

Federal Highway Administration

Need for timely and effective resolution of appraisal problems in the State of Ohio, B-164497(3), Sept. 16, 1968

We reported that the Federal Highway Administration (FHWA) recognized, on the basis of reviews it made late in 1964 and early in 1965, that significant weaknesses continued to exist in the State's appraisal reports. As a result of these weaknesses, the appraisal reports did not properly support the values being used by the State as the basis for settlements with property owners and for Federal participation in the cost of such settlements.

- On the basis of its reviews, FHWA suspended Federal payment on about \$21 million in right-of-way costs on 11 interstate projects until such time as the State submitted appropriate supporting documentation. We found that some 2 years later FHWA had not yet evaluated the additional documentation requested from the State and the matter had not been resolved.
- We recommended that FHWA right-of-way personnel review and evaluate the additional supporting documentation submitted and, on the basis of this evaluation, determine the acceptability of the appraisals questioned and the need for further action to assess the acceptability of other appraisals prepared during the same period.
- FHWA accepted our recommendation and initiated a review of additional supporting documentation developed by the State.

Opportunity to increase Highway Trust Fund investment income by revising Federal reimbursement policy, B-162919, Sept. 17, 1968

- We noted that the Federal Highway Administration (FHWA) policy provided for reimbursements to the States for certain amounts withheld from progress payments to contractors even though these amounts had not been paid by the States. Reimbursements to States for the costs of highway construction are made from revenues in the Highway Trust Fund. Revenues not required for immediate reimbursement are invested in special issues of the Treasury and interest earned from these investments accrues to the Highway Trust Fund.
- Our review showed that during fiscal years 1965 and 1966, the Highway Trust Fund could have realized additional investment income in excess of \$1.2 million on funds held by four selected States had reimbursements not been made to the States until such time as payments had been made by the States to the contractors.
- FHWA took the position that its reimbursement policy was equitable and consistent with Federal highway legislation and should not be revised.
- Although the Secretary of Transportation has discretionary authority in establishing reimbursement policy, we reported that the policy followed had not resulted in the most economical method of reimbursing States for certain elements of highway construction costs.
- We recommended that the Secretary request the Federal Highway Administrator to revise the reimbursement policy to provide that reimbursements to States for amounts withheld from progress payments to contractors not be made until such time as the payments are made by the States. The Secretary did not agree with our recommendation and took no action.

Need for improved appraisal practices for right-of-way acquisitions in Rhode Island, B-164497(3), Nov. 19, 1968

- We reported that, since at least 1961, surveillance by Federal Highway Administration (FHWA) right-of-way personnel of State practices had shown continuing weaknesses in appraisal documentation. During this same period, the FHWA auditors had reported similar weaknesses and questioned the reasonableness of the appraisals that were being used as a basis for Federal participation. We found that FHWA had not taken appropriate corrective action to require the State to make timely improvements.
- We examined 22 appraisal reports for properties costing a total of about \$1.5 million and concluded that all these appraisals were either incomplete or inadequate with respect to the documentation supporting the valuation of the land or improvements.

- We recommended that the Federal Highway Administrator institute an appropriate plan of action, including, if necessary, suspension of Federal participation in right-of-way costs in the State of Rhode Island, to (1) obtain the improvements required in the State right-of-way acquisition control system and (2) provide assurance that adequate support exists for the amount of Federal participation in the State's claims for right-of-way acquisition costs incurred during the 1961-66 period.
- The Federal Highway Administrator agreed that improvements were needed and promised corrective action which should minimize recurrence of the problems noted. Also, FHWA personnel were to review the questioned appraisals and were to review other appraisals applicable to the 1961–66 period if an expanded review was found to be warranted.

Problems arising from the manner and extent to which Federal funds are granted for State highway safety programs, B-165355, June 19, 1969

- We found that the policy established by the Federal Highway Administration (FHWA) for Federal participation in the cost of State highway safety activities permitted the States to use the cost of their on-going safety activities to match Federal funds made available for additional safety efforts undertaken pursuant to the Highway Safety Act of 1966. We believed that this policy may not have been consistent with the intent of Congress because the legislative history of the enabling legislation indicated to us that the Federal funds were to be used to assist the States by sharing proportionately with them in the cost of additional safety efforts.
- Further, we believed that FHWA was administering the program inequitably among the various States. We noted that, as a result of FHWA's policy, some States were obtaining full reimbursement for the cost of federally approved additional highway safety activities undertaken and that other States were sharing in the cost of such activities.
- We recommended to the Secretary of Transportation that FHWA revise its policy to assure that the matching of Federal and State funds be applied to the cost of additional safety efforts and that the practice of using expenditures for existing State activities for matching Federal funds be discontinued.
- The Department of Transportation disagreed with our interpretation of the enabling legislation and declined to accept our recommendation. Basically, the Department believed that the intent of the Congress was to permit the States to match the available Federal funds with expenditures for on-going safety activities of the States. We did not believe that the enabling legislation or the legislative history supported the Department's position.
- We suggested to the Congress that it might wish to consider providing whatever additional guidance it deemed necessary to clarify its intent with respect to the manner and extent to which Federal funds were to be used for funding State highway safety programs.

Saint Lawrence Seaway Development Corporation

Audit of financial statements of the Saint Lawrence Seaway Development Corporation, calendar year 1967, B-125007, Mar. 26, 1969

Our report, required by the Government Corporation Control Act, contained information relative to widespread deterioration detected by the Corporation in the two U.S. Government locks. The Corporation estimated that it would cost \$13.1 million to rehabilitate the locks. The Corporation concluded that, because the toll base was designed to cover normal maintenance costs rather than costs of the extraordinary character and magnitude required for the rehabilitation work, the rehabilitation work should be financed from appropriated funds. Therefore, the Corporation, through the Department of Transportation, requested the Congress to authorize an appropriation to defray the anticipated costs. As of June 1969, the Congress had not acted on the request.

Upon completion of our examination, we expressed the opinion that the Corporation's financial statements, together with the information presented above, presented fairly its financial position at December 31, 1967, and the results of its operations and sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

United States Coast Guard

Followup review on use by the Coast Guard of military personnel in civilian-type positions, B-114851, May 8,1969

- On the basis of our followup review, we concluded that, although the Coast Guard had converted many of the military billets cited in our previous report to civilian positions, this action was not a part of a continuing program directed toward making full use of civilian personnel. We therefore proposed that the Commandant of the Coast Guard implement a program that would convert military billets essentially civilian in character to positions that would be filled by civilian personnel. We also suggested that formal guidelines, goals, reports, and followup procedures be established so that management could maintain vigilance over the program and measure its achievéments.
- The Commandant informed us that the Coast Guard was in general agreement with our recommendation that full responsibility for implementation of the conversion program be centered in headquarters, and that formal guidelines, goals, reports, and followup procedures be established. However, he stated that Public Law 90-364, which limits the number of civilian employees in executive agencies, would have an impact on the program and that, as long as these restrictions remained in effect, little or no progress on the conversion program could be expected.

TREASURY DEPARTMENT

In our work at the Treasury Department, we reviewed selected programs and activities of the Office of the Secretary, the Bureau of Customs, the Bureau of Engraving and Printing, the Bureau of the Mint, the Internal Revenue Service, and the Office of the Treasurer of the United States. We issued two reports to the Congress, three reports to committees of the Congress on reviews made at their request, and 29 reports to agency officials. We used time equivalent to that of about 28 staff members during the year in reviewing the selected programs and activities.

Our audit of Internal Revenue Service activities during the year included reviews of resources utilization at selected service centers; activities of the Data Center, Detroit, Mich.; and internal audit activities. Our audit of Bureau of Customs activities during the year included reviews of Customs practices regarding the warehousing of imported metal bearing ores, the administration of accounts receivables resulting from import duties, fines, and penalties and reimbursable services, and the use of dutyfree jet fuel by aircraft simultaneously engaged in domestic and foreign trade. In the Bureau of the Mint, our audit work included reviews of (1) the need for improvements in accounting, reporting, and financing of operations, and (2) the sales of Treasury silver stocks. In addition, we reviewed the Department-wide internal audit functions of the Treasury Department.

As required by Public Law 89–427, we continued our reviews of the cancellation and destruction of, and the accounting for, currency unfit for circulation. Also, as required by law, we examined and settled the accounts of the Department's disbursing, collecting, and other accountable officers, the accounts of disbursing officers of the Department of State, and the accounts of approximately 300 disbursing officers of various other agencies.

We continued our efforts to constructively assist the Treasury to further improve its accounting systems. During the year we approved the Department-wide statement of administrative accounting principles and standards, the administrative accounting system for the Office of the Secretary, the systems of the Bureau of Accounts for accounting for cash operations of the Federal Government and for accounting for foreign currency operations, the Investments Branch accounting system of the Bureau of Accounts, the cash and security accounting system of the Bureau of the Public Debt, and the administrative accounting system of the Office of the Treasurer of the United States.

In addition, we furnished the Department with our views on improvements that should be made in the administrative accounting systems of three bureaus and in the principles and standards for the system of accounting for the public moneys in the Office of the Treasurer of the United States. At the end of the fiscal year our staff was reviewing the system for one bureau and the principles and standards for four bureaus which the Department had submitted to the Comptroller General for approval.

Denial of access to records severely hampers any meaningful audit of the Internal Revenue Service by the General Accounting Office. IRS has determined under its interpretation of the applicable law that no matter involving the administration of the Internal Revenue laws can be officially before the General Accounting Office and that therefore Federal tax matters and related records can be made available to our Office only where the matter before us does not involve the administration of such laws. It is our position that while the law allows the Service to deny GAO access, it does not require denial and the reasons accepted for allowing certain other agencies of the Government access have particular validity as a basis for allowing GAO access. This matter has been the subject of considerable correspondence and discussion between our Office and the former Secretary of the Treasury and the former Commissioner of IRS but it has not been resolved. So long as this matter remains unresolved we will not be able to make the type of audit that is needed to effectively evaluate the administration of the Internal Revenue Service which involves billions of dollars in annual revenue collections and the expenditure of millions of dollars in appropriated funds.

Digests of our reports to the Congress follow.

Internal Revenue Service

Proposed revision to the Internal Revenue Code governing interest payments on certain types of Federal income tax refunds, B-137762, Sept. 19, 1968

- We expressed the belief that taxpayers who claim income tax refunds by correction of or amendment to their tax returns receive a consideration in the form of interest not accorded to taxpayers who claim refunds at the time they file their returns. This better treatment exists because interest usually accrues for the period from the prescribed due date for filing the return until the refund is certified for payment. In contrast, no interest is paid on refunds claimed on initially filed tax returns if the refunds are processed within 45 days after the date prescribed for filing or the date of filing the initial tax returns, whichever is later.
- The Assistant Secretary for Tax Policy said that the Treasury Department was opposed to our proposal that the Internal Revenue Code be amended to provide that interest on refunds resulting from taxpayers' furnishing additional information to correct or amend their initial income tax returns accrue from the dates the claims for such refunds are filed and that IRS be authorized to establish a reasonable period after such claims are filed within which interestfree refunds would be made. The primary basis for his disagreement was his belief that Congress had recognized that interest should be paid under such circumstances because the Government had use of the taxpayers' money.
- We pointed out, however, that the Congress had made various changes in the Code, when justified by the circumstances, to provide that interest not be allowed on certain refunds even though the Government had use of the tax-payers' money during the retention periods.
- We expressed the belief that the Congress might wish to consider amending section 6611 of the Code as we had proposed and that, if the Code were so changed, the Congress might wish to consider making the change applicable also to excise, employment, and estate tax refunds.

Office of the Treasurer of the United States

Examination of financial statements of accountability of the Treasurer of the United States, fiscal years 1966 and 1967, B-114802, July 17, 1968

We expressed the opinion that, except for the delayed reporting of deposit and withdrawal transactions in transit at June 30, 1966, and June 30, 1967, the financial statements presented fairly the accountability of the Treasurer of the United States at June 30, 1966, and June 30, 1967, in conformity with principles and standards of accounting prescribed by the Comptroller General of the United States, applied on a basis consistent with that of the preceding 2 years.

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ATOMIC ENERGY COMMISSION

Our work in the Atomic Energy Commission (AEC) during the year was performed at AEC Headquarters, 16 AEC field offices, 35 AEC contractor-operated facilities, and two suppliers' plants and required time equivalent to that of about 48 staff members. It included reviews of procurement of certain products from private industry, estimated and actual costs of certain major research facilities of AEC, and other selected activities.

Our work also included reviews undertaken at the request of the Joint Committee on Atomic Energy with respect to (1) development of warheads for the SENTINEL Antiballistic Missile System, (2) procurement, utilization, and management of capital equipment, (3) administration and management of the biology and medicine research program, (4) matters relating to a possible transfer of AEC's gaseous diffusion plants to private ownership, and (5) administration of selected contract activities relating to construction of the 200 billion electron volt accelerator at Weston, Ill.

During the year we submitted 11 reports to the Congress. Three of these reports were submitted to the Congress as a whole, seven were submitted to the Joint Committee on Atomic Energy, and one was submitted to the Special Studies Subcommittee, House Committee on Government Operations. In addition, three reports were submitted to managers of AEC field offices.

In our reports to the Congress, we pointed out that AEC could enhance the effectiveness of its operations, achieve economies, or improve data provided to the Congress by:

- Advising the Joint Committee on Atomic Energy of certain procurement actions.
- Providing the Congress with more specific data concerning the costs associated with proposed major research projects.
- Improving certain of its procedures for managing equipment.
- Improving certain of its procedures for managing the biology and medicine research program.

These and other findings resulting from our reviews, and agency actions taken on our suggestions and recommendations for improvement, are summarized in digests of selected reports to the Congress included at the end of this section.

We approved AEC's accounting system on March 8, 1963. We plan to continue to consider the adequacy and effectiveness of AEC's financial management system during our reviews of AEC programs and related activities.
CIVIL OPERATIONS



GAO Auditors Inspecting a Reactor Fuel Element Used by the Atomic Energy Commission. Digests of five reports submitted to the Congress follow.

Procurement of certain products from private industry, B-164105, Oct. 22, 1968

- We noted that, in two cases in which the Atomic Energy Commission procured products for its own use from private industry, the products might have been manufactured in AEC-owned, contractor-operated plants at lower costs. The estimated costs of about \$8.8 million to procure the products commercially were about \$1.8 million more than it might have cost to manufacture them in AEC's contractor-operated plants.
- We found that AEC had authorized continued commercial procurement of fuel assemblies for the High Flux Isotope Reactor at Oak Ridge, Tenn., at an estimated cost of \$7.2 million to further its long-range efforts to establish an efficient, stable, competitive industry for supplying test and research reactor fuel. Information available to AEC at the time the procurement was authorized indicated that the assemblies might have been fabricated in-house at savings of about \$1 million.
- We also found that AEC had directed that the manufacture of certain beryllium metal parts at its contractor-operated plant at Golden, Colo., be discontinued in favor of commercial procurement of the parts. AEC considered reasonable the prices offered by industry and believed that commercial procurement would assist in maintaining industry capacity to meet possible future needs. We believe that about \$800,000 could have been saved on commercial procurements of about \$1.6 million if production at the AEC plant had been allowed to continue.
- Although AEC believed that the decisions made in the two cases cited by us were justified under the circumstances, we questioned whether the considerations cited by AEC justified incurring the additional costs. AEC agreed, however, to accept our recommendation that, for products involving significant costs which are solely or primarily for AEC's needs and capable of being produced in available AEC-owned, contractor-operated facilities, AEC advise the Joint Committee on Atomic Energy of its plans to purchase such products from commercial sources when incremental cost comparisons show that substantial savings might be achieved through in-house production.

Analysis of estimated and actual costs of certain major research facilities, B-159687, Feb. 20, 1969

- We noted that, through fiscal year 1968, the costs of the capital facilities and equipment constituting AEC's Zero Gradient Synchrotron (ZGS) accelerator and experimental complex at the Argonne National Laboratory totaled about \$108.5 million. Of this amount, about \$51.4 million represented the cost of constructing the basic facilities and about \$57.1 million represented the cost of additions, modifications, improvements, and equipment acquisition.
- We stated that, in our opinion, the significant difference between the amount authorized for the basic ZGS facilities—about \$42 million—and the costs of about \$108.5 million for the facilities and equipment that constituted the ZGS complex illustrated a fundamental problem with large accelerator projects; namely, that requests for authorization of a basic accelerator do not provide the Congress with complete information regarding the total estimated costs of associated facilities and equipment or the related future funding requirements.
- With respect to the 200 billion electron volt accelerator under construction at Weston, Ill., we noted that AEC expected to incur costs of about \$153 million for facilities and equipment through June 30, 1977—the fifth year following the date estimated for obtaining the initial particle beam from the accelerator—in addition to the \$250 million estimated cost of the basic project.
- We suggested that AEC establish a procedure requiring that future requests for authorization of accelerator projects and other major research devicessuch as reactors-include, as information, estimated cost data concerning all

capital costs expected to be incurred during the construction of the project and for a specific time after completion of construction—perhaps 5 years. We suggested also that AEC furnish the Joint Committee on Atomic Energy with periodic information showing the total costs incurred for the capital facilities and equipment constituting the entire experimental complex. AEC agreed to accept our suggestions.

Management of equipment, B-160731, Mar. 14, 1969

- At the request of the Joint Committee on Atomic Energy, we examined into AEC's policies, procedures, and practices relating to the management of equipment. We expressed the belief that for the most part they provided for a system of managing equipment in an effective and efficient manner. Some areas were noted, however, where we believed that improvements could be made at one or more of the contractor-operated facilities under the jurisdiction of the seven AEC operations offices reviewed.
- The report contained our observations concerning (1) the need for AEC to take action at some facilities to obtain better utilization of certain equipment that was in storage and/or infrequently used and to avoid the accumulation of large quantities of such equipment, (2) the need for a better exchange of procurement information and earlier forecasting of requirements in order to effect greater use of purchase discourts based on the volume of procurements, and (3) the need for improving certain practices relating to funding and capitalization, physical inventories, and onsite equipment surveillance.
- AEC took certain actions and agreed to other measures which, if properly implemented, should correct or improve the conditions noted.

Administration and management of the biology and medicine research program, B-165117, Apr. 16, 1969

- In accordance with a request by the Joint Committee on Atomic Energy, we examined into the policies and procedures used by AEC and six of its contractor-operated laboratories in managing the biomedical research program. Our report included detailed comments concerning (1) laboratory organizations, (2) budgeting, financial control, and research priorities, (3) review procedures, (4) AEC's efforts to resolve laboratory management problems, (5) AEC's mission in biomedical research, and (6) dissemination and use of scientific and technical information in avoiding duplication of research effort.
- Our review did not disclose any specific management weaknesses in the administration of the program with the exception of certain problems at two of the laboratories. We did note certain areas where it appeared that opportunities existed for improving procedures to provide AEC and the laboratories with better information concerning the direction and results of the research program, and we made several suggestions to AEC in this respect. AEC agreed to take action with respect to each of our suggestions.

Possible transfer of gaseous diffusion plants to private ownership, B-159687, May 20, 1969

- At the request of the Joint Committee on Atomic Energy, we examined into certain factors relating to the possible transfer of AEC's three gaseous diffusion plants to private ownership. These plants were initially constructed and operated for defense purposes; however, their future use will be primarily to provide enriched uranium for fuel in nuclear reactors of utilities for generating electric power.
- Our examination into the economic value of the plants and the possible effect of their transfer on the net cash flow to the Treasury indicated that, on the basis of the assumptions stated in the report, continued Government ownership of the three plants would result in the highest discounted net cash flow to the Treasury. In the event the plants are transferred, sale in 1980—the latest

date considered in our studies—would result in the next largest discounted net cash flow to the Treasury. Our review further indicated that the economic value of the plants to both the Government and private industry would be the lowest in 1972—the earliest sale date considered—and the highest in 1980.

- Our report also contained comments on other matters relating to the possible transfer of the plants to private ownership, including (1) the general rationale for such transfer and the potential effect on obligations and responsibilities of AEC and the Government, (2) the demand for enrichment services, (3) the possible effect of planned improvements to increase plant capacity, including additions to existing plants or construction of new plants, and (4) power costs and availability for operating the plants.
- Although our report did not contain any specific recommendations, it did point out various matters for consideration by the Joint Committee on Atomic Energy.

CIVIL SERVICE COMMISSION

Our audit work in the Civil Service Commission during fiscal year 1969 consisted principally of reviews of selected aspects of the Federal employees' group life insurance and health benefits programs. We used time equivalent to that of about nine staff members.

During the fiscal year, the Commission took action, in response to proposals made during our reviews, to increase the interest earnings and to reduce the costs of the Federal employees' group life insurance program. Also, in line with our suggestions, the contractor for the Government-wide Service Benefit Plan under the Federal employees' health benefits program revised its investment policy to provide for the investment of funds not immediately required to meet current obligations, thereby producing additional interest income for the program.

During the fiscal year we approved four of the Commission's accounting systems covering the Federal employees' retirement, group life insurance, and health benefits programs. In addition, we approved the Commission's statement of principles and standards for the consolidated accounting system for administrative expenses and for the revolving fund for investigations, which is expected to be completed and fully implemented in fiscal year 1970.

At June 30, 1969, we were preparing reports on our reviews of selected aspects of the Federal employees' group life insurance program and of the Government-wide service benefit plan under the Federal employees' health benefits program. We were also making a survey of the Commission's administration of the Government-wide indemnity benefit plan under the Federal employees' health benefits program.

DISTRICT OF COLUMBIA GOVERNMENT

During fiscal year 1969 we reviewed selected District operations related to procurement, automatic data processing, building construction and maintenance, taxes, motor vehicle management, welfare, and recreation activities. We submitted one report to the Congress, two reports to Members of Congress, and three reports to District officials. Our reviews and examinations in 12 major departments or offices used the time of about 19 staff members.

In July 1968, we reported to the Commissioner of the District of Columbia that the District Government's statement of basic accounting concepts, principles, and standards did not meet the standards which would permit the Comptroller General to approve it. The central problem with the statement related to how the financial management and accounting systems development work was to be organized and responsibility established. In a letter to the Comptroller General in August 1968, the Commissioner of the District of Columbia stated that certain policies related to the statement had to be discussed thoroughly before official decision could be made and that these policies were, at least in part, related to some far-reaching changes in the District Government's organization and practices.

In January 1969, we reported to the Commissioner that there was a continued need for improvement in the maintenance of District employees' attendance and leave records. We had reported similar weaknesses in 1965 and 1966. District officials emphasized to District agencies the need for increased supervision and control of employees' time, pay, and leave operations and advised us of certain other actions and plans designed to improve the maintenance of attendance and leave records.

A digest of our report to the Congress follows.

Comparison of taxes in the District of Columbia with those of its environs and other metropolitan areas, B-118638, Mar. 14, 1969

- Because the Congress has frequently expressed interest in comparing District of Columbia taxes with those levied in other cities and to assist it in its consideration of revenue legislation for the District, we obtained, assembled, and analyzed 1966 tax data for the District and its environs, and 15 other central cities and their environs.
- The District ranked seventh among the 16 central cities on the basis of per capita taxes collected in fiscal year 1966, including taxes collected from nonresidents. It ranked third highest among the 16 cities in per capita income. Combining these data into a ratio or percentage of taxes to income, the District ranked 12th among the 16 cities.
- The 1966 data showed that per capita income was lower in the central cities (\$2,833) than in their environs (\$3,399). Per capita taxes collected were higher in the central cities (\$325) than in their environs (\$274). This pattern prevailed in the Washington metropolitan area as follows: per capita income in

the District, \$3,241, and in its environs, \$3,664; per capita taxes collected in the District, \$311, and in its environs, \$293.

On a per capita basis, the tax burden of the District's residents was about 20 percent higher than the tax burdens of the residents in the District's environs, and the tax burdens of the residents of other central cities were, on the average, 42 percent higher than those of residents in the environs of those cities.

GENERAL SERVICES ADMINISTRATION

During fiscal year 1969, we submitted 12 reports to the Congress on our reviews of General Services Administration (GSA) operations. Five of the reports were submitted to the Congress as a whole and seven reports were submitted to its committees or Members. Also, we issued seven reports to the Administrator of General Services and other agency officials.

We used time equivalent to that of about 32 staff members during the year in reviewing and testing selected activities in four of GSA's five constituent services and in its Office of Administration. Approximately half of our audit effort was devoted to the supply activities and approximately a quarter to buildings management activities and to repair, improvement, construction, and design contracts. Significant audit effort was also devoted to the management of the Government's communications system within and between the Federal civilian departments and agencies.

During our reviews, we found that GSA could improve the effectiveness of its operations or achieve economies in the following matters. We found that:

- Savings could be realized through the use of effective formal advertising in contracting for propane.
- There was a need to discontinue the use of the second-phase method of contracting, which did not encourage maximum price competition.
- Greater utilization of Government-managed parking spaces could be obtained by the adoption of certain practices found to be successful by commercial parking lots and by the reassignment of spaces in accordance with established priorities.
- Opportunities existed to reduce costs substantially by petitioning the Federal Communications Commission to allow the elimination of tariff provisions that prohibit the use of Government-furnished teletypewriters in the Advanced Record System communications network.
- Opportunity for savings existed through increased transfers of excess property.



The new U.S. Customs Court and Federal Building, New York City, houses over 55 Federal agency offices and more than 6,000 employees. It is an example of Federal office buildings, the design and construction of which are planned and directed by the General Services Administration.

CIVIL OPERATIONS

Findings resulting from our reviews, as reported to the Congress, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in the digests of the reports included at the end of this section.

In a report to GSA, we expressed our opinion that the management of stocks with limited shelf life could be improved if data on disposals of such stocks were accumulated and reported as part of the management information system so that problem areas could be identified and timely corrective action could be taken.

GSA's accounting system was approved by the Comptroller General on June 30, 1965. Our staff will continue to be available for consultation with GSA on planned refinements of its accounting system and improvements in other financial management areas.

Digests of the reports submitted to the Congress follow.

Federal Supply Service

Savings realized through the use of effective formal advertising in contracting for propane, B-164531, Aug. 26, 1968

- We expressed the belief that GSA could achieve substantial savings in the purchase of propane by promoting competition for its propane procurements. We noted that during the period August 1965 to July 1966, GSA awarded, under noncompetitive conditions, four contracts amounting to about \$818,000 to the same supplier for propane for Kincheloe Air Force Base, Kinross, Mich.
- In response to our proposals, GSA revamped its contract terms and formally advertised Kincheloe's fiscal year 1968 propane requirements. The price obtained represented a reduction of about \$144,000 in the cost of the estimated quantities compared with the previous contract price.

Use of the second-phase method of contracting—a method that does not encourage maximum price competition, B-163379, Jan. 10, 1969

- In this report we expressed the belief that GSA's use of the second-phase method of procurement for sound-recording and instrumentation tapes, heavy-duty electrical batteries, and lithographing plates did not encourage maximum price competition. It appeared to us that the use of formal advertising was practical for many of these items.
- Under the second-phase method, GSA requests suppliers of similar items to submit prices at which they are willing to sell their products to the Government. GSA then affords those suppliers which have submitted higher priced offers an opportunity to meet the lowest price offered.
- Those suppliers which agree to mect the lowest price are awarded a contract and are listed in a GSA Federal Supply Schedule (Schedule) as available suppliers for the item. Government agencies then may purchase their requirements at the same cost from any listed supplier of that item.
- We concluded that GSA should (1) discontinue the use of the second-phase method of contracting, (2) take the necessary steps to use formal advertising in establishing Schedule contracts where practical, and (3) use independent negotiations in establishing Schedule contracts for items that are not susceptible to formal advertising.

In response to our proposals, GSA advised us that it agreed that formal advertising should be used in establishing Schedule contracts whenever practical and feasible and that the existing Federal specifications for sound-recording and instrumentation tapes, heavy-duty electrical batteries, and lithographing plates were not adequate for competitive procurement. GSA stated that, until such time as the specifications could be appropriately revised, it planned to award future Schedule contracts for these commodities through independent negotiations.

Public Buildings Service

Improvements in the management of Government parking facilities, B-155817, June 16, 1969

- Our review showed that (1) GSA could increase the utilization of Government parking facilities where there are a large number of parking spaces by authorizing more cars to park in the facility than there are parking spaces, (2) GSA's criteria for the assignment of parking spaces at Government facilities were not being followed, with the result that Government cars were using commercial spaces while low-priority employees' cars were occupying Government-owned spaces, (3) each of GSA's building managers generally sought to meet the parking needs of tenant agencies by utilizing the parking facilities which he managed and usually did not consider the availability of parking spaces at other nearby Federal buildings, and (4) GSA did not consider whether economies would result from centralized procurement of parking spaces where several agencies, located near each other, were independently renting commercial spaces for parking their cars.
- We suggested that GSA increase, where feasible, the number of cars authorized to use Government parking facilities; reassign space, as necessary, in accordance with GSA's priorities; promote coordination on parking matters between managers of Government buildings within urban areas; and consider centralized procurement of parking spaces where several agencies are renting commercial space. GSA agreed with our suggestions and took action in accordance therewith.

Transportation and Communications Service

Opportunity to reduce costs substantially in acquiring teletypewriters for use in the Advanced Record System communications network, B-162104, Sept. 12, 1968

- The Advanced Record System (ARS), a Government-operated communications network leased by GSA, consists of an automatic circuit switching network with teletypewriters attached to connect it with civil agency locations.
- We found that GSA did not evaluate adequately the relative financial advantages of acquiring teletypewriters and related maintenance by means other than leasing. GSA stated that the relative estimated costs of purchasing or leasing the teletypewriters had been considered and that the lease decision had been properly based on policy and other noncost considerations because reliable cost data was unavailable.
- We estimated that, after the present contract expires, the acquisition of the teletypewriters by an alternative method or the negotiation of a new leasing arrangement more in line with the cost of an alternative method could result in cost reductions ranging from \$2.4 million to \$5 million over the remaining useful life of the teletypewriters. We reported that GSA's ability to pursue the most economical alternative at the expiration of the present contract would be limited because the tariff filed by the contractor for ARS service contained

a provision which restricted GSA to using a leasing arrangement in acquiring teletypewriters for use by civil agencies.

We recommended that, prior to the expiration of the present contract, the Administrator of General Services request the contractor to petition the Federal Communications Commission to eliminate the tariff provision that prohibits the use of Government-furnished teletypewriters by GSA and other civil agencies. We recommended further that the Administrator, in future communications procurements, give consideration to alternative means of obtaining the services and to the relative costs thereof so that the means most favorable to the Government may be determined.

Property Management and Disposal Service

Opportunity for savings by increasing transfers of excess property among Federal agencies, B-146929, Mar. 21, 1969

- We found that the Federal Aviation Administration (FAA) was permitted to report its excess property to GSA's Area Utilization Officer in Oklahoma who is responsible for undertaking only limited efforts to determine whether other agencies need the property. Our review showed that if GSA had followed the required procedures, and had required FAA to report its excess property promptly to the GSA regional office, it could have transferred some of the FAA property to the Department of Defense (DOD) and thereby reduced the number of DOD's commercial purchases. We found that DOD had require ments for about \$200,000 of FAA excess property which GSA had disposed of or was processing the paperwork for disposal. After we brought this matter to GSA's attention, property costing about \$68,000, which was still available, was transferred to DOD activities.
- We suggested that GSA (1) take action to insure that Federal agencies are reporting their excess property to GSA regional offices in accordance with Federal Property Management Regulations and (2) adequately circularize lists of excess property to Federal agencies for their review. GSA agreed with our suggestions and stated that it had taken action to bring about the desired improvements in its utilization program practices.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Our work in the National Aeronautics and Space Administration (NASA) during fiscal year 1969, which involved the use of about 50 man-years of professional staff time, was performed at NASA headquarters, at nine major field installations, and at a number of contractors' plants. Our reviews were concerned principally with the adequacy of management controls over space research and development programs, contracting and procurement, and various administrative activities. We continued to emphasize reviews of various aspects of the Apollo program, as this program, which had as its objective a manned lunar landing prior to 1970, involved the largest part of NASA's appropriations.

We submitted 14 reports to the Congress—six to the Congress as a whole and eight to committees or Members. In addition, we issued 14 reports to agency officials. In general, these reports pointed out areas of the agency's operations believed to require correction or improvement and suggested the means of effecting the needed action. In our reports to the Congress we commented on the following matters:

- Opportunity for savings in acquiring security guard and fire protection services at the Kennedy Space Center.
- Need for improved compliance by the Goddard Space Flight Center with established accounting procedures for control of equipment.
- Opportunity for savings in procurement costs by improved procurement policies and procedures.
- Need for improvement in the procedures and practices for control of materials under the Apollo program.
- Need for improved implementation of Apollo quality assurance requirements.
- Saturn S-IVB-503 stage accident under the Apollo program.

During fiscal year 1969, we approved the NASA accounting principles and standards and system design. Approval of the accounting system in operation was being deferred pending completion of corrective action relating to operational deficiencies in property accounting. At the close of the fiscal year, we were working with NASA to resolve these deficiencies.

Reviews were being completed at the close of the fiscal year on the extent of competition on negotiated contracts, various features of incentive-type contracts, selected Apollo program accidents, and the utilization and retention of magnetic tapes. Also, reviews were underway on the acquisition, control, and utilization of equipment; award fee determinations for support services contracts; preaward evaluations of proposals for selected cost-type contracts; inventory management; the lunar sample analysis program; the Apollo guidance and navigation contract; and supply and repair activities for tracking networks.

Digests of the reports to the Congress follow.

Opportunity for savings in acquiring security guard and fire protection services at the Kennedy Space Center, Fla., B-133394, July 15, 1968

We reported that our review of the relative costs of contracting directly for security guard and fire protection services rather than contracting indirectly through a prime contractor showed that annual savings estimated at more than \$200,000 could be achieved if the Kennedy Space Center (KSC) contracted directly for these services. These savings could be obtained through the elimination of allowances to the prime contractor for direct costs, corporate general and administrative costs, and profit. We noted that the responsible KSC organizational units maintained operational control over the subcontracted functions and, in our opinion, thereby rendered questionable the need for management of these services by the prime contractor. We suggested that NASA reevaluate the method of contracting for the services involved, giving consideration to compartive costs and management responsibilities, before any new contracts for these services were awarded. NASA advised us that our suggestions would be considered as a part of a larger study by NASA of support services costs at KSC and that an attempt was being made to reduce costs and profit under the existing contractual arrangement.

As of June 1969 no change had been made in the method of acquiring the security guard and fire protection services; however, we received information which indicated that the prime contractor's profit and general and administrative expenses applicable to these services had been reduced.

Need for improved compliance by Goddard Space Flight Center with established accounting procedures for control of equipment, B-164674, Aug. 28, 1968

- The Goddard Space Flight Center's (GSFC) financial and detailed property records were in need of improvement because GSFC was not complying with agencywide property accounting procedures for controlling equipment in that equipment was not always recorded in the financial and detailed property records when received.
- Further, we found that GSFC had not taken action to locate 1,277 items of equipment, valued at about \$1.7 million, that were missing at GSFC and at 13 other locations as of March 31, 1967.
- GSFC had a recorded inventory of \$274 million in equipment as of December 31, 1967, located at GSFC and at installations throughout the world.
- Although the need for better control of equipment was previously brought to the attention of NASA and GSFC officials in 1964 by the NASA Audit Division and corrective action was promised by GSFC, the situation had not been fully corrected at the time of our review, in part because of ineffective followup action on the Audit Division's findings.
- NASA agreed with and initiated corrective action on our recommendations that it (1) take a complete physical inventory of equipment, (2) record equipment not previously recorded, (3) determine the whereabouts of equipment not located during the current and previous physical inventories, and (4) implement the necessary controls at GSFC to reasonably ensure that equipment is properly accounted for and that the data related thereto is reliably reported.

Opportunity for savings in procurement costs by improved procurement policies and procedures, B-161366, Sept. 24, 1968

- We reported that the target cost proposed by a contractor and accepted by the Marshall Space Flight Center (MSFC) included amounts for certain materials and related costs that were overstated by about \$2.1 million in relation to cost and pricing data available to the contractor before the start of negotiations. As a result, the total fee payable under the contract would have exceeded by about \$600,000 the amount that would have been payable if the target cost had been based upon the most current data available to the contractor before the start of negotiations.
- We expressed the belief that the higher target cost was negotiated because the contractor did not update its proposal to eliminate certain unneeded parts and to recognize that it had obtained lower supplier prices. Also MSFC did not make an adequate technical evaluation of the contractor's proposed quantities nor give proper consideration to the preliminary findings of the cognizant Government audit agency which indicated that proposed costs were questionable. The audit had not been completed when price negotiations were undertaken.
- After our findings were brought to the attention of MFSC officials, they initiated action to obtain a contract price adjustment. We were advised by MSFC

that in July 1968 the contractor had signed an agreement reducing the contract target cost by \$2.1 million, the target fee by about \$106,000, and the minimum fee by \$72,785.

We proposed and NASA amended its procurement regulations to require audits of contractors' proposals which exceed \$100,000, better utilization of technical evaluations, and adequate lead time for reviewing contractors' proposals.

Review of the procedures and practices for control of materials under the Apollo program, B-158390, Nov. 8, 1968

- We found that a contractor's procedures and practices for controlling materials, including high-cost complex items, acquired for the Apollo program did not provide readily for complete, current, and accurate data essential for effective management. In certain cases, accountability for materials was lacking completely.
- We expressed the opinion that accurate and timely information on the status of material resources was essential if responsible management officials were to confine investment in materials to the minimum necessary for effective, efficient, and economical program management. Effective materials management is particularly essential for the Apollo program since the total cost of materials will be in the billions of dollars and certain individual parts and components, such as those discussed in this report, cost tens of thousands of dollars.
- Although several NASA reviews of the contractor's property control system disclosed a number of deficiencies in procedures and practices which were reported to the contractor, NASA approved this system as being adequate to properly protect the interests of the Government. We expressed the belief that NASA should not have approved the system because sufficient action to correct the deficiencies had not been taken.
- Lower echelons in NASA had been aware of many of the problems involved but had not informed top NASA management. We expressed the belief that where significant critical issues develop and are not resolved within a reasonable period of time, the matter should be brought to the attention of top management in order to effect required improvements.
- NASA stated its agreement with our suggestion that it issue operating instructions requiring property management officials to alert top NASA management to situations—such as those described in our report—where corrective actions had not been accomplished at the operating level in a timely manner. Procedures and practices were being revised accordingly.
- Subsequent to our review, the contractor made a number of procedural changes in its property management system to improve organizational practices over the control of property. To ensure early and continued improvements in the contractor's program of materials management, NASA arranged to have its responsible field office monitor progress and to report quarterly to NASA headquarters. This arrangement was discontinued, however, after NASA determined that the contractor had made sufficient improvements in materials management.
- Review of certain management controls of the quality assurance system for the Apollo program, B-156556, Mar. 11, 1969
 - Although the Apollo reliability and quality assurance plan, issued by NASA in August 1965, prescribed certain requirements for the preparation and approval of quality assurance plans with respect to each management level and for the performance of periodic quality audits, we found that certain of these requirements had not been fully implemented by the responsible management levels.
 - We found that the Headquarters Apollo Reliability and Quality Assurance Office had not fully carried out is responsibilities for seeing that the NASA centers had prepared and issued adequate quality assurance plans covering

their Apollo quality assurance activities, and that it had not made periodic audits of the quality assurance activities of the centers.

- In addition to the lack of adequate center plans, we found that the quality assurance plans of some prime contractors at two of the centers either had not been approved or had not been approved on a timely basis, and that, at the time of our review, only one of the centers was continuing to make the required periodic audits of contractors.
- We expressed the opinion that the objectives and benefits that were expected by NASA management with the issuance of the Apollo reliability and quality assurance plan were not being fully realized because many of the requirements applicable to the two areas of the plan were not being implemented or were not being implemented in the manner called for by the plan.
- Although we acknowledged that improvements had been made during the course of our review in both plan preparation and the undertaking of audits, we proposed to the NASA Administrator that a special study be made of the Apollo quality assurance program with particular emphasis on (1) assessing the adequacy of recent actions by Apollo program management to obtain more complete implementation of the program requirements for plans and audits and, where necessary, recommending any further actions required to insure the necessary compliance, and (2) reviewing and evaluating the extent of compliance with other important requirements of the Apollo reliability and quality assurance plan.
- NASA advised us that although the Apollo reliability and quality assurance plan had not been fully implemented, the function, as performed, coupled with other management controls, had been responsive to Apollo needs and had provided acceptable visibility for Apollo program management. NASA further advised us that a special study team had been established in accordance with our proposal. The study was subsequently completed and a number of recommendations were made to improve quality assurance in the Apollo program.

Review of the Saturn S-IVB-503 stage accident under the Apollo program, B-156556, Apr. 15, 1969.

- During testing, the S-IVB-503 stage of the Saturn launch vehicle was accidentally destroyed. NASA and the manufacturer of the stage attributed the cause of the accident to the use by a subcontractor of nonspecification weld wire in the fabrication of a high-pressure titanium sphere used to store helium in the stage; commercially pure titanium wire was used instead of the specified titanium alloy wire.
- Under NASA policy, contractors are to institute quality assurance programs which will provide for early and prompt detection of actual or potential errors, system incompatibility, marginal quality, and trends or conditions which could result in unsatisfactory quality products. We expressed the belief that, if established quality assurance procedures had been effectively carried out by the contractor and the subcontractor, the accident probably would not have occurred.
- We found that in some cases the contractor and the subcontractor had not effectively performed certain quality assurance procedures. In other cases, anomalies disclosed by tests called for by these procedures were not given appropriate attention. As a result the receipt and use of the nonspecification weld wire remained undetected until after the accident. The deficiencies noted by us related to a breakdown in the subcontractor's inspection of materials received, an apparent inattention to the adverse results of certain weld tests, and an apparent lack of adequate inspection by the contractor at the subcontractor's facility.
- NASA relied on its own quality assurance organization and those of other Government agencies and contractors to insure the receipt of an acceptable

product, and each organization had certain responsibilities and functions to carry out. We expressed the belief that none of the organizations effectively carried out their quality assurance functions in this situation and that each must be held accountable in varying degrees when a defective product gets through the system.

We suggested that (1) provision be made in NASA procedures for greater dissemination by NASA of information on significant quality assurance deficiencies (procedural or otherwise) noted at subcontractors' facilities to NASA quality assurance organizations and its prime contractors, (2) NASA balance its surveillance efforts by providing more emphasis on comprehensive surveys of subcontractors' compliance with quality assurance provisions, and (3) recommendations by the NASA accident investigation board to improve quality assurance procedures with respect to the manufacture of titanium pressure vessels be adopted and applied to other contractors. NASA indicated substantial compliance with each of our suggestions.

NATIONAL SCIENCE FOUNDATION

During fiscal year 1969 time equivalent to that of about 15 staff members was used in our work at the National Science Foundation (NSF). We transmitted two reports to the Director, NSF, pointing out opportunities for improving agency operations.

In one report we emphasized the potential economies available to the Government through authorizing NSF grantees to use, whenever practicable, General Services Administration supply sources when buying equipment and supplies for NSF-supported grant projects. This matter was under consideration by NSF.

In the other report, we presented our views on NSF's internal audit activities. We pointed out the need for broadening the scope of internal audits by initiating comprehensive management-type reviews of selected major grant programs which would enable a proper evaluation of program management and of the accomplishment of desired objectives. NSF generally agreed with our recommendations.

Our review of grants and contracts for supporting research in oceanography was completed during the fiscal year and a draft report, dealing with opportunities to improve the administration of Federal support for the construction of shore facilities and vessels for research activities of oceanographic institutions, was transmitted to NSF and the Department of the Navy for comment.

As part of our collaborative efforts to assist NSF in updating its accounting system, we reviewed NSF's revised statement of accounting principles and standards. The statement was approved by the Comptroller General in April 1969.

Audit work underway at June 30, 1969, included reviews of the operations at the National Radio Astronomy Observatory in Green Bank,

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W. Va., which is one of four NSF contractor-operated national research centers; the administration of the university science development program, the objective of which is to increase the number of educational institutions of recognized excellence in research and education; and the administration of science information programs which emphasize the development and improvement of national systems for the dissemination of scientific and technical information.

OFFICE OF ECONOMIC OPPORTUNITY

During fiscal year 1969, we used time equivalent to that of about 85 staff members in reviewing and testing programs and activities of the Office of Economic Opportunity (OEO). Most of this work was associated with the requirements of section 201 of the Economic Opportunity Amendments of 1967, approved December 23, 1967 (81 Stat. 727). The results of this work are discussed in a separate section of this report beginning on page 68.

During the year, in addition to work performed pursuant to section 201 of the act, we completed 14 reviews and submitted related reports to the Congress, including two to the Congress as a whole and 12 to its committees or Members. Also, we issued five reports to agency officials.

In a report to the Congress on our review of Federal programs for disadvantaged preschool children in Los Angeles County, Calif., we pointed out that the Federal agencies involved should coordinate the direction of their programs so that comparable policies could be established for the various programs.

In our other report to the Congress, covering selected aspects of payments and charges to Job Corps members, we pointed out the need for better controls over cash advances to members.

Our findings resulting from these reviews and our suggestions and recommendations for improvement are summarized in digests of these reports included at the end of this section.

We continued to assist the Office of Economic Opportunity in its development of a statement of financial policies and standards as a guideline for the improvement of its accounting and financial management system. OEO submitted this statement for the Comptroller General's approval during the fiscal year. We plan to meet from time to time with responsible officials to keep abreast of developments in the agency's accounting and financial management system and make ourselves available to provide consultative assistance.

Digests of our reports to the Congress follow.

Review of Federal programs for the benefit of disadvantaged preschool children, Los Angeles County, Calif., B-157356, Feb. 14, 1969

- A common objective of federally supported preschool programs is to provide an environment which will afford disadvantaged children an opportunity to prevail over the effects of poverty and to successfully meet the challenges of school. We reported that preschool programs administered by the Department of Health, Education, and Welfare and OEO in Los Angeles County differed as to the type and degree of education, health, nutrition, and social services provided to eligible children.
- The programs differed also as to age and income standards for eligible children; qualification, salary, workload, and responsibility for staff personnel; length of school curriculum; and method used to evaluate the relative success or failure of a program.
- We expressed the opinion that the Federal agencies involved should coordinate the direction of their programs so that comparable policies could be established for the various preschool programs.
- We suggested ways in which the enrollment of Head Start classes could be increased so that more children could participate. Such increases would be possible without a significant increase in costs to OEO. We found that from 490 to 690 ineligible children were enrolled in the Head Start program and that, as a consequence, eligible disadvantaged children were being deprived of an opportunity to participate in the program.
- We also expressed the opinion that the weaknesses in the Los Angeles County Head Start program showed a need for more effective and/or timely guidance, communication, and review by OEO and by the Economic and Youth Opportunities Agency of Greater Los Angeles with respect to specific program areas.
- We proposed that a determination be made of whether the preschool programs should be consolidated under a single Federal agency and that, pending such a decision, participating agencies should strengthen coordination among the programs and should consider the need for comparable criteria to be applicable to the programs.
- To provide the benefits of the Head Start program to the greatest number of children and to achieve maximum utilization of resources, we recommended that the Director, OEO, require the enrollment of a sufficient number of children for insuring that average class attendance would be in line with OEO's desired staffing patterns.

Selected aspects of payments and charges to Job Corps members, B-130515, June 30, 1969

- Under an interagency agreement, the Army Finance Center (OEOO-FCUSA) in Indianapolis, Ind., makes payments for the Job Corps to all corps members for various types of allowances. In calendar year 1967 such payments amounted to about \$105 million, and OEOO-FCUSA was reimbursed by OEO in the amount of \$1.6 million for the cost of this operation.
- We estimated that in 1967 various Job Corps centers made cash advances of about \$125,000 which were not reported to OEOO-FCUSA by the centers because of inadequate accounting controls. We estimated that, if the advances had been properly reported, about \$115,000 could have been deducted from separation payments to members.
- We also found that procedures did not exist to recover prior outstanding indebtedness of terminated corps members later readmitted to the Corps, procedures were not being implemented to recover unused transportation and meal tickets from terminated corps members, and absent without leave (AWOL) time for which corps members were not entitled to allowances was not being reported to OEOO-FCUSA.

- We proposed that OEO conduct a study of all areas affecting corps members' allowances to establish a set of uniform policies and to develop adequate instructions and guidelines for use by center directors in establishing better control over advances and other amounts due or to be collected from corps members.
- OEO and the Department of the Army expressed general agreement with our findings and proposals and advised us of a number of corrective actions taken or to be taken.

OFFICE OF EMERGENCY PREPAREDNESS

During fiscal year 1969, we issued a report to the Congress on our review of the administration of the Federal disaster assistance program by the Office of Emergency Preparedness (OEP) in the Executive Office of the President. A digest of this report follows.

Federal disaster assistance to State and local governments, B-156457, June 6, 1969

- Among other things, Public Law 81-875 authorizes Federal assistance to State and local governments for making emergency repairs to and temporary replacements of essential public facilities damaged or destroyed in major natural disasters. OEP regulations provide that emergency repairs and temporary replacements shall be limited to work necessary for the resumption of essential public services until such time as permanent repairs or replacements can be made.
- Our review showed that, law and regulations notwithstanding, OEP financed what we considered to be permanent repairs to and permanent replacements of damaged or destroyed public facilities and, in some cases, made financial grants which were, in our opinion, based on the estimated cost of permanent repairs or permanent replacements. Also, we found that OEP financed the repair or replacement of some public facilities whose eligibility for any Federal assistance was doubtful. We concluded that these practices may have been contrary to both the intent of the law and OEP regulations.
- OEP took strong exception to our conclusion. Further, OEP expressed the belief that the Federal disaster relief program was sound and responsive to the needs of State and local governments and that it could see no requirement for major changes.
- In view of the inherent latitude for the exercise of administrative judgment in applying the governing criteria and because of our considerable doubt that Federal funds were being expended within the limits intended by the Congress, we reported the matter to the Congress in case it might wish to review the program and, if necessary, clarify the the underlying legislation.

PANAMA CANAL COMPANY AND CANAL ZONE GOVERNMENT

During fiscal year 1969 we submitted a report to the Congress in which we concluded that there was a need for the Company to improve its management controls over the use being made of certain properties so that the accounting records would properly reflect the value of these properties. The Company is required to pay interest to the U.S. Treasury on the net direct investment of the U.S. Government in the Company. Incorrect accounting for the valuation of property affects the amount of the interest calculation. Further comments on this matter are presented in a digest of our report appearing at the end of this section.

Audit work in process at June 30, 1969, included an examination of the financial statements of the Panama Canal Company for the fiscal years 1968 and 1969.

The Panama Canal Zone Government's accounting system was approved by the Comptroller General on June 26, 1964. The agency had no plans at June 30, 1969, to significantly revise the system.

A digest of our report to the Congress follows.

Need to strengthen management controls to improve accounting for property, B-114839, July 9, 1968

- Our review showed that there was a need for the Panama Canal Company to improve its management controls over the use being made of certain properties so that the accounting records would properly reflect the value of these properties. The Company is designed to be self-sustaining and is required to pay interest to the U.S. Treasury on the assigned net value of property in its possession that has been transferred from the U.S. Government to the Company (net direct investment).
- We found instances where the Government's net direct investment in the Company had been understated, resulting in the Company's interest payments to the Treasury being less than the amounts which should have been paid. We found also that inconsistencies between the accounting treatment for properties acquired by loan for an extended period of time and properties acquired by transfer resulted in less interest being paid to the Treasury.
- As a result of our review, certain properties were revalued, resulting in a retroactive interest payment of about \$113,000 to the Treasury in fiscal year 1966 and about \$75,000 payable as of June 30, 1966, and an increase of about \$66,000 in future annual interest payments.
- We recommended that, in addition to making these changes, (1) Company policies governing the use of such properties be enforced or appropriately modified, (2) adequate accounting records showing current property usage be maintained, and (3) reports be made periodically to appropriate accounting and management officials on the current status of such properties. In addition, we recommended that property valuations be reviewed and increased, where appropriate, to insure proper interest payments to the Treasury and that rental payments be made to Federal agencies for properties acquired on an extended loan basis.
- The President of the Company agreed in general with our conclusions and recommendations.

RAILROAD RETIREMENT BOARD

We used time equivalent to that of about five staff members during the year in reviewing and testing selected activities of the Railroad Retirement Board relative to its railroad retirement and unemployment insurance programs. During the year we issued a report to the Congress concerning problem areas in implementing amendatory legislation affecting railroad retirement annuities.

In our report to the Congress, we expressed the opinion that the Board should provide more appropriate means of communicating with persons who may not readily understand notices, prepared for general distribution, concerning their entitlement to annuities; establish procedures for evaluating the general effectiveness of such notices; and make more timely internal reviews of the adequacy of procedures followed in implementing amendatory legislation. Further comments on our findings are presented in a digest of our report appearing at the end of this section.

During the year, we continued our efforts in constructively assisting the Board to further improve its financial management system. We suggested certain changes in the Board's cost finding techniques to provide for better cost reporting to management. We assisted the Board in preparing its accounting system design in conformance with its accounting principles and standards which were approved by the Comptroller General in June 1968.

At June 30, 1969, we were drafting a report on the need for improvements in the Board's internal review system.

The following is a digest of the report submitted to the Congress.

Problem areas in implementing amendatory legislation affecting railroad retirement annuities, B-114817, Nov. 29, 1968

- We found that a number of persons had not been paid additional or increased annuities to which they were entitled under amendatory legislation enacted in 1965 affecting railroad retirement annuities. Some persons had not been paid because, due to language difficulties, limited education, illness, or oversight, they had not responded to Board notices concerning possible entitlements. Other persons had not been paid the additional or increased annuities because they had not asked for them or because the Board had not provided for their identification in its automated operations.
- We noted that the internal audit staff of the Board had not made any review or appraisal of the policies and procedures for implementing the changes required by the 1965 amendments. As a result, the Board was unaware of some of the problems disclosed by our review.
- Acting on our findings, the Board established the entitlements of 358 wives and dependent husbands of railroad annuitants to annuity payments which could total at least \$657,000, and possibly as much as \$1.1 million, during their expected periods of eligibility. In addition, the Board informed us that actions had been or would be taken with respect to other types of cases noted in our review. We estimated that these actions would involve between 2,200 and 6,000 persons, with potential payments totaling between \$42,000 and \$122,000 during their expected periods of eligibility.
- The Board informed us also that measures would be taken to improve certain of its procedures and that internal reviews would be made of the implementation of future amendatory legislation. The Board did not agree with our proposal that it should identify on its computer records and give special attention to persons who may have difficulty in understanding Board notices.

As a matter for further consideration, we believed that, in line with a Presidential directive to agency heads to explore and apply all possible means for using the electronic computer to provide better service to the public, the Board should take advantage of its available computer capability to readily identify persons requiring special attention to help them obtain the benefits intended for them under the statutes.

SMALL BUSINESS ADMINISTRATION

During fiscal year 1969 we submitted four reports to the Congress on our review of Small Business Administration (SBA) activities. Two of these reports were submitted to the Congress as a whole, one report was submitted to a congressional committee, and one report was submitted to a Member of the Congress. We also issued four reports to agency officials. Time equivalent to that of about 11 staff members was used during the year in reviewing and testing selected activities of SBA.

As a result of our work, we found that SBA could improve the effectiveness of its operations or achieve economies by:

- Improving the analyses of program information for evaluating the effectiveness of the Economic Opportunity Loan (EOL) program in meeting the objectives of the Economic Opportunity Act.
- Making further efforts to clarify the eligibility criteria for the EOL program.
- Improving management assistance to small business concerns under the EOL program.
- Improving the evaluation of applicants' ability to repay EOL loans.
- Improving communication of changes or waivers in rules and regulations published in the Code of Federal Regulations for the Disaster Loan Program.
- Strengthening procedures for determining eligibility and the amount of financial assistance that should be made to applicants for disaster loans.

These and other findings resulting from our reviews, and comments or actions taken on our suggestions and recommendations for improvement, are summarized in digests of our reports to the Congress included at the end of this section.

We continued our efforts in assisting SBA to improve its financial management systems. In December 1968, the Comptroller General approved SBA's statement of principles and standards underlying its accounting system. Also, during the year we reviewed on an informal basis segments of the accounting system which SBA planned to submit for approval.

At June 30, 1969, a report was being prepared on the need for SBA to improve its analyses of regular business loan applications.

Digests of the two reports submitted to the Congress as a whole during fiscal year 1969 follow.

Survey of economic opportunity loan program shows need for improved administration and increased effectiveness, B-130515, Apr. 23, 1969

- Our survey showed that the efficiency of the administration of the economic opportunity loan program could be substantially improved and that, in some cases, its effectiveness in achieving the objectives of the Economic Opportunity Act could be increased.
- SBA had made only limited analyses of program information for evaluating the effectiveness of the program. Also, the lack of specific guidelines for applying the various loan eligibility criteria appeared to have resulted in questionable interpretations by SBA officials. In some cases, however, inadequate consideration of existing guidelines by SBA officials was the basic cause of questionable interpretations.
- The stated objective of the Economic Opportunity Act with respect to improving managerial skills employed in small business concerns had not been fulfilled. We noted further that SBA needed to improve its evaluation of applicants' ability to repay loans.
- With respect to the limited analyses of program information, the Administrator advised us in November 1968 that SBA was obtaining annual financial information from borrowers which would be used for evaluating the progress of the businesses assisted. Since the Economic Opportunity Act, as amended, states that a major focus of the economic opportunity loan program should be on business concerns located in urban or rural areas of high concentration of unemployment or low-income individuals, we recommended that SBA also obtain data on the number of persons employed by the borrower throughout the term of the loan.
- We recommended also that SBA make further efforts to provide more specific instructions and guidance to its employees for use in their review and approval of loan applications and intensify its efforts to obtain adequate financial data from applicants, and that loan specialists intensify their analyses of the data. The Administrator expressed general agreement with our findings but did not favor our proposals for specific corrective action. He stated that, in the opinion of SBA, actions already taken would eliminate the weaknesses outlined in our report.

Administration of the disaster loan program in connection with the 1964 Alaska earthquake, B-163451, May 28, 1969

- Our review showed that SBA waived its long-established policy which generally precluded assistance to borrowers having the capabilities to finance the repair or replacement of their damaged property. As a result, loans were approved by SBA to borrowers who, in our opinion, could have furnished the necessary financing. Although we did not question the legality of the loans made, we believe that the blanket waiver of such a policy, established in accordance with congressional intent, should not have been made in the absence of clarifying legislation.
- We believe also that the manner in which waivers of certain rules and regulations were communicated by SBA resulted in the approval of loans in amounts excess to those which should have been approved. The regulations generally prohibiting loans for the expansion or enlargement (upgrading) of repaired or

replacement property had been waived erroneously and the regulations generally prohibiting refinancing of existing loans had been waived without adequate guidelines for administering the new policy.

- Some loans were approved even though SBA, in our opinion, did not adequately review or document information necessary for determining the eligibility of the applicant, the reasonableness of the amount requested, or the allowability of the use of certain funds. Also, in a number of instances, the amounts of the loans had been based on the cost of replacing destroyed property in Alaska even though the borrowers had planned to relocate in other States where the cost of replacing the property would be substantially lower.
- From a detailed examination of 196 selected disaster loans totaling \$49 million, we estimated that unnecessary or questionable disbursements would total about \$16 million. On the basis of the difference between the interest charged to borrowers and the higher interest rate paid to the Treasury, we estimated that additional costs to SBA over the terms of the loans would be about \$1.8 million.
- We proposed that the rules and regulations published in the Code of Federal Regulations be waived or changed only through formally documented and distributed procedures, and, when waivers are made, adequate guidelines be issued for their implementation. We proposed also that procedures be strengthened for determining eligibility and the amount of financial assistance that should be made to the disaster loan applicant.
- The Administrator stated that SBA had been aware of the specific weaknesses noted by us and was in general agreement with the matters pointed out in our report. He stated further that action had been taken to prevent recurrence of the weaknesses. The Administrator stated, however, that establishing or changing agency policy was within his legal authority.

VETERANS ADMINISTRATION

At the Veterans Administration (VA) during fiscal year 1969 we used time equivalent to that of about 50 staff members in reviewing selected phases of the medical, compensation and pension, loan guaranty, insurance, facilities construction, and supply management programs. We submitted 'nine reports to the Congress, including six reports to the Congress as a whole and three to its committees or Members. In addition, we issued 24 reports to agency officials.

As a result of our reviews, we found that the VA could improve the effectiveness of its operations or achieve economies by:

- Improving procedures for determining the need for counseling services provided to children eligible for benefits under the War Orphans' Educational Assistance Act of 1956.
- Improving procedures for all aspects of the scheduling and reviewing processes for drawings and specifications prepared by architect-engineers for construction projects.
- Improving the hospital construction program by establishing a firm policy requiring that hospital sites be acquired before starting the development of working drawings and specifications.

• Providing better service and achieving economies through increased standardization of pharmacy items and establishment of centralized bulk compounding and purchasing facilities.

These and other findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in digests of our reports to the Congress included at the end of this section.

We continued our efforts in constructively assisting the VA to further improve its financial management systems. As of June 30, 1969, six of the VA's nine accounting systems had been approved by the Comptroller General, one was under review by our staff, and two were scheduled for submission to the Comptroller General for review and approval during fiscal year 1970.

At June 30, 1969, reports were being processed on our reviews of the medical care cost accounting and financial management system and internal audit activities.

Digests of the six reports submitted to the Congress as a whole during fiscal year 1969 follow.

Opportunity for economies in counseling services provided under children's educational assistance program, B-118660, Nov. 15, 1968

- Our review showed that the VA had been referring war orphans to contract guidance centers to receive vocational and educational counseling without first determining each individual's counseling needs. We found that of the estimated \$941,000 in fees which the VA paid guidance centers to counsel war orphans during fiscal year 1967, about \$376,000 was for counseling beneficiaries who were attending secondary schools that had approved counseling programs under the National Defense Education Act and about \$312,000 was for counseling beneficiaries who were in colleges or technical schools that provided counseling services to students.
- We proposed that the VA obtain and consider all pertinent information relating to the beneficiaries' educational and counseling background for the purpose of determining whether referral to guidance centers for additional counseling was necessary. We proposed also that the VA encourage those beneficiaries attending schools which have counseling available, to utilize the counseling services available to them in their schools.
- The VA advised us that it was in general agreement with our report and had adopted new mandatory procedures to insure that beneficiaries needing less than comprehensive counseling would not be referred to guidance centers but would be counseled on the basis of greatly abbreviated interviews. In March 1969 the Administrator of Vcterans Affairs reported that, in response to our recommendations, the VA had improved its procedures for directing beneficiaries to available counseling services outside the VA to assure that full advantage is taken of all counseling services available and that no unnecessary uplication of effort occurs. He stated also that a substantial improvement in utilization of overall resources had resulted and would continue to accrue.

Legislation needed to avoid servicemen's bearing wartime mortality costs under the Servicemen's Group Life Insurance program, B-114859, May 29, 1969

On the basis of our review of the legislative history of Public Law 89-214, authorizing the Servicemen's Group Life Insurance program, we expressed the belief that the Congress intended that the Government bear all mortality costs traceable to the extra hazards of war. We found, however, that application of the formula contained in the law to compute the Government's costs resulted in servicemen contributing about \$15 million during fiscal year 1968 for the costs of death claims traceable to the Vietnam conflict.

- The law provides that during peacetime conditions the servicemen's premiums are to be based on the actual mortality experience of the uniformed services, while during wartime conditions the premiums are to be based on the mortality experience of the U.S. male population. We noted that this method of computation causes servicemen's premiums during wartime conditions to be higher because the mortality experience of the U.S. male population is higher than the mortality experience of the uniformed services during peacetime conditions.
- We recommended that in order to implement the intent of the legislation—that the Government bear all mortality costs traceable to war—the Congress should consider amendatory legislation changing the formula contained in the law. The VA advised us that it agreed in general with the data presented in the report and that changing the formula would require a change in the law.

Need to improve reviews of drawings and specifications prepared by architect-engineers before solicitation of hospital construction bids, B-133044, Sept. 9, 1968

- We expressed the opinion that the VA needed to improve its reviews of drawings and specifications prepared by architect-engineers (A-Es) before solicitation of hospital construction bids. We found that 181 change orders costing about \$655,800 were issued under two construction contracts because the VA had not detected in its reviews of the drawings and specifications prepared by A-Es numerous errors and omissions in the documents and because officials of one of the hospitals had recommended changes after the construction work had been started.
- We found that the amount of time devoted to the review of the construction documents by the VA often had been less than that authorized, because of the necessity to review the work of more than one A-E within the same period. The VA did not have written procedures and/or requirements for scheduling the submission and review of drawings and specifications prepared by A-Es, and, where an old hospital building was to be replaced by a new one, its practices did not provide for reviews of the construction documents by local hospital officials during the design stage of the new hospital.
- The VA concurred in general with our proposals and subsequently established standard operating procedures for scheduling and reviewing the work of A-Es.

Need to acquire hospital sites before developing working drawings and specifications for construction of hospitals, B-133044, June 6, 1969

- Our review showed that, for seven VA hospital projects under design or construction during fiscal years 1961 through 1968, the VA had authorized architect-engineers to start the development of working drawings and specifications before it acquired the selected hospital sites even though such documents are fully useful only for the construction of the building on the site for which the design is prepared. For two of these projects, the working drawings and specifications, which were developed at a cost of about \$1.6 million, will have limited or possibly no use in the construction of these projects principally because the VA was unable to acquire the selected hospital sites.
- We expressed the belief that the VA should first acquire the land and then develop the working drawings and specifications. The VA advised us that it did not agree that hospital sites must always be acquired before starting the design of hospital buildings. However, we continued to believe that such a policy was needed.

Accordingly, we recommended that VA establish a firm policy requiring that hospital sites be acquired before starting the development of working drawings and specifications and, in implementing this policy, emphasize to responsible agency officials that every reasonable effort be made to acquire the selected hospital sites by the time scheduled for starting the development of working drawings and specifications.

Opportunities for better service and economies through standardization of pharmacy items and consolidation of bulk compounding facilities, B-133044, June 30, 1969

- Based on our review of certain aspects of pharmacy operations at VA hospitals and clinics, we pointed out that there were opportunities for reducing the cost of drugs used by VA installations in metropolitan areas through increased standardization of commonly used items and their dosages. We noted also that centralized bulk compounding and purchasing facilities would contribute to improved patient care by providing medications that are not commercially available, more assurance of the quality of drugs compounded, and better assistance to research and training activities.
- Also, we expressed the belief that the increased standardization and resultant decrease in drug costs could be achieved through the use of area interstation therapeutic agent and pharmacy committees, acting in concert with centralized bulk compounding and purchasing facilities.
- We recommend that (1) the VA provide for the formation of interstation therapeutic agent and pharmacy committees in geographical areas containing several VA medical facilities and (2) the committees, when established, and with the encouragement and assistance of the VA Central Office, study the feasibility of establishing centralized bulk compounding and purchasing operations within their respective geographical areas. In response to our recommendation, the VA advised us that it would establish interstation committees with responsibilities as proposed.

Audit of financial statements of the Veterans Canteen Service for fiscal year 1968, B-114818, Dec. 20, 1968

We expressed the opinion that the financial statements of the Veterans Canteen Service presented fairly its financial position at June 30, 1968, and the results of its operations and the sources and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

REGULATORY AGENCIES

We reviewed the fees charged by the seven Federal regulatory agencies (Civil Aeronautics Board, Federal Communications Commission, Federal Maritime Commission, Federal Power Commission, Federal Trade Commission, Interstate Commerce Commission, and the Securities and Exchange Commission) in connection with grants of operating authority and other benefits. Also we reviewed the audit activities of these agencies with respect to the business firms they regulate. Reports on these reviews were being prepared at the close of the fiscal year.

We reported to the Chairman, Federal Communications Commission, in November 1968 on the need for the Commission to make fuller use of its automatic data processing facilities. The Commission has taken actions to increase the useage. Also, we suggested in our report that the Commission give continuing attention to reduction of certain manual operations which duplicate computer processing of certain types of radio license applications.

Reviews were also made of selected administrative and financial operations. A report was made to the Chairman, Federal Power Commission, on a review of civilian pay.

The Chairman, Securities and Exchange Commission, submitted the Commission's accounting system to the Comptroller General for approval in June 1968. The system was approved by the Comptroller General during the current fiscal year.

OTHER CIVIL DEPARTMENTS AND AGENCIES

Our audit work in certain civil agencies of the Federal Government consisted primarily of the examination of financial statements of these agencies. Where not appearing elsewhere, digests of our reports to the Congress on these examinations appear below.

Audit of certain banks of the Farm Credit System supervised by Farm Credit Administration, fiscal year 1968, B-114806, Jan. 28, 1969

- We expressed the opinion that (1) the financial statements of the 12 Federal intermediate credit banks supervised by the Farm Credit Administration (FCA) presented fairly their financial positions at June 30, 1968, and the results of their operations and the sources and application of their funds for the year then ended, and (2) the financial statements of the seven banks for cooperatives supervised by FCA which were subject to audit by the General Accounting Office presented fairly their financial positions at June 30, 1968, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.
- Public Law 90-582 (82 Stat. 1145), approved October 17, 1968, provided for expediting the retirement of Government capital in the Federal intermediate credit banks, production credit associations, and banks for cooperatives. On December 31, 1968, all remaining Government capital in the Federal intermediate credit banks and the banks for cooperatives was retired. All Government capital in production credit associations was retired by February 1969.

Audits of Federal Deposit Insurance Corporation for the year ended June 30, 1967, B-114831, Oct. 8, 1968, and for the year ended June 30, 1968, B-114831, May 27, 1969

In each of these audits we were unable to discharge our audit responsibilities under the Federal Deposit Insurance Act, which requires that the Comptroller General submit an annual audit report to the Congress, because the Corporation did not give us unrestricted access to examination reports, files, and other records maintained by the Corporation relative to the banks which it insures. This restriction made it impossible for us to evaluate the contingent adverse effect upon the financial condition of the Corporation of specific situations which may have been identified at insured banks.

- The importance of an early clarification of the responsibility of the General Accounting Office in this area is highlighted by the increase in the number of problem banks. From a total of 220 such banks, at June 30, 1966, the total number of problem banks, as determined by the Corporation, increased to 230 at June 30, 1967, and to 243 at June 30, 1968.
- The Corporation does not disclose in its financial statements the potential effect insured problem banks may have on the Corporation's financial position. Because we did not have unrestricted access to examination reports and relative records, we were unable to independently ascertain, (1) the number of insured problem banks that had been identified at the dates of the financial statements, (2) the significance of any potential adverse effect of identified problem banks on the financial position of the Corporation, and (3) whether the bank examinations which had been made could be relied upon to identify serious problems at all insured banks.
- For these reasons we could not express an overall opinion on the financial statements presented by the Corporation for either year. However, we expressed the opinions that, except for the foregoing comments as to the contingent indemnity liability relating to the problem conditions in insured banks, the individual amounts that were shown in the financial statements were fairly stated at June 30, 1967, and at June 30, 1968, respectively, and for the fiscal years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Examination of financial statements of Federal home loan banks supervised by the Federal Home Loan Bank Board, for the year ended Dec. 31, 1967, B-114827, Sept. 20, 1968

We expressed the opinion that the financial statements of the 12 Federal home loan banks presented fairly their financial position at December 31, 1967, and the results of their operations and the sources and applications of their funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the previous year and with applicable Federal laws.

Examination of financial statements of the Federal Home Loan Bank Board for the year ended Dec. 31, 1967, B-114827, Oct. 31, 1968

- We expressed the opinion that the financial statements of the Federal Home Loan Bank Board presented fairly the Board's financial position at December 31, 1967, and its income and expenses and sources and application of funds for the year then ended in conformity with principles and standards prescribed by the Comptroller General of the United States applied, except for the statement of sources and application of funds which was included for the first time, on a basis consistent with that of the preceding year.
- Audits of Federal Savings and Loan Insurance Corporation supervised by the Federal Home Loan Bank Board, for the year ended Dec. 31, 1966, B-114893, July 26, 1968, and for the year ended Dec. 31, 1967, B-114893, Feb. 26, 1969
 - We expressed opinions that the financial statements of the Corporation presented fairly its financial position at December 31, 1966, and at December 31, 1967, respectively, and the results of its operations and sources and applications of its funds for the years then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.
- Examination of financial statements of the Tennessee Valley Authority for fiscal year 1968, B-114850, Mar. 25, 1969

We expressed the opinion that the financial statements included in the report presented fairly the Authority's financial position at June 30, 1968, the results of its operations, and the source and disposition of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

LEGISLATIVE AND JUDICIAL BRANCHES

Legislative Branch

Our audit work in the legislative branch included examinations at the site of operations of the following activities:

The Senate:

Senate recording studio revolving fund Senate employees barber shop Senate office beauty shop

The House of Representatives: The Sergeant at Arms House finance office House recording studio revolving fund House stationery revolving fund House beauty shop Property and equipment repair service Office equipment service

Architect of the Capitol: U.S. Senate Restaurants House of Representatives Restaurants Financial activities

Capitol Guide Force

Joint Committee on Atomic Energy

Government Printing Office

The salaries, mileage, and expense allowances of Senators, salaries of officers and employees of the Senate, clerk hire of Senators, and other expenses of the Senate are examined on the basis of documents submitted to our Office.

We prepared 19 reports during fiscal year 1969 on our audits of activities in the legislative branch. Four of these reports related to activities of the Senate, eight related to activities of the House, four related to activities of the Architect of the Capitol, one related to activities of the Joint Committee on Atomic Energy, and two related to activities of the Government Printing Office.

Judicial Branch

Our audit work in the judicial branch during fiscal year 1969 included initiating reviews of financial and other activities of the U.S. District Courts in the Central District of California, Northern District of Illinois, and the Middle District of Florida. In addition, we consulted with and assisted the Administrative Office of the U.S. Courts regarding certain financial management activities.

ORGANIZATIONS OUTSIDE THE FEDERAL GOVERNMENT

Pursuant to the act of May 7, 1928 (22 U.S.C. 278a), we make an annual examination of the financial statements of the Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated a private domestic nonstock corporation. Also, pursuant to the request of its Board of Trustees, we make an annual audit of Government Services, Inc., its Employee Retirement and Benefit Trust Fund, and its Supplemental Pension Plan. Digests of reports issued during fiscal year 1969 on this work follow.

Examination of financial statements of Gorgas Memorial Institute of Tropical and Preventive Medicine, Incorporated, fiscal year 1968, B-114867, Dec. 19, 1968

- In this report—addressed to the Board of Directors of the Institute and included in the Institute's annual report to the Congress—we expressed the opinion that the financial statements of the Institute presented fairly its assets and liabilities at June 30, 1968, and the contributions and other income and expenditures for the year then ended, in conformity with accounting practices followed by similar-type nonprofit organizations applied on a basis consistent with that of the preceding year except for a change, with which we concur, in the policy of capitalizing laboratory and other equipment as described in our report.
- Audits of Government Services, Inc., its Employee Retirement and Benefit Trust Fund, and its Supplemental Pension Plan, year ended Dec. 31, 1968, B-114820, Apr. 3, 1969
 - In our report, addressed to the Board of Trustees, Government Services, Inc., with copies to the Speaker of the House of Representatives and the President of the Senate, we expressed our opinion that the financial statements included in the report presented fairly the financial positions of Government Services, Inc., its Employee Retirement and Benefit Trust Fund, and its Supplemental Pension Plan at December 31, 1968, and the results of the corporation's operations and the changes in the retirement and pension funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chapter Five



CHAPTER FIVE

Audit

of Defense

Operations and Programs

NATURE OF AUDIT WORK PERFORMED

Our audit efforts in the Department of Defense continued to be directed toward aiding in the improvement of management and operating controls and financial administration of the complex operations of the Department. Our audit efforts were directed generally to those programs having major significance. Where appropriate, we made concurrent and coordinated reviews of those departmental activities that are a part of, or are related to, broader activities and involve more than one military department or the Defense Establishment as a whole.

Our regular audits and reviews completed during the year or in progress at the close of the year related to programs and operations in such functional areas as (1) management control systems, (2) supply management, (3) procurement (including negotiation of contract prices and administration of contract terms and conditions), (4) manpower (including administration of military and civilian pay and allowances), (5) support services, (6) research and development, and (7) facilities and construction.

In addition to these reviews, we made a number of special audits, investigations, and surveys at the request of various committees of the Congress and individual Members of the Congress. This special work related principally to (1) administration of major programs such as the procurement of the F–111 and the C–5A aircraft and the PHOE-NIX missile, the planning and development of the computerized Centralization of Supply Management Operations System (COSMOS) of the Army, the application of the full funding concept in acquisition of major weapon systems, and the administration of construction funds, (2) contractors' operations under production contracts for the M–16 rifle and under service contracts for certain operating functions at Army installations in Vietnam, (3) questions concerning the existence of waste, extravagance, or other improper practices by the military departments in various areas of their operations, and (4) procurement practices in acquiring specific goods or services and administration of specific contracts.

APPROACH TO AUDIT

General

Because our manpower resources are limited in relation to the magnitude and complexity of the operations of the Department of Defense, it is essential that our audit efforts be directed to selected areas where our findings and recommendations can be of most assistance in bringing about needed improvements in management and control and be most responsive to congressional interest in the operations. Therefore, we subject our audit and system review procedures and practices to continuous reevaluation in the light of our experience and the expressed interest of the Congress and make such revisions as are deemed necessary or desirable. In keeping with this concept we have redirected our audit efforts in the area of procurement.

Procurement

For many years the major part of our audit effort in the area of procurement had been applied to the pricing of negotiated contracts. Our interest in the pricing of negotiated contracts continues. However, with the increased responsibility and effectiveness of the Defense Contract Audit Agency (DCAA) in the postaward reviews of contract prices, we are able to give greater attention to other important aspects of procurement.

The DCAA was established by the Secretary of Defense as of July 1, 1965, by consolidation, under his direction, authority, and control, of the

contract audit functions then being performed by the individual military departments and the Defense Supply Agency. It is responsible for all contract audit work within the Department of Defense.

Our work in the audit of contracts and the work of the DCAA are complementary rather than duplicative in that as the DCAA increases its effectiveness, our emphasis on audit of individual contracts is shifted to broader areas of procurement and contract administration. We are now giving greater attention to such other important aspects of procurement as (1) acquisition of weapon systems, (2) operation of procurement systems for other items, (3) contract incentives, and (4) the Department of Defense Procurement Career Development Program.

AUDIT REPORTS ISSUED

We submitted 92 congressional reports on our audits and investigations: 34 to the Congress and 58 to committees or Members of the Congress on special investigations made at their request. In addition, we transmitted 328 reports to officials of the Department of Defense. Of these 328 reports, 53 were directed to the secretarial level and dealt principally with contract matters and other phases of procurement; 275 were directed to lower level officials and dealt principally with matters relating to settlement of disbursing officers' accounts and matters relating to local policies, procedures, and practices disclosed in our site examinations of civilian payrolls and related records.

The discussion of our work in the Department of Defense on matters relating to transportation is included in Chapter Seven, Transportation, beginning on page 233. The reports issued on such work are not included in the number of reports issued as cited above. A list of the audit reports issued, including those dealing with transportation matters, is presented on pages 315 to 322 in Appendix C-2 of this report.

SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Our reviews of the policies, procedures, and practices followed by the Department of Defense and the military departments in the management of various areas of their operations frequently result in findings which indicate need for improvement in management controls. In our reports on such findings we include recommendations for improvement. The replies of the Department of Defense officials to our reports in which administrative actions on the part of Defense officials are recommended have been generally responsive, indicating, in a large percentage of the cases, agreement with our findings and an intention to institute corrective measures. During the fiscal year 1969, such actions on our findings and recommendations resulted in collections and other measurable benefits of \$98,241,000 (see pages 357 through 365 of Appendix G to this report). Of this amount, \$1,606,000 represents savings resulting from reviews of Defense international activities.

We have received numerous replies which advise that new directives and instructions have either been issued or are intended to be issued. To ensure that the revised directives and newly announced policies are being carried out, we are stressing the need for independent reviews at higher echelons within the Department and by internal audit organizations.

The principal areas where our findings showed a need for improvement in management controls involved supply operations; procurement programs; facilities and construction; research and development programs; maintenance, repair, and overhaul operations; administration of military and civilian pay and allowances and utilization of manpower; and administration of certain other programs. Our findings in these areas were reported to the Congress or, where appropriate, to Department of Defense officials.

Supply Management

Our findings in the area of supply management indicated principally a need for improvement in the accuracy of stock records and in certain aspects of management control. The more significant findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in the following digests of our reports to the Congress.

Stock Records

Our findings indicated that if the accuracy of their stock records were improved

• The Army Tank-Automotive Command could raise its percentage of stock requisitions filled on time and approach the level of supply support established as an objective.

172
- The Army and the Air Force would have more reliable information on the quantities, locations, and conditions of their inventories in Europe.
- The Eighth U.S. Army in Korea would be in a better position to forecast future requirements and to maintain current stocks at the levels necessary to support its units.

Need to improve the Army Tank-Automotive Command's supply management data system, B-146772, Sept. 23, 1968

- The Army Tank-Automotive Command (TACOM) has the mission of providing tank and automotive vehicles and repair parts for all the military services in the United States and overseas. As a part of our continuing program of review of management activities at TACOM, we examined into supply management, giving particular attention to problems in its computerized supply management data system.
- For several years, TACOM had been unable to achieve the desired levels of supply support. During the period February 1965 to November 1967, for example, stock requisitions filled on time ranged between 33 and 78 percent as compared with the objective of 85 percent established by the Army Materiel Command. In November 1967, only about 46 percent of the requisitions were filled on time.
- The situation stemmed primarily from the presence of inaccurate data in the computerized supply management records. Although TACOM and higher command officials had recognized the seriousness of this problem and had taken action to improve the accuracy of the data, these efforts generally had been unsuccessful. A 1967 study showed, for example, that about \$94 million worth of material recorded as due-in had in fact been received and that about \$83 million worth of material had been recorded as due-in. These conditions can cause inventory managers to either procure unneeded supplies or fail to procure needed supplies.
- In our opinion, the prime factor retarding improvement of supply support effectiveness was the lack of coordination, evaluation, and followup efforts to clear up the computerized supply management records. Other factors imposition of additional workloads, major reorganizations, and saturation of computer capacity—also had an adverse effect.
- We proposed that the Secretary of Defense establish a coordinated supply management program at TACOM to
 - Improve supply records.
 - , Prevent additional invalid data from entering the records.
 - Review additional workloads or special programs to be imposed on TACOM to prevent unnecessary interference with the current management improvement program.
 - Establish measures to maintain organizational stability at TACOM and to prevent the constant movement of experienced supply personnel.
 - Review the use being made of the existing automatic data processing equipment with the objective of eliminating or reducing lower priority projects so that the equipment can be used for matters vitally in need of correction.
- The Army, in its reply on behalf of the Secretary of Defense, agreed with these proposals and stated that actions in keeping with the proposals had either been already taken or were planned.

Army and Air Force controls over inventories in Europe, B-161507, June 30, 1969

In August 1968 we issued a summary report on the movement of American Forces from France (Operation FRELOC) in 1966-67 (B-161507, Aug. 7, 1968). (A digest of the report is presented in the next section captioned "Management control of supplies.") In that report we pointed out that, during the operation, control had been lost over large quantities of supplies and equipment.

- This report reviews in detail the problems connected with controls over inventories in Europe as summarized in the August 1968 report.
- We found that control over assets moved from France by the Army and the Air Force was insufficient to insure that shipments were received at the correct destinations in the quantities and in the condition specified. The loss of control was, in our opinion, symptomatic of a longstanding problem: the high incidence of error in the stock records. The need to move most of the supplies and equipment stored in France on short notice highlighted the magnitude of the stock-record inaccuracies.
- The problem was further complicated by the lack of advance information on shipments at the new receiving stations, the loss of documents needed for inspection and accounting purposes, the late inspection of receipts, the delayed recording of receipts, and the short period of time available to physically move the stocks.
- At the conclusion of our examination months after the move, it appeared that the Army still did not know, with any degree of certainty, the quantities, locations, or conditions of its inventories in Europe. The Air Force, on the other hand, had been able to correct most of its stock records because of the significantly smaller volume of assets moved and the prompt action of the Air Force to physically inventory the assets at the new locations.
- In response to these findings, the Department of Defense informed us of the actions taken after the conclusion of our fieldwork. The Department stated that the Army had taken steps to overcome its inventory control problems and that the Air Force, for the most part, had accounted for its inventories.

Improvements needed in Army supply management and stock fund activities in Korea, Department of the Army, B-166312, June 30, 1969

- Our prior reviews of supply operations in the Eighth U.S. Army in Korea had disclosed that substantial management improvements were needed to insure that using units obtained necessary supplies on a timely basis.
- Our followup review showed that needed supplies were still not being obtained and stocked in Korea in the proper quantities. Because of inaccurate and incomplete financial and supply records, the Army found it difficult to forecast, with a reasonable degree of accuracy, the amount of funds needed to purchase proper quantities and types of supplies to support the military units in Korea.
- Available funds were used, to a great extent, to obtain supplies in small quantities to meet individual requests of Army units in Korea instead of being used to obtain larger quantities for depot stocks.
- We made certain suggestions for improvement in the stock records and in the budgeting and funding procedures concerning the Army in Korea. We suggested also that the Army Audit Agency increase the scope of its reviews in Korea. In reply the Army advised us of actions taken or planned which, if effectively carried out, will provide better control over supply and financial management matters.

Management Control of Supplies

We found that increased management attention in supply matters could have

174

- Avoided some of the difficulties encountered in the movement of American Forces from France (Operation FRELOC).
- Avoided some of the problems incident to piecemeal funding of spare parts procurement.
- Permitted a fuller realization of the benefits of the Military Standard Requisitioning and Issue Procedures (MILSTRIP) system for processing stock requisitions.
- Permitted greater savings through the application of the economic order principle.

Movement of American Forces from France (Operation FRELOC), Department of Defense, B-161507, Aug. 7, 1968

- In response to strong congressional interest concerning the movement of American Forces from France (Operation FRELOC), we undertook a broad survey covering military supply matters, disposition of surplus material, disposition of real property and related personal property, and construction requirements arising from the movement of supplies and personnel by the Army and the Air Force.
- We found that, despite the magnitude of the move from France and the relatively short period of time available (March 1966 to April 1, 1967), the Army and the Air Force were able to relocate their personnel, supplies, and equipment on time and in a generally effective manner. However, as could be expected in an operation of this nature, many difficulties arose, some of which were directly related to problems existing prior to the move.

The most significant problems noted by us were the following:

- Control was lost over large quantities of supplies and equipment, including weapons, ammunition, and medical supplies. Inaccurate inventory records contributed to this situation.
- Supplies were shipped to locations with inadequate storage facilities while available facilities were not used.
- Requirements for construction of additional ammunition storage facilities were overstated.
- Some of the fixtures and personal property removed from former French bases were used ineffectively.
- Some usable personal property was not removed from French bases.
- Some of these problems were complicated by the fact that the Secretary of Defense did not approve new locations until relatively late dates. Officials of the Department of Defense stated that the delays were caused by problems associated with gold flow, relations with foreign governments, and the need to formulate acceptable lines of communications to support American Forces.

Need for improvement in funding practices affecting spare parts procurements, Department of Defense, B-164301, Aug. 27, 1968

- In a prior review of the ability of the military supply systems to respond to increased demands, we observed that some supply support problems were apparently the result of the practice of releasing procurement funds on a piecemeal basis. Therefore we undertook a limited examination into the effects of such funding practices on the procurement of aeronautical spare parts by the Air Force.
- We found that in fiscal years 1966 and 1967 the Department of Defense released funds to the military departments on a piecemeal basis. The Air Force, in turn, released funds to its procurement centers on a piecemeal basis and

without advance notice as to the amounts that would be made available or when they would be made available.

- The funds made available to the procurement centers were less than the funds needed to cover computed requirements. The incremental funding created additional difficulties for the procurement centers in their management of the limited funds in that
 - Spare parts could not be purchased in larger, more economical quantities.
 - Prices were increased by contractors because of delays in placing orders.
 - Administrative costs of procurement were increased because of additional paperwork.
 - Procurement on a piecemeal basis increased the likelihood of shortages of spare parts which could adversely affect the operational readiness of the aircraft.
- The Assistant Secretary of Defense (Comptroller) stated that the numerous fund releases in fiscal years 1966 and 1967 were neither desirable nor economical but were necessary under the then-existing circumstances. Further, we were informed that the Air Force attempted in fiscal year 1968 to reduce the number of separate fund allocations to the Air Materiel Areas. We were informed also that the other military departments pursued the same objective and that the Office of the Secretary of Defense was cooperating in every way possible.
- We pointed out that similar conditions could recur and could again necessitate close fund control and incremental releases of funds. We recommended that, in that event, consideration be given by the Department of Defense and the military departments to the additional costs and other adverse effects of incremental fund releases and that efforts be made to reduce the practice to a minimum. We recommended also that as much information as possible be furnished to inventory management activities as to amounts of funds that will be available and the probable release dates to facilitate the planning of their procurement programs. The Department of Defense agreed.

Need for improvement in the processing of requisitions for materials, Department of Defense, B-164500, Sept. 17, 1968

In a prior review of the ability of the military supply systems to respond to increased demands, we observed that the manner in which supply requisitions were processed under the Military Standard Requisitioning and Issue Procedures (MILSTRIP) system precluded realization of the maximum benefits of the system. Therefore we undertook a limited examination, at selected installations of the Army, Navy, and Air Force, of the processing of requisitions under the MILSTRIP system.

The MILSTRIP system is designed to

- Provide uniformity of procedures for all requisitioners and suppliers of stock.
- Meet essential requirements of all the military services.
- Provide for interservice supply transactions and intraservice supply support operations.
- Accommodate the requisitioning on stocks of the General Services Administration.
- We found that MILSTRIP had improved the processing of requisitions. Maximum benefits of MILSTRIP had not been realized, however, because large numbers of requisitions contained erroneous or incompatible data and could not be processed routinely. As a result, many of the requisitions were returned to the originators for additional information or revision and resubmission. Resubmission of requisitions is time consuming, causes significant delays, and reduces supply support effectiveness.

- The primary causes of erroneous or noncurrent information on requisitions, in our opinion, were
 - Preparation of requisitions by untrained and inadequately supervised individuals.
 - Inadequate review of requisitions before forwarding them to the next higher supply level.
 - Absence of current and compatible catalog data at various supply levels.

We also found that the Defense Supply Agency (DSA) had not fully carried out its responsibility for surveillance of MILSTRIP. Surveillance by the DSA on a systematic basis could have identified the problems so that appropriate corrective actions could have been taken.

The Department of Defense agreed generally with our findings and proposals for corrective measures. The Department stated that DSA had recently organized a separate surveillance group to perform frequent on-site reviews of operations, assess adequacy of training, and make recommendations for systems and training improvements. The Department stated further that its directive on MILSTRIP has been revised to define responsibilities more explicitly; that a study was being made of the requirement for, and the frequency of, catalog changes; and that, pending completion of the study, a moratorium had been declared on unit-of-issue changes.

Savings attainable through improved application of the economic order principle in the procurement of military supplies, Department of Defense, B-133396, June 30, 1969

- The economic order quantity (EOQ) is that quantity which strikes a balance between (1) the higher procurement costs but lower storage costs of frequent purchases in small quantities and (2) the lower procurement costs but higher storage costs of less frequent purchases in larger quantities. Applicable Department of Defense (DOD) instructions for the use of the EOQ principle are sound but are in need of revision with respect to what types of items should be covered and when cost factors should be revised.
- We found that current and accurate cost data were not available or were not being used by the military services in computing requirements under the EOQ principle. On the basis of the best cost data available, we estimated that, if the cost factors were updated and used
 - The Air Force, by initiating a one-time additional investment of \$50 million in inventory, could reduce its annual operating costs by between \$12 million and \$17 million.
 - The Navy could reduce its investment in inventory by about \$4 million and its annual operating costs by about \$500,000.
 - The Army could reduce its investment in inventory by about \$200,000 and its annual operating costs by about \$400,000.
- In response to our suggestions for improving the application of the EOQ principle the Department of Defense stated that current instructions were being revised and that they would provide firm criteria relating to deviations from the EOQ concept. The Department stated also that the cost factors would be revised and updated periodically.

Management of Procurement Programs, Contract Administration

In fiscal year 1967 we made a review of the administration of the cost or pricing data requirements of Public Law 87–653 (Truth in Negotiations Act). This law requires, among other things and with certain exceptions, that where price competition is lacking under negotiated contracts and subcontracts, cost or pricing data be submitted in procurements over \$100,000 and be certified by the contractor and subcontractor as accurate, complete, and current. The law provides further that in these procurements the contract contain a clause permitting the Government to recover any significant increase in the price that resulted from the submission of inaccurate, incomplete, or noncurrent cost or pricing data.

In a report issued to the Congress in January 1967, we pointed out that, although certificates of the contractors were generally being obtained, there was no authoritative record of what had been submitted and what was covered by the certificate. It appeared to us that the certificates were not wholly effective and that the Government's rights under the defective-pricing-data clause of the contracts might be impaired. We had found also that the provisions of the Armed Services Procurement Regulation were not clearly understood and were being variously interpreted by individual procurement personnel. Our report on these findings included a number of proposals for corrective action.

On November 30, 1967, the Department of Defense issued Defense procurement Circular No. 57 which incorporated the substance of our proposals. Many of the provisions of the circular have since been included in the Armed Services Procurement Regulation. The Department also recognized that changes in regulations, in themselves, would not be effective unless agency procurement personnel received adequate training in implementing the regulations. To this end, we have worked with the Department and we have mutually agreed on material to be used in training programs for Defense procurement personnel and contractors, illustrating adequate compliance with Defense regulations implementing Public Law 87–653. Also, a sample case, illustrating adequate compliance, was published in a Defense Procurement Circular for the information and guidance of all procurement personnel involved in price negotiations.

In addition, Department of Defense procurement teams were organized to review, on a continuing basis, the practices of procurement officials and to ascertain whether these regulations are understood, are complied with, or are in need of further clarification.

We believe that the Department of Defense has made real progress in achieving the intent and purpose of Public Law 87-653. Continued emphasis by the Department of Defense on appropriate implementation of this law should go far in achieving the benefits intended by its enactment. At June 30, 1969, we had underway several reviews to evaluate the effectiveness of the implementation of the recent revisions in regula-

DEFENSE OPERATIONS

tions and to evaluate the progress of the Department in its administration of the cost or pricing data requirements of the act.

Findings resulting from our reviews of the administration of contracts which were reported to the Congress in fiscal year 1969, and the agency comments or action taken on our suggestions and recommendations, are summarized in the digests of reports presented at the end of this section. These reports do not include other findings related to contract matters which we deemed it more appropriate to report to the departments and agencies involved rather than to the Congress.

The findings we report to the departments and agencies are generally those which (1) had been accepted by the contracting parties and a basis for an equitable price adjustment had been reached prior to the issuance of our final report, (2) represent additional examples of matters previously reported to the Congress and raise no new important principles or basic issues relating to negotiation and administration of contracts, or (3) involve relatively minor amounts. Several of the more significant findings reported to the departments and agencies during the fiscal year are summarized below.

In September 1968 we reported that, had the contractor submitted the latest prices proposed by suppliers of certain components, the Navy would have had a sound basis for negotiating a price for F-4 aircraft about \$1.4 million lower than that actually negotiated. The contractor's price proposal included a "Certificate of Current Cost or Pricing Data." We proposed that the Navy take steps to obtain appropriate recovery under the defective-pricing-data clause of the contract and that the Defense Contract Audit Agency (DCAA) make a postaward audit of the major cost elements of the contract.

The Navy and the DCAA concurred in our proposal. The Navy advised us that the contractor had offered a price reduction of \$654,755 which the Navy did not accept—and that the Navy and the DCAA were continuing their efforts to determine the amount of overpricing which can be sustained for recovery. The case was pending at June 30, 1969.

In September 1968 we reported that, had a subcontractor's supplier submitted the latest available cost information, the subcontractor would have had a sound basis for negotiating a price, for components of escape crew modules for F-111 aircraft, about \$726,000 lower than that actually negotiated with the supplier. This, in turn, would have been a basis for a reduction of about \$849,000 in the subcontractor's price of the modules to the contractor for the F-111 aircraft and, ultimately, a reduction in the contractor's price of the aircraft to the Air Force.

DEFENSE OPERATIONS

The supplier's price proposal to the subcontractor included a "Certificate of Current Cost or Pricing Data." We recommended that the Secretary of Defense consider our findings, as well as any additional information available in the Department of Defense, to determine whether or not the Government is entitled to a price adjustment. In reply to our report, the Air Force agreed that defective pricing had occurred and stated that the prime contractor had been requested to pursue the matter with the subcontractor. The case was pending at June 30, 1969.

In November 1968 we reported that the cost estimates, included in the price of a contract awarded by the Army for 8-inch projectile metal parts, were about \$1,087,000 higher (including profit) than indicated by the contractor's cost experience and other pertinent data that were available prior to the effective date of the contractor's "Certificate of Current Cost or Pricing Data" which accompanied the price proposal. We discussed the matter with the contractor and Army officials and the contractor refunded \$262,335 to the Army. In making the refund, the contractor took the position that it was based on production improvements and was in no way related to our determinations which it considered to be totally unwarranted and unjustified. The Army accepted the refund as a partial payment of the amount due the Government.

We suggested that the Secretary of Defense consider our findings, as well as any additional information available in the Department of Defense, to determine whether or not the Government is entitled to a further price adjustment. In response to our report, the Army stated it had determined that \$517,800 should be recovered from the contractor as compensation to the Government for the defective pricing. The Army stated further that it would negotiate with the contractor to recover this amount and, in the event of a negative response, would take unilateral action to effect recovery. As of June 30, 1969, the case was pending.

Digests of the reports submitted to the Congress follow. A digest of an additional report submitted to the Congress, on contracting for research, is presented in a later section captioned "Research and development," beginning on page 190.

Increased costs to the Government attributed to leasing rather than purchasing land and buildings by Department of Defense contractors, B-156818, Oct. 23, 1968

We found that the leasing by contractors of land and buildings to be used almost exclusively in the performance of Government contracts resulted in greater costs to the Government than would have been the case if the facilities had been purchased by the contractors. Had the facilities been purchased, acquisition costs recoverable by the contractors would have been limited to the amount of depreciation.

We reviewed this matter as it related to the land and buildings at 20 locations of 17 major contractors. We estimated that the additional costs to the Government could amount to about \$55.8 million by the end of the initial periods of the leases at the locations we reviewed. They could amount to as much as \$99.3 million if all renewal options of the leases are exercised.

- The decision to lease or purchase rested with the contractor. However, because contractors stood to gain by leasing or, in some cases, at least avoid the risk attendant on ownership, contractors may have been swayed toward a course of action more costly to the Government since equal treatment was accorded costs associated with either course of action in negotiating profits and fees.
- The weighted guidelines of the Armed Services Procurement Regulation for the negotiation of contractors' profits or fees did not make appropriate distinction between owned and leased facilities and therefore did not offer any motivation to contractors to select the method of acquisition most economical to the Government. We suggested to the Department of Defense that, in negotiating profits and fees, consideration be given to the methods used by the contractor in acquiring real property for use under Government contracts.
- In January 1969 the Department advised us that it was considering new guidelines for negotiating profits and fees which would take into account the contractor's investment in facilities. More recently, however, the Department advised us that further consideration of this matter had been deferred for about a year.
- Differences in allowing corporate expenses as charges to Government contracts at Government-owned, contractor-operated plants, Department of Defense and other agencies, B-124125, Nov. 14, 1968
 - At the request of the chairman, House Committee on Appropriations, we reviewed the policies of the Department of Defense (DOD), the Atomic Energy Commission (AEC), and the National Aeronautics and Space Administration (NASA) for allowing corporate general and administrative expenses to be charged to certain Government contracts at Government-owned, contractoroperated plants.
 - Based on our review at 17 such plants, we found differences among Government agencies in their policies governing the payment of corporate expenses under Government contracts. DOD and NASA generally paid such expenses incurred in performance of the contract or in normal conduct of a contractor's business as a whole. AEC generally paid such expenses when incurred in performance of the contract but not when incurred in normal conduct of a contractor's business as a whole.
 - As a result, the costs to the various agencies of the Government for essentially the same type of work, performed in the same plant, differed by substantial amounts.
 - DOD, AEC, and NASA agreed in general with our findings and conclusions.
 - We made no recommendations pending completion of a pertinent study we are conducting. The study, directed by Public Law 90-370 to be completed by December 31, 1969, involves the feasibility of applying uniform cost-accounting standards to all negotiated prime contract and subcontract defense procurements of \$100,000 or more. The study encompasses an analysis of differences in contract cost principles established by Government agencies for allowing corporate general and administrative expenses.

Potential savings by improving evaluation of competitive proposals for operation and maintenance contracts, Department of the Air Force, B-162839, Apr. 25, 1969

- We reviewed the procedures of the Air Force for evaluating competitive proposals in the award of negotiated contracts for the operation and maintenance of the Ballistic Missile Early Warning System (BMEWS), the Distant Early Warning Line (DEW Line), and the White Alice Communication System.
- At the time of award of contracts for the operation and maintenance of the three systems, the Department of Defense (DOD) was prohibited by law from

awarding such contracts for more than a 1-year period. A yearly award to a different contractor, selected through competitive negotiation, involves changeover costs (hiring and training of new personnel and obtaining required security clearances) each year. To reduce such costs, the Air Force was retaining competitively selected contractors for a 3-year period. The competitive selection of contractors was based on the price proposals for only the first year of the 3-year period—in line with DOD policy that contractors' proposals for subsequent years not be considered in awarding contracts for the first year.

- This method gave the incumbent contractors a significant advantage over competitors. For example, had the Air Force been permitted to consider each offeror's first-year proposal combined with option prices proposed for the second and third years, it would have been found that the proposal of a competitor for the BMEWS contract, rather than that of the incumbent contractor, was the more favorable. About \$8.8 million might have been saved by award of the contract to the competitor.
- We suggested that, where there is reasonable certainty that (1) the options for the second and third years will be exercised and (2) failure to consider the option prices for the second and third years would result in substantially increased costs, DOD should explore the means to amend, or deviate from, its policy. DOD advised us that revisions to its policy were being considered.
- On July 5, 1968, the President signed legislation (Public Law 90-378) that authorized certain contracts for services and incidental supplies to extend beyond 1 year (multiyear contracts). The legislation is applicable to contracts awarded for services or incidental supplies outside the United States that are funded by 1-year appropriations and therefore is applicable to the operation and maintenance contracts of the type discussed in our report. This legislation should help alleviate some of the problems in the negotiation and award of such contracts.

Management of Procurement Programs, Other Aspects

We issued two reports to the Congress on procurement matters other than administration of contracts. These reports presented our findings of need for improvement in procuring and stockpiling of jewel bearings and potential savings through greater use of requirements contracting for small purchases. The following are digests of these reports.

Need for improvement in procuring and stockpiling jewel bearings, Department of Defense and other agencies, B-159463, Apr. 17, 1969

The William Langer Jewel Bearing Plant, Rolla, N. Dak., was established by the Government in 1952 as a Government-owned, contractor-operated, domestic source of jewel bearings used in defense items to eliminate dependency upon foreign sources of supply which could be cut off in the event of war. The Langer plant was a mandatory source for jewel bearings contained in items purchased by the Government and for jewel bearings purchased for the national stockpile. Because available information indicated that the plant was not being fully used, we made a survey of the purchasing and stockpiling of jewel bearings with the objective of examining into compliance with the mandatory-source requirements and the adequacy of the existing stockpile to meet its objectives.

We found that there was a need for

- Better enforcement of the mandatory requirement for the purchase and use of the bearings produced in the plant.
- Greater compliance with the requirement for the use of military-standardsize bearings.
- Review of the adequacy of the jewel bearing stockpile.

We proposed that

- The mandatory-source requirement included in contracts for purchases over \$2,500 be extended to purchases under \$2,500 when the item being purchased is a jewel bearing or a mounted jewel bearing.
- Instructions be issued explaining the bases for granting waivers of the mandatory-source requirement.
- Current military standards for jewel bearings be studied and updated where appropriate and the Armed Services Procurement Regulation (ASPR) be revised to point out the need to use military-standard bearings.
- The jewel bearings in the stockpile be analyzed to determine whether they are applicable to military end items currently in use and can be used in the event of mobilization.
- The agencies involved expressed agreement with certain of our proposals. The Department of Defense, however, did not agree with our proposal that the ASPR be revised to point out the need to use military-standard bearings. We recommended that the Department reconsider its position on this matter.

Requirements contracting and other aspects of small purchases in the Department of Defense, B-162394, Feb. 5, 1969

- About 70 percent of the Department of Defense (DOD) procurement efforts were being spent on a large number of transactions for small purchases—supplies and related needs in amounts which do not exceed \$2,500. Although small purchases accounted for more than two-thirds of all DOD procurement transactions in fiscal years 1966 and 1967, they amounted to only 4 percent of the total DOD procurement dollars. Procurement regulations provide several methods for making small purchases. We undertook a review to consider whether one such method—requirements contracting—would be more economical than frequent small purchase transactions, and to evaluate the performance of certain other small purchase operations.
- A requirements contract provides for filling all purchase requirements for specific supplies during a specified contract period, with deliveries to be scheduled by timely placement of orders upon the contractor. The advantages of requirements contracting are twofold. It permits supplies in storage depots to be maintained at lower stock levels, and provides a means of obtaining lower unit prices through purchases in larger quantities.
- The military departments generally were not accumulating sufficient information concerning small purchases (volume of purchases by Federal Stock Class and by vendors) to serve as a basis for determining the most economical and appropriate procurement methods. We found that at those purchasing activities where such information was being accumulated, and was being used to contract for estimated annual requirements, favorable prices were being obtained and administrative costs were reduced. We expressed the opinion that substantial savings could be realized if this practice were more commonly used.

We recommended that the Department of Defense:

- Accumulate information on the volume of purchases at selected installations for selected commodities as a basis for ascertaining the most beneficial procurement method.
- Provide further guidelines to installations for determining when a requirements contract or some other method would be appropriate for procurement of a particular commodity or class of items.
- In response, the Department stated that a test was being conducted which might provide a basis for anticipating the needs for requirements-type contracts and that our recommendations would be considered further at the conclusion of the test.

366-424 0-69-13

DEFENSE OPERATIONS



184

The Department is pursuing 32 objectives for more effective and efficient small purchase operations and has furnished us periodic reports on the status of these efforts. We plan to review at a later date the implementation of actions taken by the Department.

Facilities and Construction

We issued six reports to the Congress on our reviews of matters related to facilities and construction. Digests of these reports follow. The more significant findings presented in these reports indicate a need for

- Reevaluation and updating of original plans for acquisition of facilities prior to actual acquisition.
- Fuller consideration of available private housing in determination of requirements for construction of military housing.
- Centralized control of military construction programs on foreign soil.

Opportunity for savings in space programs by reevaluating needs before buying facilities, Department of the Air Force, B-164027, July 3, 1968

We reviewed the acquisition by the Air Force of certain test, launch, and tracking facilities for the TITAN III booster program and a classified satellite program. We found that these facilities had been acquired in accordance with the original plans which had not been reevaluated and updated despite indications that requirements, because of changing circumstances, were substantially less than originally estimated. Had the plans been reevaluated and updated, we believe that a substantial portion of the estimated costs of about \$26.3 million, incurred for the following facilities, could have been saved.

- Rapid-launch, mobile features of the TITAN III launch complex, Cape Kennedy, Fla.—estimated construction cost of about \$23.8 million.
- Basic data recording instrumentation and four storage buildings, Edwards Air Force Base, Calif—estimated procurement and construction cost of about \$820,000.
- Tracking and readout equipment installed prematurely in Alaska—estimated cost of about \$1.7 million to maintain equipment in a caretaker status until needed.
- In response to our findings and proposals for strengthening the planning procedures for facilities acquisition, the Air Force advised us that it recognized the problem and was developing criteria specifications for application within its existing review system. The Director of Defense Research and Engineering advised us that the Army and Navy had reviewed their regulations and that the Navy would modify its existing procedures to provide additional safeguards.
- We recommended that the Secretary of Defense take action to insure that the procedures of the military departments limit the acquisition of facilities to those actually needed to fulfill firm program requirements. On September 4, 1968, the Director of Defense Research and Engineering replied to this recommendation on behalf of the Secretary of Defense. The Director stated that the Department of Defense believed that existing procedures of the Army, Navy, and Air Force were adequate if fully adhered to. He stated also that the Air Force and the Navy were taking steps to strengthen their existing procedures.



Launch Pad at ITL Complex.

- Policies, procedures, and practices for determining requirements for military family housing and bachelor officer and enlisted quarters, Department of Defense, B-133316, Feb. 18, 1969
 - We made a survey of the policies, procedures, and practices of the Department of Defense in determining requirements for family housing and bachelor officer and enlisted quarters. Our survey was directed toward arriving at an informed opinion as to the general reliability of the studies, conducted by military installations, which formed the basis for the fiscal year 1968 request to the Congress for authorization and funds to build additional accommodations at specific locations.
 - We found that, although the family housing studies of the installations included in our survey were complex and, in our opinion, unnecessarily costly, the results of the studies were of questionable validity, principally because a proper evaluation had not been made of existing available housing in nearby communities. For example, we identified about 950 vacant rental units that met Department of Defense criteria in the vicinity of the Naval Air Station, Alameda, Calif., and of the Naval Supply Center and the Naval Hospital, Oakland, Calif. This was about 600 more units than the 332 units identified in the studies of the three installations. Furthermore, according to the Federal Housing Administration, there were about 15,800 vacant rental units at that time in the counties in which the three installations are located.
 - We found also lesser shortcomings in the studies which added to the unreliability of the results of the family housing studies.
 - Our survey also showed a need for improvement in the determination of requirements for bachelor quarters. We found instances where need for construction of additional quarters had been determined (1) without adequate consideration of quarters available at a nearby installation or the housing facilities available in the community, (2) on the basis of questionable classification of existing quarters as being unsuitable—including permanent-type structures completed in recent years, and (3) on the basis of overstated projections of future personnel strength.
 - The military audit agencies and the installation internal review groups were generally not conducting independent audits and checks of the requirements for family housing and bachelor quarters at the installations included in our survey.

We recommended to the Secretary of Defense that

- Procedures be revised to provide more comprehensive studies of the availability, both current and prospective, of private housing in the community.
- The military departments be required to establish a program for training key personnel in the policies, procedures, and practices to be followed in family housing surveys.
- The family housing surveys be simplified.
- The requirements computations made by installations for family housing and bachelor quarters be given appropriate attention by the military audit agencies.
- The Assistant Secretary of Defense (Installations and Logistics) agreed, in general, with our conclusion that the determinations of requirements were in need of improvement and outlined corrective actions along the lines we recommended. He did not agree, however, with our conclusion that the studies which formed the basis for the fiscal year 1968 program were of questionable validity.

DEFENSE OPERATIONS

Problems in the administration of the military building program in Thailand, Department of Defense, B-159451, June 12, 1969

- Appropriations for military construction in Thailand amounted to about \$395 million from fiscal year 1965 through fiscal year 1969. We found that the organizational structure established to administer the program in Thailand was not adequate to enforce Department of Defense (DOD) policies regarding austere construction and to coordinate the siting of proposed construction projects. As a result
 - The types and costs of personnel housing differed substantially from DOD-prescribed austerity standards. Some of the housing projects cost an estimated \$3.3 million more than they would have cost had DOD standards been adhered to.
 - The lack of coordination among the various organizations responsible for base development in Thailand resulted in mistakes in the selection of project sites and in wasted design costs.
- We suggested that, in future military construction programs of the nature of the Thailand program, the Secretary of Defense establish a single authority, sufficiently staffed, to insure that all facets of the programs are adequately coordinated and controlled.
- The Deputy Assistant Secretary of Defense advised us that, as a result of lessons learned in Southeast Asia, a central organization and control such as that employed in Vietnam is advocated in the DOD published guidance. He advised us further that, in consonance with this policy, the Commander, U.S. Forces, Korea, had been provided with authority to exercise strong, centralized management and direction of the current construction program in Korea.

Policies, procedures, and practices for developing and reviewing proposed military hospital construction projects, Department of Defense, B-161475, Dec. 31, 1968

- Pursuant to a request of the chairman, House Committee on Appropriations, we surveyed the Department of Defense program for the construction of military hospital and medical facilities.
- On September 24, 1968, the Department issued a directive and an instruction incorporating the existing policies and procedures for developing and reviewing proposed military hospital construction projects.
- We found that the policies and procedures appeared adequate to insure that proposed hospital construction projects were needed and to insure that consideration is given to proper planning of the functional departments to be included in, and the services to be provided by, such projects.

Cost to design, construct, and equip selected general hospitals in the United States, B-161475, Feb. 18, 1969

- At the request of the chairman, House Committee on Appropriations, we made a survey of the cost to design, construct, and equip selected general hospitals in the United States. Included in our survey were four military hospitals, one Veterans Administration Hospital, five private hospitals that were partially financed with Federal funds under the Hill-Burton program, and one Kaiser Foundation hospital.
- We found that the costs with respect to the 11 hospitals included in our study varied widely both on a per-bed basis (\$24,000 to \$47,000) and on a squarefoot basis (\$34 to \$47). The cost variances were caused by numerous factors, such as differences in equipment, types of construction, materials used, geographical location of the hospital, and size of departmental areas. As to size of departmental areas, the military hospitals tended to have larger outpatient facilities while the private hospitals had much smaller outpatient facilities, if any at all.

188



DEFENSE OPERATIONS

Research and Development

We issued four reports to the Congress on our reviews of research and development operations. Our findings in these reviews indicated a need for

- Improved management controls over ammunition development to insure satisfactory completion of development prior to award of production contracts.
- Improved guidelines in contracting for research with Governmentsponsored nonprofit contractors.
- Clarification of instructions to preclude use of procurement funds for work that should be financed with research and development funds.

Digests of these reports are presented below.

Need to improve management controls over ammunition development, Department of the Army, B-157535, Sept. 27, 1968

- The Army Materiel Command is responsible for developing conventional ammunition required by the Army, Air Force, and Marine Corps. We made a review of the management controls over these operations.
- The Army had established procedures reasonably adequate to enable management to identify and to correct deficiencies in ammunition prior to completion of development. The procedures included five distinct in-process reviews, or periodic evaluations, at specified points in the development process.
- In our opinion, Headquarters, Army Materiel Command, was not adequately monitoring the development programs or requiring project managers to perform the necessary reviews. Insufficient management control had been in large part responsible for the development and production of unacceptable ammunition in the past.
- In our review of 11 items of conventional ammunition that were in the developmental stage, we found that the following had been approved for production although none of the required in-process reviews and evaluations had been performed during the course of their development:
 - 73,000 rounds of howitzer cartridges at a cost of \$21 million.
 - 115,000 rounds of recoilless rifle cartridges at a cost of \$31 million.
- In the remaining nine of the 11 items we reviewed, we found that, on the basis of their respective stages of development, a total of 30 reviews and evaluations should have been made. However, only six had been made.
- Although reviews had been made by the Army Audit Agency of certain operations in ammunition, they had not covered the management of in-process reviews.
- In bringing our findings to the attention of the Department of Defense we proposed that
 - The Army clarify existing reporting instructions to insure that proposed and completed actions in development programs are recorded and reported through command channels.
 - The Army maintain closer supervision over research and development activities to insure that in-process reviews actually are made.
 - The Army Audit Agency include in-process reviews in its audit programs.

The Army, in its reply on behalf of the Department of Defense, stated its agreement with these proposals and cited corrective measures that had already been taken.

Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J., Department of the Army, B-157535, Nov. 27, 1968

- The Picatinny Arsenal is the principal agency in the Department of Defense for the research and development of conventional ammunition for the Armed Forces. We found that the Arsenal needed to improve its management of research and development to prevent the possible premature mass production of ammunition.
- There was a need for improvement in the accuracy and completeness of information relied upon to determine when an item of ammunition was ready for mass production; in the investigation and correction of deficiencies disclosed by development tests; and in the scheduling and performing of production engineering reviews. There was also a need for improvement in testing ammunition performance under various climatic conditions prior to production; in the performance of reviews at critical points in the research and development process; and in the scope of internal audit reviews of management.
- We found that (1) the Arsenal and other Army organizations involved in the research and development process were not complying with the existing policies and procedures and (2) there was a need to strengthen management controls to insure compliance with these policies and procedures.

The Assistant Secretary of the Army (Research and Development) stated that corrective actions had been taken or planned on these findings.

Need for improved guidelines in contracting for research with Government-sponsored nonprofit contractors, Department of Defense and other agencies, B-146810, Feb. 10, 1969

- On April 30, 1962, the President transmitted to the Congress a report entitled "Government Contracting for Research and Development." Extensive hearings were subsequently held by the House Committee on Government Operations and the subject has continued to be highly important. Government expenditures for research and development have increased from about \$10.3 billion in 1962 to about \$17.3 billion in 1969. About 80 percent of the expenditures are administered under contracts.
- We reviewed one of the more controversial elements in the 1962 report: the purpose, amount, and use of the fee or management allowance—to the extent of about \$9 million annually—provided in contracts with Government-sponsored, nonprofit organizations.
- The guidelines in the 1962 report advocated the payment of fees to nonprofit organizations for the following reasons: (1) to provide some degree of operational stability and flexibility to organizations otherwise bound to the limitations of cost financing of specific tasks and (2) to conduct some independent, selfinitiated research in order to obtain and hold highly competent scientists and engineers.
- We concluded that the purpose established for the fee in 1962 had not been accomplished satisfactorily and that the fee had not been administered in accordance with the 1962 guidelines. In some instances the nonprofit organizations were accumulating the fees to permit diversification into new fields and were not using them to an appreciable extent to conduct independent research. Also, the fees paid to the organizations and the bases used for determining the amounts varied significantly among Government agencies.
- We noted also that no action had been taken with respect to an important recommendation in the 1962 report: that consideration be given to the

establishment of Government "institutes." The recommendation envisioned that such institutes would be separate corporate entities, subject to the supervision of a Cabinet officer or agency head, and would provide a means for conducting in-house research and development programs.

- With respect to fees for sponsored nonprofit organizations, many Government agencies agreed that there was a need for Government-wide guidelines. With respect to the establishment of Government "institutes," the agencies felt, generally, that the subject warranted consideration.
- We expressed the belief that, in view of the changes in the 7 years since the policies on contracting for research and development were established, the subject of the proper role of Government-sponsored nonprofit organizations was of sufficient importance to warrant a Presidential-directed interagency or commission study. As an alternative we recommended:
 - That the Bureau of the Budget prescribe Government-wide guidance to agencies in establishing and contracting with sponsored nonprofit organizations.
 - That the Bureau of the Budget and the Civil Service Commission conduct a follow-on study to consider what types of organizations could best assist the Government in fulfilling its research and development missions, including consideration as to the desirability and feasibility of establishing Government "institutes."

Use of missile procurement funds to finance research and development efforts, Department of the Air Force, B-146876, May 7, 1969

- During a review in a contractor's plant, we noted that a substantial amount of research and development effort was being financed with procurement funds rather than research and development funds. We therefore extended our review to the contracting agency, the Air Force Space and Missile Systems Organization (SAMSO).
- We found that during the period 1964 to 1967 SAMSO had awarded supplemental agreements totaling \$22.5 million to three MINUTEMAN missile motor contractors for a product improvement program. These agreements were financed with missile procurement funds. However, most of the work performed involved, in our opinion, research and development effort rather than product improvement and should have been financed with research and development funds.
- SAMSO officials cited an Air Force procurement instruction as their authority for the financing. We found, however, that the disclosure and approval procedures of the instruction had not been followed. As a result, no higher level of authority had had the opportunity to consider the matter.
- We proposed that (1) full disclosure be made in program budget submissions to allow for ready detection and critical evaluation of significant provisions for product improvements by officers having budget approval responsibility and (2) research and development effort be procured with research, development, test, and evaluation funds rather than funds appropriated for the procurement of approved equipment. We suggested also that the Air Force clarify the provisions of its instructions and that the Secretary of Defense examine into the matters discussed in our report to determine if similar situations existed in other Air Force programs or other organizations within the Department of Defense.
- The Department of Defense advised us that it had revised its instruction and that the Air Force was revising and updating its instruction. The Department also advised that the Army and Navy had stated that they had no knowledge of any funding deviations of the type discussed in our report and that a review by the Air Force Logistics Command had not disclosed similar instances.
- We believe that the actions taken or being taken should preclude recurrence of circumstances such as those discussed in our report.

Maintenance, Repair, and Overhaul

We issued four reports to the Congress on our reviews of maintenance, repair, and overhaul operations. These reports show that the operations could be performed more effectively, efficiently, and economically by

- Consolidation of military real property maintenance functions at locations that have large concentrations of military installations.
- Repair, rather than condemnation as scrap, of economically repairable equipment.
- Improved management of maintenance of commercial vehicles.
- Improved controls over repairs of electronic components and assemblies.

The following are digests of these reports.

Feasibility of consolidating military real property maintenance functions on Oahu, Hawaii, and in the Norfolk, Va., area, Department of Defense, B-164217, Aug. 5, 1968

- We examined into the feasibility of consolidating the eight separate real property maintenance activities operated by the military services on the island of Oahu, Hawaii, and the 16 in the area of Norfolk, Va. These locations were selected for examination because the relatively limited geographical areas involved contained a large concentration of military installations and facilities.
- Based on our examination, we concluded that consolidation of the maintenance activities at the two locations was feasible and would result in economies. We estimated that the consolidations could result in
 - Annual savings of about \$3.4 million in operating costs (\$2.4 million on Oahu; \$960,000 at Norfolk).
 - Annual savings in an indeterminate amount in replacement costs for equipment.
 - Release of equipment valued at about \$2.2 million for possible use elsewhere (\$1 million on Oahu; \$1.2 million at Norfolk).
- We proposed that the Secretary of Defense consider consolidating real property maintenance organizations on Oahu and in the Norfolk area, each under a single manager, with supporting subactivities as appropriate. We proposed also that the Secretary conduct studies at other locations having large concentrations of military installations to ascertain the feasibility of consolidation. We cited New Orleans, Los Angeles, San Francisco, New York, and Washington, D.C., as examples of such concentrations.
- In response, the Assistant Secretary of Defense (Installations and Logistics) advised us that his office had established an interdepartmental committee, under the Department of the Navy, to develop measures for effecting maximum consolidations on Oahu, at Norfolk, and at other locations of highly concentrated military installations. We were further advised that the committee was establishing local interdepartmental committees on Oahu and at Norfolk.
- The guidelines provided the local committees indicated that the installation commanding officers involved would decide the extent of consolidation. In our report we recommended that decisions as to the extent of consolidation of real property maintenance activities be made on the basis of independent studies and that such decisions be made binding on the installations involved.

On October 4, 1968, the Assistant Secretary of Defense (Installations and Logistics) advised us that the recommendations of the local interdepartmental committees would be made binding on the installations involved after review and approval by the military departments, by the Washington Interdepartmental Committee, and by his office.

Savings attainable by preventing condemnation of economically repairable equipment, Department of the Air Force, B-146874, Oct. 23, 1968

- Air Force regulations provided for the return of certain unserviceable items to designated depots for repair if they could not be repaired at the Air Force base level. However, the regulations permitted the bases to condemn the items as scrap if (1) they were beyond repair, (2) repair costs exceeded 65 percent of replacement cost, or (3) their condemnation was specified by applicable technical orders. During 6 months of 1967 Air Force bases condemned about \$6.7 million worth of the type of items designated for repair at the depots managed by the three Air Materiel Areas included in our review. The condemnation of a substantial portion of these items was based on determinations that repair costs were excessive in relation to replacement cost.
- We tested 78 items that had been condemned at five bases and found that 51 of them could have been repaired for amounts significantly less than replacement cost. Many of the condemned items were in short supply and, in some cases, action had been taken to procure additional items.
- The primary reason for improper condemnation was that maintenance personnel at the bases had made their determinations without adequate knowledge of depot repair costs, procedures, and capabilities. We proposed that the Air Force regulations be revised to require the bases to return the items to the depots unless the bases have been advised that the items are (1) not needed in Air Force stocks, (2) obviously beyond repair, or (3) authorized for disposition under Air Force technical orders.
- The Air Force advised us that its analyses indicated that the magnitude of improper condemnations did not warrant instructing the bases to return such items to the depots. The Air Force stated however that certain revisions were being made in existing regulations to require (1) the reporting of cost data to, and approval of the cost data by, the item managers prior to condemnation of items by the bases and (2) establishment of a review board at each base to maintain surveillance over condemnations based on cost criteria.
- We were of the opinion that the specialized repair activities at the depots were the only organizations qualified to estimate the costs to repair items for which they were responsible, and for that reason the action taken by the Air Force would only serve to reduce but would not prevent improper condemnation of repairable items. We therefore recommended that the Air Force reconsider our proposal. In response, the Air Force revised its instructions to prohibit condemnation at field level of all items that are designated as being repairable and that have a unit cost of \$300 or more.

Cost reductions obtainable by improving the management of maintenance of commercial vehicles, Department of Defense, B-133244, Dec. 3, 1968

- Our report on an earlier review (B-133244, Nov. 30, 1962) presented our findings that the Air Force and the Army could substantially reduce their costs of maintenance and repair of vehicles if their operations were conducted as efficiently as those of the Navy. We made a number of recommendations in the report to improve vehicle maintenance operations.
- In our followup review we found that, although action had been taken in the intervening years to improve management, the Air Force and the Army could reduce costs by about \$8 million a year if additional controls were established to insure that only necessary maintenance is performed.
- Maintenance costs of the Air Force and the Army were higher than the Department of Defense goal, which the Navy met, principally because a larger



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amount of maintenance man-hours was being expended. We concluded that, in most instances, this was attributable to

- Use of military personnel (primarily by the Air Force).
- Too frequent performance of preventive maintenance.
- Performance of uneconomical repairs.
- Duplication of effort in accumulating needed data.
- Although the maintenance program of the Department of Defense appeared to provide adequate guidance, effective controls had not been established to insure uniform interpretation and application of the guidance.
- We recommended that the Secretary of Defense direct the Air Force and the Army to take the steps necessary to provide more complete and more reliable maintenance data for management use and to provide for periodic internal audits of the reporting procedures and maintenance practices in their respective vehicle maintenance shops.
- The Assistant Secretary of Defense (Installations and Logistics) agreed in general that further economies could be achieved but did not concur with our estimates of potential cost reductions. He stated that the Joint Committee for Administrative Use Motor Vehicles had been requested to review both the maintenance practices and the reporting procedures among the military departments to determine those areas lacking uniformity and to make appropriate recommendations. The review has been completed but, as of June 30, 1969, the results had not yet been evaluated.

Controls over repairs of electronic components and assemblies, Department of the Navy, B-133313, Mar. 19, 1969

- The Navy Electronic Supply Office (ESO) is the central inventory control point for electronic components and assemblies and is responsible for managing the repair of such items. About 11,000 items have been designated by ESO for mandatory return by the users for depot-level repair when the necessary work is beyond the capability of lower maintenance levels.
- We found that there was a need for substantial improvement in the management of the repair program. More specifically, ESO (1) had not given appropriate consideration to repair as an alternative to procurement of new items, (2) did not have accurate technical data available regarding the repairability of items or identification of repair sources, (3) had not established adequate coordination with Navy repair facilities, and (4) had not taken timely action to require field activities to ship unserviceable items to the repair facilities. As a result, unnecessary procurements were made, needed items were not repaired, and some items were repaired although stocks of serviceable items on hand were sufficient to meet expected needs.
- During our review, we discussed our suggestions for improvement with ESO officials and they took certain actions which we considered responsive to our suggestions. In addition we proposed that the Secretary of the Navy insure that (1) the efforts of ESO in identifying repairable items and appropriate repair sources are effectively coordinated with the efforts of other Navy activities and (2) surveillance by the Department of the Navy be placed over the corrective measures necessary for the prompt implementation of an efficient and effective repair program.
- The Navy concurred in these proposals and advised us of actions taken to implement them. We believe that the actions taken by the Navy should result in a more efficient and effective program.

Administration of Military and Civilian Pay and Allowances and Utilization of Manpower

The number, variety, and complexity of entitlements provided by legislation covering military pay and allowances create difficult administrative problems. Although the military departments have taken prompt action with respect to erroneous or illegal payments identified in our reviews and have accepted our suggestions for corrective measures to preclude recurrence, erroneous payments in significant amounts continue to be made.

In our opinion, the administration of military pay and allowances will not be improved significantly until the present complex laws are simplified. Public Law 89–132, approved August 21, 1965, provides, among other things, that the President shall direct a complete review of the principles and concepts of the compensation system for members of the uniformed services and that, upon completion of such review, he shall submit a report to the Congress together with any recommendations proposing changes in the statutory salary system and any other elements of the compensation structure.

The review required under the law was completed and, at the direction of the President, a report of findings and recommendations was transmitted to the Congress on April 29, 1968, by the then Secretary of Defense. We understood that certain recommendations contained in the report provided some measure of simplification. However, no legislative proposal accompanied the report. We were advised that a legislative proposal would be prepared by the Department of Defense for submission at the beginning of the 91st Congress.

While the legislative proposal was being drafted, the successor Secretary of Defense made the decision that submission of a proposal be deferred pending further study, and directed a management consulting firm to make the study. The objective of the study was to apply a fresh outside viewpoint, without conducting extensive research, to the studies and analyses which had already been made.

The study has been completed and the results have been reported to the Secretary of Defense. Although as of June 30, 1969, the report had not yet been released, it has been indicated that the report is generally in agreement with the basic concepts of the earlier report that was transmitted to the Congress in April 1968 by the Secretary of Defense.

Our review of civilian pay and allowances included an evaluation of the effectiveness of the internal audit work, a statistical sampling of the propriety of salary rates, and an examination into the adequacy of administrative controls over the accounting records for employees' leaves of absence. We found a need for improvement in each of these areas.

DEFENSE OPERATIONS

In our reviews of manpower utilization we found that the Air Force military personnel data system and its systems for managing military manpower resources were not serving management purposes effectively and that management of the detailing of civilians employed at military installations was in need of improvement.

The more significant findings resulting from our reviews, and agency comments or actions taken on our suggestions and recommendations for improvement, are summarized in the following digests of our reports to the Congress.

Pay and Allowances

Need for improved accounting for civilian employees' leaves of absence in the military departments, Department of Defense, B-152073, Feb. 7, 1969

- We reviewed the maintenance of leave of absence records for civilian employees at 28 military organizations of the Department of Defense. At most of the organizations included in our review, we found that the administrative controls over the records were not adequate for insuring clerical accuracy or compliance with applicable laws. On the basis of our tests, we estimated that these organizations averaged about 14,800 errors annually with a monetary value of about \$493,000. These errors included instances in which the civilian employees had been given more leave than they were entitled to, and instances in which the errors had deprived the employees of leave that they had earned.
- The 28 organizations included in our review constituted a small but representative part of the more than 400 Department of Defense organizations in the United States that maintain such records. Thus it seems probable that the total errors on a Department-wide basis would be many times that disclosed by our review.
- The errors could be attributed primarily to failure of management to establish and operate an effective system for identifying and correcting clerical inaccuracies. A contributory cause in some instances was the failure to maintain a complete file of the applicable administrative regulations and instructions. We found also a need for more emphasis on reviews of leave administration by the Army Audit Agency and the Navy Area Audit Service, as well as by the local administrative review groups in the Army and Navy.

We proposed to the Secretary of Defense that

- A method be established for identification of clerical errors.
- Payroll offices be provided with the instructions needed to properly administer laws and regulations applicable to employees' leave.
- Internal audit of leave be intensified.
- The Assistant Secretary of Defense (Comptroller) stated that each military department would insure establishment and maintenance of adequate controls to identify clerical errors and would insure also the availability of administrative regulations and instructions. He stated further that his office would maintain close surveillance over the progress attained by the military departments in improving clerical accuracy in leave accounting.

- Followup review of per diem payments to prospective crew members of ships under construction in New Orleans. La., Department of the Navy, B-153839, Mar. 24, 1969
 - In October 1964 we reported to the Congress (B-153839, Oct. 16, 1964) that the Navy was incurring substantial unnecessary costs because prospective crew members assigned to ships under construction at commercial shipyards were not being required to use available Government quarters and messing facilities and were being paid per diem allowances instead.
 - As a result of that report, the Navy discontinued the practice in the New Orleans, La., area and required the prospective crew members to use the facilities at a nearby naval installation. During a recent survey we noted that these facilities had been closed and that the practice of paying per diem had been reinstated in September 1965. We undertook a review to determine whether consideration had been given to the alternative of providing Government quarters and messing facilities.
 - We found that, although local officials were aware that the 1964 decision to close the facilities would result in the payment of a substantial amount in per diem, no studies had been made to determine the cost effect of retaining a small portion of the existing facilities for use by the prospective crew members. On the basis of studies initiated during the course of our review, the Navy concluded that savings of about \$2.7 million could be realized over a 46-month period by rehabilitating the quarters and messing facilities previously closed at the nearby naval installation. A contract was awarded in November 1968 for the renovation of the facilities needed to support prospective crew members.
 - The actions that the Navy had taken following our 1964 report did not include establishment of effective controls, including appropriate internal reviews, for maintaining continued surveillance over payments of per diem to prospective crew members assigned in the New Orleans area. It was not until April 1967 that the Navy issued instructions which provided, in part, for increased control and surveillance over payments of per diem to Navy personnel on temporary duty assignments.
- Opportunities for improving internal audit of civilian payroll operations in the Department of Defense, B-152073, June 5, 1969
 - In response to the Comptroller General's request of September 3, 1963, the armed services initiated a program to review and strengthen their procedures for internal audit of civilian pay and allowances. We reviewed the revised audit programs and the work performed by internal audit staffs at 132 military installations and found that, despite significant progress made over the past 5 years, many improvements still were needed in the internal audit of civilian payroll operations in the Department of Defense. To bring these improvements about, we proposed that the Secretary of Defense
 - Revise internal audit programs to incorporate the specific items we had identified as omitted from coverage in the current internal audit programs.
 - Expand internal audit coverage in the areas of salary rates and accuracy of leave records.
 - Make internal audits at least biennially at each military installation and increase the extent of detailed review of transactions when significant deficiencies are encountered.
 - The Department of Defense agreed with these proposals and stated that it proposed
 - To instruct the military services to consider developing biennial audit schedules for the civilian payroll function.
 - To ensure that audit coverage will be given to the matter of proper salary rates and that detailed document examination will be made to the extent necessary.

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On July 29, 1969, the Assistant Secretary of Defense (Comptroller) advised us that appropriate instructions had been issued and that his office would provide surveillance over the progress in implementing them.

Utilization of Manpower

Review of the reliability of the Air Force personnel data system, B-164471, July 25, 1968

- The Air Force maintains a computerized personnel data system to provide the information needed for management of its military personnel. The information provided by the system is used as the basis for management decisions affecting overall planning and budgeting and decisions affecting individual officers and enlisted men in such personnel actions as assignments, promotions, separations, and retirements. We examined the operation of the system for the period April through October 1967. Our examination was directed.primarily toward evaluation of the data recorded in the system and did not include an overall evaluation of the operation.
- We found that the data in the system was not sufficiently reliable to serve management purposes effectively. Our examination of the recorded personnel data for 378 officers—an average of about 85 items of information for each officer—showed that 366 of the 378 data printouts had one or more errors. The errors averaged five for the record of each officer. A similar examination of the recorded personnel data for 480 enlisted men—an average of about 52 items of information for each enlisted man—showed that 457 of the 480 data printouts had one or more errors. The errors averaged three for the record of each enlisted man.

In our opinion the errors stemmed from

- Lack of adequate review procedures to insure the accuracy of personnel information.
- Absence of standards for evaluating the reliability of the data in the system.
- Ineffective guidance and instruction to personnel at base level by higher levels of command.
- Inadequate staffing and training of personnel at base level.
- The Air Force agreed generally with our findings and proposals for corrective action and informed us of steps taken to strengthen its management of the personnel data system. These actions, if properly implemented and monitored, should improve the reliability of the data in the system.

Effectiveness of the Air Force systems for managing manpower resources at air bases in Thailand, B-165863, May 23, 1969

- We found that Air Force units participating in Southeast Asia operations and stationed in Thailand had not received on a timely basis the personnel needed for support of their programs. The principal cause of the shortage of personnel was the limitation on the number of U.S. military personnel permitted in Thailand under existing country-to-country agreements.
- However, had there been no such limitation, there still would have been a shortage of personnel because there were not adequate data and criteria to develop base level manpower requirements and management engineering teams were not being used effectively to determine and review manpower needs at base level. The situation could have been alleviated somewhat if properly trained and experienced personnel had been assigned to these bases and if local nationals had been utilized to a greater extent.
- We suggested that the Air Force could improve its management of manpower resources by
 - Reporting all known manpower requirements.

- Studying the advisability of improving management engineering teams.
- Increasing the use of local nationals.
- Studying the means by which the manpower authorization system could be improved to provide the capability to adjust manpower authorizations in support activities concurrently with major changes in workload.
- Generally the Air Force concurred in our findings and outlined the actions taken as a result of our review. The Air Force did not believe, however, that there was a need for the suggested study of the manpower authorization system.

We suggested also that the Congress may wish to consider the level of existing country ceilings on U.S. personnel, the process by which such ceilings are adjusted, and their effect on the conduct of operations in Southeast Asia.

Need to improve the management of the detailing of civilians employed at military installations, Department of Defense, B-160879, Nov. 15, 1968

- Our findings in an investigation, made at the request of a Congressman, of the practices at an Air Force base in detailing (assigning) civilian employees to work on other than their regular jobs, led us to an expanded review of the practices followed at 10 industrial-type military installations in the Department of Defense.
- The head of an executive department or a military department is permitted by law to detail employees among the bureaus and offices of his department except those employees required by law to be exclusively engaged on some specific work. Details in excess of 30 days are required to be recorded as personnel actions and the records maintained permanently in the agency's official personnel folders.
- We found many instances where large numbers of employees were being "loaned" or "borrowed" between shops for extended periods in excess of 30 days without appropriate personnel action to credit the individuals for the time involved, and instances where details either were not recorded or were improperly recorded.
- Details in excess of 6 months (now 120 days), because they conflict with the principles of proper job evaluation, are required to be approved by the local office of the Civil Service Commission. We found many instances where the required approvals were not being obtained. We found instances also of employees being detailed to higher and lower grade positions and employees being given temporary promotions to fill vacancies.
- Little evidence was found that internal audit and review staffs of the military departments or the Civil Service Commission inspection teams had found these types of deficiencies or that, if they did, they had identified the causes and made appropriate recommendations.
- The Secretary of Defense and the Chairman, Civil Service Commission, agreed in general with our suggestions for corrective measures. The Department outlined to us the actions that had been taken in each of the military departments and the Defense Supply Agency. These actions, if effectively implemented, should protect the interests of both the employee and the Government. The Civil Service Commission advised us that it would issue further guidelines to its inspectors to insure more specific coverage of detailing in their inspections.

Management Control Systems

That portion of the work which relates to our assistance in the improvement of financial management in the Department of Defense, including our cooperation in the development of accounting systems and our review and approval of such systems, is discussed in Chapter Three, Assistance in Improving Agency Management Practices, beginning on page 51.

Administration of Transportation Matters

The discussion of our work in the Department of Defense on matters relating to transportation is included in Chapter Seven, Transportation, beginning on page 233.

Administration of Certain Other Programs

Our findings in reviews of other programs showed a need for

- Centralized management of magnetic computer tape.
- Centarilzed leasing of communications circuits in Europe.

Digests of our reports to the Congress on these findings are presented below.

Control over procurement, use, and disposition of magnetic computer tape in the Department of Defense, B-164392, Sept. 18, 1968

- At June 30, 1967, the Federal Government was operating about 3,700 computers at various locations throughout the world and had accumulated over 10 million reels of magnetic tape, valued at about \$200 million, to serve these computers. The magnetic tape inventory of the Department of Defense—about 6 million reels valued at about \$125 million—is about 60 percent of the Governmentwide total.
- Our review of the practices of the Department of Defense in the procurement, use, and disposition of its magnetic computer tape showed a need for centralized management of these operations. Although the Department has generally established centralized controls over its automatic data processing operations, it has, in our opinion, given inadequate attention to similar controls over its magnetic tape. At the time of our review, the Air Force was the only service that had centralized its management of magnetic tape.
- We found that, in the absence of centralized management, local military commands had
 - Computed tape requirements without adequate knowledge of the quantity or condition of the tape on hand.
 - Procured tape without adequate regard to quantity discounts and other advantages of centralized procurement.
 - Accumulated large quantities of used tape without testing or attempting to rehabilitate it for further use.
- We found also that in some cases no specific instructions had been established for determining when tape was unserviceable, for disposing of unserviceable tape, or for reporting and screening serviceable excess tape for possible use by others.

The Department of Defense was in general agreement with our proposals for corrective action. The Department advised us that

- Action had been taken to screen tape for reuse.
- Consideration would be given to consolidating tape procurements throughout the Department.
- Studies would be made on the need for a uniform method of computing requirements for tape and the need for guidance in the control and use of tape.

Follow-on report on opportunities for savings through use of spare Governmentowned communications circuits in Europe, Department of Defense, B-161992, Apr. 29, 1969

- Our report to the Congress on an earlier review (B-161992, Sept. 22, 1967) presented our findings that savings could be obtained if the military commands in Europe effectively used spare Government-owned communications circuits in place of leased lines. A follow-on review was undertaken to ascertain what actions the Department of Defense had taken or planned to obtain better use of these spare circuits.
- We found that actions taken by the Defense Communications Agency, Europe, (DCA-E), and other military agencies, in implementing our earlier recommendations had reduced lease costs by about \$1.1 million as of October 1968 with a corresponding beneficial effect on the balance-of-payments problem.
- We found also that the military services and other Government agencies were individually contracting for leased lines. In the opinion of DCA-E additional savings could be realized and better service could be obtained through the establishment of a centralized leasing agency in Europe.
- We suggested that the Secretary of Defense consider establishing a central leasing agency in Europe to achieve further savings. The Department of Defense concurred with this suggestion and on July 8, 1969, advised us that such an agency had been determined to be feasible and that a field office of the Defense Commercial Communications Office would be established in Europe during fiscal year 1970.

Chapter Six

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CHAPTER SIX

Audit of

International

Operations and Programs

NATURE OF AUDIT WORK PERFORMED

In the past, most U.S. Government programs of an international character were performed principally by the Department of State and its related agencies, including the Agency for International Development, and by the Department of Defense and its related organizations.

In recent years, however, an increasing number of other U.S. Government departments and agencies have become engaged in administering programs in foreign countries or in expanded activities having international implications. These departments and agencies include:

- Department of the Treasury-International Finance Functions.
- Post Office Department—International Services.
- Department of Commerce—International Programs and Affairs.
- Department of Agriculture—Foreign Agricultural Functions.
- United States Information Agency.
- Peace Corps.
- Export-Import Bank of the United States.
- Various independent agencies.
- Several U.S. departments and agencies that conduct interagency programs in foreign countries.

INTERNATIONAL OPERATIONS

Our international work during fiscal year 1969 has recognized important matters of current interest such as U.S. activities in Vietnam and Southeast Asia, the combined foreign assistance programs of the United States for significant aid to recipient countries, and U.S. participation in international organizations. We have also directed increased efforts toward the problems associated with such continuing areas of major interest as the U.S. balance-of-payments position, utilization of excess or near-excess U.S.-owned foreign currencies, and the development of accounting systems and improved financial management and control procedures in the principal U.S. civil agencies responsible for international programs.

In our audit plans we direct our resources into tests of areas, programs, or agency management where we believe there are prospects for constructive disclosures or recommendations for needed improvements. Our assignments are made with awareness for congressional concern, and in 1969 a sizable part of our total international effort was applied to projects directly requested by congressional committees or Members of the Congress, with increased emphasis on Vietnam and Southeast Asia.

As a result of our work in the international area during the fiscal year, we submitted 30 reports to the Congress. Twelve of these reports were submitted to the Congress as a whole and 18 were submitted to its committees, officers, or Members on special reviews, audits, or investigations made in response to their requests. We also submitted 27 reports to agency officials in relation to deficiencies in financial management and operating procedures. These reports are listed on pages 322 to 326 of Appendix C-2 of this report. Digests of our reports submitted to the Congress are included throughout this chapter.

FOREIGN LOCATIONS AT WHICH AUDIT WORK WAS PERFORMED

During fiscal year 1969 we performed audit work at locations outside the United States as summarized below, including that performed at U.S. military installations abroad:

Areas	Locations	Countries
European Branch area Far East Branch area	156 200	20 11
Latin America and other foreign areas	38	14
- Total	394	45

208

REVIEWS OF UNITED STATES ACTIVITIES RELATING TO VIETNAM AND SOUTHEAST ASIA

The volume of expenditures for the U.S. programs and activities being performed in Vietnam and Southeast Asia, and the special management problems associated with those activities, have continued to be of intense concern to the Congress. In consonance with its views, we increased the resident staff of our suboffices located in Saigon and in Manila during the fiscal year. This will enable us to be more readily responsive to congressional requests and will strengthen our capability to place greater emphasis on our audit efforts of the more significant programs in that area.

During fiscal year 1969 the General Accounting Office issued 21 reports relating to programs and activities being conducted in Vietnam and Southeast Asia. The majority of our reports in these areas were made in response to requests from congressional committees or individual Members of the Congress. Our reports included such matters as:

- Difficulties in arranging air support services for U.S. contractors in Vietnam.
- U.S. construction activities in Thailand, 1966 and 1967.
- Review of the Hamlet Evaluation System, Vietnam Pacification Program.
- Review of a contractor's material control in Vietnam.
- Examination of offshore procurement of prefabricated buildings for Vietnam.
- Followup review of the financial aspects of a loan for construction of a water supply system for Saigon, Vietnam.

At the close of the fiscal year, we had 15 reviews in process relating to programs and activities in Vietnam and Southeast Asia.

INTERNAL AUDIT AND FINANCIAL MANAGEMENT REVIEWS

During the fiscal year, we reported to the Congress the results of our reviews of the internal audit activities of the Agency for International Development and the United States Information Agency. At the end of the fiscal year, we were processing a report to the Congress on our review of the internal audit system of the Department of State.


U.S. Military Advisor Gathering Data for Hamlet Evaluation System, Vietnam Pacification Program.

In September 1968 we approved the statement of accounting principles and standards submitted by the Department of State. We also reviewed certain segments of the accounting systems and financial management activities of the principal civil departments and agencies that administer programs of an international character, and issued reports to officials on the results of our reviews.

Throughout the fiscal year we engaged in frequent consultations with representatives of the various departments and agencies to assist them in the development of their accounting principles and standards and financial management systems.

Our work relating to internal audit and financial management reviews is further discussed in Chapter Three, Assistance in Improving Agency Management Practices. Digests of our reports to the Congress and other details on these subjects appear elsewhere in this chapter.

COUNTRY REVIEWS OF FOREIGN ASSISTANCE PROGRAMS

In addition to our functional-type reviews of selected segments of the various foreign assistance programs, we continued our country-review approach as a means of getting a broader perspective as to the reasonableness and effectiveness with which the total U.S. assistance is programmed and managed in obtaining U.S. objectives, goals, and targets in a given country.

During the fiscal year we concentrated our audit efforts in areas where major U.S. foreign assistance programs were being conducted in recipient countries located in the Far East, the Near East, and Latin America, with special emphasis on identifying and reviewing the truly significant issues in each recipient country.

We issued two reports as described below on our country reviews during the year, one to the Congress on economic assistance provided to Korea, and the other to the Senate Foreign Relations Committee in regard to the administration and management of nonproject assistance to Colombia.

Reports on reviews relating to Thailand, Laos, Ethiopia, Tunisia, Nigeria, Guatemala, and Honduras were in process at the end of the year.

Economic assistance provided to Korea by the Agency for International Development, B-164264, July 16, 1968

- We reviewed selected aspects of the economic assistance program for Korea as administered by the Agency for International Development (AID). Our review was directed primarily to development loan projects which are becoming the largest single segment of economic assistance to Korea.
- We found that Korea has made significant economic progress in recent years and hopes to achieve a self-sustaining economy by 1971. It has been increasing its foreign exchange reserves and is more and more able to obtain economic assistance from sources other than the United States. Consequently, sizable reductions were planned in U.S. assistance to Korea, beginning with fiscal year 1968.
- We believed that, during the period covered by our review (1962-67), the U.S. assistance provided to certain sectors of the Korean economy was not as effective as it could have been in that (1) delays occurred in completing electric power projects, which resulted in power shortages, (2) delays in procuring diesel engines and railroad shop equipment resulted in possible increased operating costs, and (3) the Republic of Korea Government should be encouraged to institute an adequate program to improve and expand its coal production instead of importing oil as a basic fuel.
- As a result of our review, AID has initiated a number of actions to reduce serious and lengthy delays in the implementation of large capital projects. Also, AID advised that the Korea Institute of Science and Technology has been commissioned to carry out a study of overall energy demands to determine the coal versus oil issues.

Administration and management of nonproject assistance to Colombia, B-161798, July 8, 1968

Our review, made at the request of the Senate Committee on Foreign Relations, examined into the administration and management of U.S. assistance furnished to Colombia by the Agency for International Development (AID) under the program lending technique for nonproject purposes during the Alliance for Progress. Colombia was selected by the committee as being fairly representative of the Alliance nations.



- Our work was directed toward developing an exposition of how AID's program in Colombia was conceived and implemented, along with special analyses which we determined to be useful and appropriate. Our review showed that Colombia's economic growth and social progress during the Alliance was sub-stantially less than planted, due, in large part, to problems encountered in Colombia's own self-help performance.
- The objective of AID's nonproject assistance to Colombia has been to have a constructive effect upon Colombia's development policies and practices and to facilitate Colombian self-help measures. While there is little question that AID has met this objective to some degree, the real question was whether AID actions have had sufficient effect and, under the circumstances, have been implemented so as to call forth optimum contribution by the cooperating country to the development process.

During our review we noted that, from the beginning of the Alliance, AID

- Had not made systematic or substantive evaluations of Colombia's progress and performance in many areas.
- Had not developed a system for accumulating prior experience for application in developing its future strategy.
- Lacked specificity in its goals and targets in many instances.
 Did not tailor its level of assistance to specific levels of country performance.
- Had not had independent management reviews made of the overall adequacy and effectiveness of AID strategy for achieving U.S. and Alliance developmental objectives in Colombia.
- Had a serious lack of basic data in Colombia, and a system for gathering and assessing such data in a timely manner had not been developed.
- We also suggested the need for improvement in AID management practices concerning priority usage of AID-controlled local currency reserves and available excess property; improved controls over AID-financed commodities; timely collections for ineligible procurements; and adequate audit effort of nonproject activities.
- Accordingly, we proposed that the Administrator, AID, take action to (1) insure that systematic substantive evaluations be made of Colombia's performance and progress in each key area affecting its economic and social development, (2) develop alternative annual levels of assistance tailored to specific levels of Colombian performance, (3) develop a method of incre-mental funding whereby the release of AID assistance is conditioned on, and proportionate to, specific levels of Colombian performance, and (4) require regular management reviews of the overall effectiveness of AID program strategy in Colombia by knowledgeable independent officials.
- AID agreed that our third and fourth proposals, as discussed above, warrant further consideration and that corrective action should be taken on a number of our suggestions for improved management practices, but they took exception to our first and second proposals which they feel are already being carried out in Colombia. We did not agree, however, that substantive evaluations have been made in many areas, and we noted a number of key areas where they were not. We also did not believe that AID has tailored annual assistance levels for Colombia to specific levels of government performance, and we felt that this issue needed reappraisal.
- AID felt that its nonproject assistance strategy has created a better basis for Colombia's achievement of a higher future rate of economic growth and social progress. Despite this assessment, and strikingly similar assessments made by AID each year since 1963, we found that Colombia's annual economic growth and social progress have been considerably less than planned, and substantially less than had been determined by AID as being achievable by Colombia under the circumstances.



Community Development Project in Colombia, Financed Under the Alliance for Progress.

AGENCY FOR INTERNATIONAL DEVELOPMENT

The Agency for International Development administers U.S. economic assistance programs to selected foreign countries and international organizations under the provisions of the Foreign Assistance Act of 1961, as amended, and other related legislation.

During fiscal year 1969, we conducted audits and special reviews pertaining to various programs and activities administered by the Agency. We issued reports to the Congress relating to the need for improvements in management of the excess property program, and to a review of the Agency's internal audit activities in Washington. We also issued seven reports in response to requests from committees and Members of Congress on various matters of their respective interests, and three reports to agency officials.

Our reports to congressional committees and Members of the Congress included reviews of:

- Procurement, travel, and other financial practices of a foreign contractor.
- Unpaid billing for rehabilitation of excess property in Belgium.
- Information relating to a contract settlement between AID and a manufacturing company in Japan.

Our reports to agency officials related to our review of the Agency's cost reduction and management improvement program and requests for approval of segments of the Agency's Accounting Manuals for the Advance Acquisition of Excess Property and the Foreign Currency Programs.

In our report on the Agency's cost reduction and management improvement program we pointed out certain management weaknesses and we made a number of recommendations which we believed would strengthen the program.

In December 1968, we approved the Agency's proposed accounting system design for the Advance Acquisition of Excess Property and in January 1969 we approved the accounting system for the Foreign Currency Programs.

Also, during the fiscal year we continued to render advice and assistance to Agency officials in the development of acceptable accounting system segments of their overall accounting system and assisted them in the implementation of the Loan Program accounting system.

During fiscal year 1968 we issued a report to the Department of State and the Agency for International Development concerning the merger of their separate automatic data processing systems. Early in fiscal year 1969 we were informed by officials of the agencies that they had made a study of existing automated data processing activities and had established a joint working group to explore not only a bilateral integration, but a common data processing capability for the entire Foreign Affairs Community, including the Department of State, the Agency for International Development, the United States Information Agency, the Peace Corps, and the United States Arms Control and Disarmament Agency.

Following are digests of our reports to the Congress relating to the Agency for International Development.

Need for improvements in management of the excess property program, B-146995, Aug. 2, 1968

- Our review of the Agency for International Development's (AID) program in Europe for advance acquisition of excess property showed a need for strengthening its administration and management of the rehabilitation and distribution of excess property.
- The methods used by AID to distribute excess property to eligible countries did not give consideration to making excess property available on a priority basis to those countries where such property would be used to reduce the costs of U.S.-financed projects and programs. AID followed a policy of distributing excess property on a first-come-first-served basis without considering whether the intended use of the property was for substitution of new procurement or was to be used by the recipient country as supplemental assistance.
- We believed that AID's policy of distributing excess property on a strictly firstcome-first-served basis not only impeded the achievement of the objectives of the excess property program—that is, optimum use of excess property in lieu of new procurement—but also resulted in ineffective utilization of the property, as noted during our visit to Turkey.
- Our review also showed that the extent of Government surveillance over the quality of the rehabilitation work by private contractors had not been sufficient to insure that the equipment was in a satisfactory operating condition before being distributed to the recipient countries.
- In commenting on our review, Agency officials agreed generally with our findings and had taken, or were taking, a number of specific corrective actions. These included actions to (1) emphasize the use of excess property as a substitute for new procurement, (2) upgrade the quality of the rehabilitation work, and (3) strengthen and improve the negotiation and administration of present and future excess property rehabilitation contracts.

Review of Washington internal audit activities of the Agency for International Development, B-160759, Jan. 17, 1969

- On the basis of our review, we concluded that the Agency for International Development's (AID) concept of the utility of internal audit is limited to a relatively narrow approach that has directed audit effort away from substantive program matters to levels of audit coverage and disclosure below those that would be of maximum benefit to top management. Further, we found that a number of significant management areas were not audited.
- We believed that AID/Washington's internal audit would be made more effective by improving its stature (1) through a better recognition of the importance of the internal audit function as a tool of top management in controlling operations, (2) by placing it higher in the organization, and (3) by coordinating it with other review functions.

- The scope of AID's internal audit coverage was not broad enough to provide systematic coverage of significant aspects of all AID-financed activities and operations in Washington and the field.
- We also found that AID needed to improve the timeliness of its audit reviews and reports on contractor performance under AID contracts and to require that contracting officers take more positive corrective action on its audit recommendations. In addition, we believed that AID's internal audit staff was inadequate in numbers, training, and experience to accomplish the needed internal audit coverage.
- Officials of AID generally agreed with our proposals and advised that on June 16, 1969, they revised their organizational structure to coordinate and upgrade their internal audit, inspection, and review functions.

DEFENSE INTERNATIONAL ACTIVITIES

Defense international activities, including the military assistance program and other Defense overseas activities involving cooperative efforts with foreign countries, are generally administered by the Department of Defense.

During the fiscal year our reviews of these activities were directed primarily to programs being conducted in areas of interest to the Congress, including foreign military sales and construction programs in Southeast Asia. We also made reviews of various significant functions, operations, and programs related to military assistance provided to several countries. In addition, we reviewed certain aspects of the U.S. participation in the North Atlantic Treaty Organization.

As a result of our reviews of Defense international activities, we submitted two reports to the Congress, one relating to U.S. construction activities in Thailand and the other to difficulties encountered in arranging air support services for U.S. contractors in Vietnam. We also submitted four reports to chairmen of congressional committees on special investigations made at their request, and five to Defense Department officials. Two of our departmental reports were of a classified nature, one secret and the other confidential.

Other reviews of Defense international activities included:

- U.S. construction programs in Southeast Asia related to the Vietnam conflict.
- Foreign military sales financing, negotiating, and administrative practices.
- International agreements concerning offshore defense expenditures.
- U.S. commitment to support an international weapons production program.

- Programming, delivery, and utilization of HAWK missile systems provided to certain recipient countries.
- Training of foreign nationals under the military assistance program.
- Certain aspects of U.S. participation in the North Atlantic Treaty Organization.

We have also performed review work during the year on several specific congressional requests concerning certain aspects of construction activities in Vietnam.

Following are digests of our reports to the Congress relating to Defense international activities.

U.S. Construction Activities in Thailand, 1966 and 1967, B-159451, Nov. 13, 1968

- Our survey was conducted in Thailand in two phases, the first in the fall of 1966 and the second in the summer of 1967, and was concerned primarily with the administration of two cost-plus-award-fee contracts by the Officer in Charge of Construction, Thailand, Naval Facilities Engineering Command, totaling about \$164.8 million. We also briefly examined into the scope of other construction projects, amounting to about \$159 million, being accomplished by engineer and construction units of the U.S. Army and Air Force, and civilian contractors in Thailand. Additional followup work was performed in March 1968 to evaluate the comments of the Department of Defense and the contractors on our draft report.
- A major problem from the standpoint of cost effectiveness noted by us during our survey was the initial haste and consequent instability of the construction program in Thailand, as evidenced by the constant changes in the scope of the work. We believed that it might have been possible to reduce the magnitude of these changes to a considerable extent with improved program planning. We believed further that haste and instability in the Thailand construction program have significantly contributed to increased program costs and have made it difficult for the Naval Facilities Engineering Command to administer the contracts involved in the most effective and economical manner.
- Our findings and conclusions were immediately brought to the attention of Navy's Officer in Charge of Construction in Thailand during our initial review. In our followup review in March 1968, we found that corrective action had been taken on a number of matters related in our report.

Difficulties encountered in arranging air support services for U.S. contractors in Vietnam, B-159451, Nov. 14, 1968

- We reviewed certain aspects of the arrangement made for air support services for U.S. contractors performing work under sizable contracts in Vietnam. Through the lack of agreement or working arrangement between the Governments of the United States and the Republic of Vietnam, U.S. contractors were denied permission to operate, or to obtain through subcontract with a U.S. carrier, airlift services required to fulfill their assignments.
- As a result of the foregoing, two major prime contractors had to seek alternate arrangements to obtain airlift services and had incurred additional costs of about \$1.5 million. These charges were under cost-reimbursable contracts and were ultimately borne by the U.S. Government, resulting in higher program costs, as well as impeding the progress of construction programs.
- One prime contractor obtained its airlift services from a joint venture of a U.S. air carrier and the Vietnamese national flag carrier. A 15-percent premium, based on gross revenues and amounting to \$1.2 million, was paid to the Viet-

INTERNATIONAL OPERATIONS



"Bare base" Airfield

U.S. CONSTRUCTION ACTIVITIES IN THAILAND



U-Tapao Air Base, Sattahip

Sattahip Port



namese air carrier primarily for obtaining clearances for the U.S. carrier to operate in this capacity in Vietnam. Another contractor, after using the services of the Vietnamese air carrier, tried to establish its own airlift capability by purchasing two aircraft. Only after a delay of 1 year and at an estimated additional cost of \$282,000 was the contractor finally able to operate in Vietnam.

- We recommended that the U.S. Government continue its efforts to obtain an agreement or working arrangement with the Government of Vietnam to permit the operation of contract commercial aircraft on an exclusive-use basis for logistic air support of U.S. Government programs in Vietnam.
- In January 1969, officials of the Department of State informed us that the 15percent premium payments had been eliminated in July 1968, and that an interim arrangement has been in effect since that time, pending formulation of a formal agreement.

INTERAGENCY REVIEWS

Certain international programs conducted in foreign countries are administered by, and interrelated between, several U.S. Government departments and agencies. These programs are performed under the provisions of various legislation, including the Foreign Assistance Act of 1961, as amended, and the Agricultural Trade Development and Assistance Act of 1954, as amended (commonly known as Public Law 480 or Food for Peace).

The principal interagency programs of an international character included in our reviews are (1) Food for Peace, (2) management and utilization of foreign currencies, and (3) programs affecting the U.S. balance-of-payments position.

During the fiscal year we issued three reports to agency officials on the results of our reviews of Food for Peace activities. We submitted four reports to agency officials relating to the utilization of foreign currencies. As a result of our reviews involving U.S. balance-of-payments matters, we submitted two reports, one to a Member of Congress and the other to a congressional committee, and three reports to agency officials.

Our reports to a congressional committee, a Member of Congress, and to agency officials on interagency programs included reviews of:

- Selected shipments of Public Law 480 commodities and other supplies exported by voluntary relief agencies.
- Financial management procedures of the Department of Agriculture relating to the collection of foreign currency proceeds from sales of agricultural commodities under title I of Public Law 480.
- Selected shipments of agricultural commodities exported under title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480).

- Selected policies regarding accommodation exchange transactions in excess currency countries.
- Dollar benefit payments in lieu of U.S.-owned dinar payments to certain annuitants residing in Yugoslavia.
- Policies, procedures, and practices for administering U.S.-owned local currency funds generated from the sale of surplus agricultural commodities in the Republic of the Philippines and allocated for common defense purposes.
- Certain matters pertaining to U.S. balance-of-payments.
- Utilization of U.S. flag vessels in the shipment of bartered commodities.
- Balance-of-payments effect of military offshore procurement.
- Effectiveness of policies restricting use of AID dollars to procurement from the United States.
- Offshore procurement of prefabricated buildings to fill requirements originating in Vietnam.

DEPARTMENT OF STATE

The Department of State is responsible for establishing and implementing the foreign policy goals of the United States including representation in relations and negotiations with other countries and with the United Nations and other international organizations.

Our examinations during the fiscal year related to activities of the Department's Washington Office, as well as U.S. embassies and Special Missions abroad. We issued seven reports during the fiscal year: Two were submitted to the Congress, one to a committee of the Congress on a review made at its request, and four were addressed to agency officials.

Our reports submitted to the Congress concerned the (1) need for the Department to improve its management and control over nonexpendable personal property located at overseas foreign posts, and (2) procedures in establishing and administering the international programs of the Center for Cultural and Technical Interchange Between East and West. Our review of the Hamlet Evaluation System, Vietnam Pacification Program, was made at the request of a congressional committee.

We reported to agency officials the results of our reviews of the economies available in the operation of the U.S. Embassy and selected consulates in the Federal Republic of Germany, and the administrative activities of the U.S. Embassy and selected consulates in Thailand. We

INTERNATIONAL OPERATIONS

reviewed the Department's statement of accounting principles and standards and approved it on September 20, 1968. We also completed a review of the design of the accounting system for the Foreign Service Retirement and Disability Fund and advised the Department of the need for certain design modifications.

We continued our study, initiated in the prior fiscal year, of the Department's financial management activities to identify areas requiring further systems development efforts by the Department and to develop appropriate design concepts which should be considered in the development of an adequate accounting and financial reporting system.

During the fiscal year we completed our review of the implementation of the President's cost reduction program in the Department of State and, at fiscal year end, we were preparing a report on the results of that work. Also, at fiscal year end we were preparing a report on our review of the Department's internal audit system.

We issued a report in the prior fiscal year on our review of accounting, disbursing, and automatic data processing operations of the Regional Finance and Data Processing Center in Paris, France, wherein we identified specific matters pointing up the need for a general strengthening of management control processes and other system improvement efforts. The Department informed us that certain of our recommendations were implemented during fiscal year 1969, including those concerning improved security in regard to software tapes and documentation and unauthorized entry to the computer room, translation of documents, and updating the manual of operations.

Following are digests of our reports to the Congress during the fiscal year relating to Department of State activities.

Improvements made or to be made in the acquisition and management of nonexpendable personal property overseas, B-165867, Mar. 12, 1969

- Our work was performed at nine different foreign posts located in Europe, the Far East, Southeast Asia, Africa, and South America. The purpose of our review was to determine whether the policies, procedures, and practices relating to the acquisition, utilization and disposition of nonexpendable property were adequate and were being administered in an efficient and effective manner.
- On the basis of our review, we concluded that there was need for improvement by the Department of State in the acquisition and management of nonexpendable personal property at overseas posts. Improvements were needed in the following areas: Financial control over nonexpendable personal property, physical inventory taking, property recordkeeping, physical security arrangements, identification and disposition of excess property, and procurement. In addition, we noted that there was need for greater internal audit surveillance by the Department.

The importance of adequate property accounting by Federal agencies has been specifically recognized by the Congress by its enactment of legislation setting forth definite requirements in order to provide an economical and efficient system for the procurement, utilization, disposal, and records management of

222

personal property. Also, in September 1966 the President issued a directive to all Federal departments and agencies relating to the reduction of supply inventories, better supply controls, and the utilization and redistribution of excess property in lieu of procuring new items.

Department of State officials concurred with our findings and recommendations and informed us that corrective actions have been taken or planned.

Activities of the Center for Cultural and Technical Interchange Between East and West, B-154135, May 20, 1969

- Pursuant to the Mutual Security Act of 1960 (22 U.S.C. 2054), the Department of State entered into a grant-in-aid agreement with the University of Hawaii for the establishment of a Center for Cultural and Technical Interchange Between East and West. The purpose of the Center is to promote better relations and understanding between the United States and the nations of Asia and the Pacific through cooperative study, training, and research. The Center is situated on the university's main campus on land which has been made available in perpetuity for the uses to which it is dedicated.
- Our review of the activities of the Center for Cultural and Technical Interchange Between East and West was made to obtain information bearing on the administration and the effectiveness of East-West Center operations. It did not, however, encompass an assessment of the educational aspects of the East-West Center facilities. Our review included examination of pertinent documentation and interviews with officials of the East-West Center, the University of Hawaii, and the Department of State.
- We found that (1) there was a need for a more systematic method of making objectively based evaluations of the effectiveness of the Center's various activities, (2) there was not a master plan which would indicate the location of proposed future facilities and prospective sites of additional land that would be made available to the Center, and (3) although under the grant agreement the university is primarily responsible for the operation of the Center, the nature of the Center's development has been such that the university currently does not play a major role in Center policy formulation and decisionmaking key aspects of operational management.
- The University of Hawaii concurred that there was a need for the development of a long-range plan for the future expansion of the Center and that additional land should be made available as needed. The Department of State pointed to the provision for land in the grant agreement and the commitment of the university to make additional land available as needed.
- The State Department did not believe that it was necessary to revise the grant agreement in view of the close working relationship that existed between the East-West Center and the University of Hawaii. This position was supported by the university which believed that the agreement should not be revised until the nature of the relationship, which was still changing, becomes more clear.

UNITED STATES FINANCIAL PARTICIPATION IN INTERNATIONAL ORGANIZATIONS

The United States has made grant contributions of about \$4.5 billion to the United Nations and other international organizations. In addition, it has paid about \$8 billion towards its capital subscriptions in the World Bank and other international lending institutions. The rising level of contributions to the international agencies, coupled with the increased

INTERNATIONAL OPERATIONS



congressional interest in this area, indicated that we should review U.S. participation in certain of the international agencies.

Our objective was to examine the methods used by the executive branch as to the level, content, and formulation of the programs and budgets supported by U.S. contributions, and on the economical and efficient management of these activities.

During the fiscal year we reported to the Congress the results of our initial efforts in reviewing U.S. financial participation in international organizations including the World Health Organization and the Organization of American States. Early in July 1969 we submitted a report to the Congress on the results of our review of the U.S. financial participation in the United Nations Children's Fund. Our reviews indicated that the United States needs much more information on the programs and operations of these organizations in order to make meaningful assessments relative to the manner in which the programs are carried out and the extent to which they are consistent with U.S. objectives.

At the close of the fiscal year we had six reviews in process relating to U.S. financial participation in international organizations.

Following are digests of our reports submitted to the Congress during the fiscal year on our reviews of U.S. financial participation in international organizations.

U.S. participation in the World Health Organization, B-164031(2), Jan. 9, 1969

- Our review was directed primarily to disclosing the manner in which the Department of State—the agency charged with overall responsibility for direction and coordination of U.S. participation in international organizations—was administering the budgetary and financial aspects of U.S. participation in the World Health Organization (WHO).
- We found that executive agencies had not obtained the specific analytical information relative to proposed and continuing WHO projects and programs needed to identify programs whose justification may be questionable or which could be accomplished with greater economy and efficiency. Budget and operational data furnished to members by the WHO Secretariat has been too sketchy and incomplete to make firm assessments regarding implementation of WHO projects and programs.
- The United States has no systematic procedure for evaluating WHO projects and programs. Those attempts which have been made by the United States and by United Nations agencies have fallen short of what is required by U.S. officials to make independent judgments relative to the efficiency and effectiveness of WHO operations.
- In 3 of the last 4 years, the United States voted against adoption of the proposed budgets on the basis that they were higher than the United States considered appropriate. The proposed budgets were adopted, however, on the votes of other members, and the United States thus contributed to budgets greater than it wished to support.
- Although U.S. interests appeared to have reflected in certain WHO programsnotably malaria and smallpox eradication-we found it difficult to determine to what extent U.S. objectives have been met over the years because the

executive branch had not decided on the relative order of magnitude which it believed appropriate for the various WHO programs.

- The Departments of State and Health, Education, and Welfare agreed in principle with most of our recommendations. The Department of State pointed to actions being taken on a United Nations-wide basis to seek improvements in fiscal and administrative practices of international organizations. The agencies, however, did not indicate any intention to actually implement the recommendations.
- U.S. financial participation in the Organization of American States, B-165850, Apr. 9, 1969
 - The United States, like each of the 22 Organization of American States (OAS) members, has one vote in the OAS governing body which reviews and approves the annual OAS programs and budgets formulated and proposed by the OAS secretariat—the Pan American Union (PAU).
 - We found that U.S. representatives to the OAS governing body had not obtained from PAU the information which is necessary to assess whether OAS programs are consistent with U.S. objectives to the extent deemed warranted by the level of U.S. contributions, which have been established at 66 percent of all members' contributions. In this connection, because of the chronic arrearages of other members, in reality U.S. contributions during the last 4 years were \$10 million more than they would have been if the established 66:34 ratio had been maintained.
 - U.S. contributions were also somewhat greater than they should have been because the method used by PAU to reimburse its American citizen employees for Federal income taxes results in some employees being reimbursed more than they actually pay in taxes. The United States finances the entire reimbursement.
 - We found that neither the Department of State, other member states, nor PAU management authorities actively seek resolution of the recognized long-standing problems in PAU financial and personnel administration.
 - Recent actions cited by the Department should pave the way for better information on OAS activities and for improved PAU administration. We believed, however, that the Department should more effectively work with other member states and PAU management authorities to promote correction of the indicated problems.

PEACE CORPS

During the fiscal year we provided assistance to the Peace Corps in their efforts to develop a statement of accounting principles and standards and have made ourselves available to a public accounting firm that has been working under a contract to design, develop, and install an accounting system that conforms with our prescribed accounting principles, standards, and related requirements.

We submitted a report to the Congress relating to the opportunity to use excess foreign currencies to pay transportation expenses of returning Peace Corps volunteers. In July 1968 we furnished information to a Member of Congress in connection with reviews made of the administration of the Peace Corps.

Following is a digest of our report to the Congress relating to the Peace Corps.

Opportunity to use excess foreign currencies to pay transportation expenses of returning Peace Corps volunteers, B-145883, Apr. 23, 1969

- We examined into the Peace Corps practice of paying U.S. dollars, in lieu of furnishing Government Transportation Requests (GTR's), payable in U.S.owned excess foreign currency, to volunteers returning from foreign posts upon completion of their tour of duty. This examination was part of our continuing reviews of U.S. Government efforts to use excess or near-excess foreign currencies abroad in lieu of dollars wherever possible.
- We found that during the 17-month period ended November 30,1968, 492 Peace Corps volunteers returning from India were paid \$181,759 in cash for return transportation to the United States in lieu of being furnished GTR's payable in excess rupees at virtually no cost to the U.S. Government. Similarly, we found that in Tunisia, during fiscal years 1966 and 1967, 187 Peace Corps volunteers were paid about \$64,000 in cash for return transportation to the United States in lieu of being furnished GTR's payable in excess dinars.
- It is the expressed intent of the Congress and the executive branch that maximum utilization be made of U.S.-owned excess and near-excess foreign currencies to alleviate the U.S. balance-of-payments position. Also, when U.S.-owned excess or near-excess foreign currencies are used in lieu of appropriated dollars, the budget of the United States is favorably affected by the dollar equivalent of the currencies so used. The appropriated dollar equivalent is used either to reduce another appropriation request or is credited to a Treasury Department receipt account.
- We recommended to the Director of the Peace Corps that the policy of paying dollars in lieu of providing GTR's payable in U.S.-owned excess foreign currency should be terminated unless it was determined that the continuation of the practice was essential to recruitment and therefore to the Peace Corps.
- On June 16, 1969, the Director, Peace Corps, informed us that all new volunteer applicants will be advised prior to their enrollment that the cash-in-lieu-of-GTR privilege will not be available if, at the time of the termination of their Peace Corps service, they are stationed in a country which has been designated by the Treasury Department as an "excess" or "near-excess" currency country. Also, volunteers presently serving in "excess" or "near-excess" currency countries, but terminating after December 31, 1969, will be given GTR's payable in excess currency.

UNITED STATES INFORMATION AGENCY

We continued our efforts in constructively assisting the Agency to further improve its financial management system. We assisted the Agency in the development of its Statement of Financial Management Policy and Accounting Principles and Standards to meet the requirements of the General Accounting Office. On December 31, 1968, we approved the statement as submitted. We issued a report to the Agency in which we urged the establishment of an accounting system development plan and the application of an adequate number of technically qualified personnel to accomplish the work called for by the plan. As a result of our report, the Agency has taken steps to obtain aid in the design and development of its accounting system through the use of contractual assistance. In addition, we issued a report to the Agency on our review of the disposal of usable magnetic recording tape by the Broadcasting Service.

In April 1969 we submitted a report to the Congress on our review of the Agency's internal audit function in which we pointed out that its internal audit could be made more effective through:

- Recognition of the importance of internal audit as a tool of top management in controlling operations.
- Improvement of the stature and independence of the internal audit function by relocating it to a higher level.

The findings and Agency comments on our report are summarized in the following digest.

Review of the internal audit activities of the United States Information Agency, B-160759, Apr. 8, 1969

- Our review of the internal audit activities of the United States Information Agency (USIA) was directed primarily toward evaluating the effectiveness of internal auditing as a means of providing management with information on the effectiveness, efficiency, and economy with which USIA operations and activities are being carried out.
- On the basis of our review, we found that USIA's internal audit has been applied mainly to housekeeping-type activities, such as warehouse operations, fund control, payroll, and receiving and inspection of goods, and to levels of coverage and reporting below those that would be of benefit to top management. We also found that there is need for USIA to improve the quality of internal audit work by identifying and reporting on the causes of deficiencies and documenting more fully the audit work performed.
- We believed that USIA could make its internal audit more effective through recognition of the importance of internal audit as a tool of top management in controlling operations, such as, radio broadcasting, libraries, press, motion pictures, television, exhibits, book publication and distribution, and Englishlanguage instruction. We also believed that USIA should (1) raise the organizational standing of the internal audit activities and coordinate them with other management review activities, (2) broaden and refine the internal audit programming approach, performance, and reporting requirements, (3) adjust the use of auditing effort, as required, to insure balanced coverage of essential internal audit areas, and (4) continue its recruitment efforts to fill authorized positions and vacancies.
- Officials of USIA generally agreed with our proposals and advised us on May 9, 1969, that action was being initiated to relocate the audit function together with the inspection function in a new unit headed by an Associate Director, reporting directly to the Director and his Deputy.
- They also stated that the auditors and inspectors will be charged with broadened responsibilities for assessing program execution and related management activities and that there will be increased emphasis on operational auditing without forgetting the financial and accounting audit requirements.

EXPORT-IMPORT BANK

Pursuant to the provisions of the Government Corporation Control Act, we made an audit of the Export-Import Bank of the United States and furnished a report to the Congress on the results of our audit. In response to a request from a congressional committee, we furnished a report on certain aspects of the role of the Export-Import Bank in U.S. export expansion. We also issued two reports to the Bank on our examination of their statement of assets and liabilities and on our review of the utilization of ADP equipment.

Following is a digest of our report to the Congress.

Audit of Export-Import Bank of the United States, fiscal year 1968, B-114823, May 29, 1969

- Our report on the audit of the Export-Import Bank included the results of our examination of their financial statement of assets and liabilities as of June 30, 1968, and the related statement of income and expense. We also examined the analysis of retained income reserve and the statement of source and application of funds for the year then ended.
- As a result of our audit work, we recommended that (1) the Bank's management seek methods to refine and improve upon monitoring the effectiveness of the discount loan program, and (2) that the Bank document the nonavailability of commercial bank credit as part of the approval process for direct loans.
- We also expressed the belief that definitive criteria need to be established in approving credit through the export expansion program, under which \$500 million of the Bank's loan, guarantee, and insurance authority was set aside to extend credit on the basis of more liberal criteria for determining the likelihood of repayment.
- The Bank disagreed with some of our findings; however, we were advised that overall program guidance was being developed as experience was gained in the export expansion program.
- In our opinion, the financial statements presented fairly the position of the Export-Import Bank of the United States at June 30, 1968, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

Chapter Seven

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CHAPTER SEVEN

Transportation

GENERAL

The General Accounting Office is responsible for determining the correctness of charges paid for freight and passenger services furnished for the account of the United States, for the recovery of overcharges, and for the settlement of transportation claims both by and against the Government.

As a further part of our basic audit and investigative functions we review, evaluate, and report on the transportation and traffic management activities of Government agencies and assist the agencies in the performance of their transportation and traffic functions.

As part of our duties relating to the settlement of transportation claims, we furnish technical support and other assistance to the Department of Justice in the prosecution or defense of transportation suits to which the United States is a party.

The scope of our responsibilities for auditing and reviewing transportation in the Federal Government is indicated by the magnitude of the Government expenditures for transportation services. Direct procurement of commercial transportation amounts to about \$4.5 billion annually. Approximately \$2.5 billion of this amount is for services procured on standard forms and is audited centrally by our Office on the basis of paid bills submitted by Government agencies. Other expenditures for direct procurement of commercial transportation consist primarily of contract services including the transportation of mail, payments by the Military Sea Transportation Service for commercial ocean services, and payments by Government corporations that are audited on site.

The Government also spends several billion dollars annually for operation of military transportation fleets, for movement of civilian employees'

TRANSPORTATION

household goods on a commuted basis, for reimbursement of transportation charges incurred by cost-type contractors, and for other indirect transportation services. These expenditures are covered in our reviews of selected activities and programs of the various agencies.

AUDIT OF TRANSPORTATION PAYMENTS AND SETTLEMENT OF CLAIMS

Transportation Payments

The Transportation Act of 1940 requires the administrative agencies to pay the bills of carriers subject to the Interstate Commerce Act and the Federal Aviation Act upon presentation prior to audit by the General Accounting Office. Although payments to carriers not subject to these acts may be audited prior to payment, for administrative efficiency all transportation bills for services procured on standard Government forms are normally paid before audit.

Because certifying and disbursing officers are exempted by law from liability for any overcharges by carriers arising from the application of improper rates or charges on services procured by standard Government transportation forms, paid transportation bills are submitted to our Office for central postaudit, the determination of overcharges, and the recovery of overcharges directly from the carriers. The principal transportation payments that are not sent to our Office for postaudit are those made by Government corporations and those procured under contract, such as Post Office mail contracts and Military Sea Transportation Service shipping contracts. Our audit of transportation charges is normally completed in 6 to 7 months after payment.

We audited 6.3 million bills of lading for freight shipments, for which the Government had paid about \$1.5 billion, and 3.2 million transportation requests for passenger travel, for which the Government had paid about \$1 billion. From our audit of transportation payments, we issued 100,968 overcharge notices to commercial carriers requesting refunds totaling \$16 million. Collections from carriers during the year amounted to \$14.2 million, which were credited to basic appropriations of the procuring agencies or, where this was not possible, deposited in the Treasury as miscellaneous receipts.

234

TRANSPORTATION

The amount of payments audited was about 22.5 percent greater than the prior year, and the amount of overcharges detected and reported to carriers was about 4.4 percent greater. This increased activity was accomplished with 2 percent less audit hours than were utilized on our transportation audit in fiscal year 1968.

As part of our review of transportation payments, we also identified hundreds of shipments where the transportation services were procured at the legal rates but resulted in excess costs to the Government which were not recoverable from the carriers. These traffic management errors resulted from the selection of uneconomical routes, modes of carriage, or types of service and were brought to the attention of responsible transportation officials of the agencies involved for necessary corrective action.

Claims

Section 305 of the Budget and Accounting Act, 1921, provides that all claims and demands whatever by the Government of the United States or against it shall be settled and adjusted in the General Accounting Office. Pursuant to this law transportation claims against the United States, with certain minor exceptions, are submitted to the Office for adjudication. The exceptions relate to claims for loss and damage, accessorial or supplementary transportation services, and amounts due because of errors in extension or footing on prior bills. In addition, as the result of test programs conducted with DOD Finance Centers, the Comptroller General of the United States in B–165980, dated June 10, 1969, authorized an exception in connection with Department of Defense small claims involving noncontroversial changes by carriers in rates, weights, or other bases on which their prior bills were stated. The excepted claims after payment are subject to review here in our audit of paid vouchers.

In fiscal year 1969, we received about 13,000 claims and settled or otherwise disposed of 14,000 claims for approximately \$18.9 million. The greatest amount claimed was on assigned bills of certain Military Airlift Command contractors, which we audit before payment to protect fully the Government's interest. On these assigned bills and other original unpaid bills for \$14.9 million, we disallowed about \$600,000 as being in excess of the proper contract and/or tariff rates. The balance of the claims were supplemental bills of carriers for changes in their original charges or demands for repayment of overcharges collected by our Office. In disposing of these claims, amounting to about \$4 million, we certified for payment \$2.1 million and disallowed or terminated \$1.9 million.

TRANSPORTATION MANAGEMENT REVIEWS

The management review efforts of the Transportation Division during the past year were concerned largely with the opportunities for improvements in transportation and traffic management relative to the movement of personnel and supplies in support of our military forces overseas. This was due mainly to the large expenditures of funds as well as the interest of the Congress in this area. We issued seven reports to the Congress dealing with transportation and traffic management in overseas areas. These were:

- Savings by using available space on military aircraft to transport baggage between the United States and Europe.
- Need for central control and coordination in the use of transportation resources in Europe.
- Savings by more accurately comparing the costs of the various modes of shipping household goods.
- Observations of transportation and traffic management activities in the Far East and Southeast Asia.
- Savings by using space on military aircraft to transport baggage of military personnel between the United States and points in the Pacific and Southeast Asia.
- Savings in port handling costs by using the military port of Subic Bay.
- Savings by using surface transportation to distribute routine printed matter.

Digests of these reports appear immediately following this section.

We also issued one report to the Congress which demonstrated the potential for Government-wide savings in transportation costs if the military and civil agencies of the Government follow the practice of many private businesses. The report concerned the opportunity for savings by consolidating small freight shipments. A digest of this report also appears following this section.

In addition to the reports to Congress related above we also replied to inquiries and reported on specific interests of the Congress in the following areas:

- Observations on growth, developments and improvements in air freight, containerization and intermodal shipments.
- Review and confirmation of our regulation regarding general nonuse of travel agents for procurement of passenger transportation.

• Review of General Services Administration procedure for collection of loss and damage claims.

We also forwarded to agencies and agency officials 18 reports on transportation matters. The more significant of these concerned:

- Savings through better distribution of ammunition shipments to cover guaranteed minimums.
- Payments to a trucking company for unearned mail handling service.
- Payment of small transportation claims.

For several years we have expended considerable effort on reviews of the movement of household goods by military agencies of the Government. However, with the issuance of the three reports to the Congress on movements of household goods and unaccompanied baggage to and from overseas areas, and improvements in programs by DOD, we are curtailing our effort in this area. We are expanding our efforts in those areas concerning civil agency transportation and those areas involving more than one agency or department or the Government as a whole.

The more important transportation management matters now being actively considered are (1) selection of air carriers for domestic air shipments, (2) use of containers for intermodal movement of Government freight, (3) evaluation of the economy of using Great Lakes Ports and the St. Lawrence Seaway for Government freight, (4) transportation matters in civil agencies, (5) traffic management in the Post Office Department, and (6) the worldwide movement of ammuntion and components.

We have continued to augment the staff of our Transportation Management Review organization through a program of career development and graduate-level recruitment. This will allow the expansion of our efforts into those areas having multiagency application and meet the demands on our resources from increasing interest by the Congress in the field of transportation.

The following are digests of the eight reports issued to the Congress during fiscal year 1969.

Transportation and Traffic Management Reviews

Savings available by using space on military aircraft to transport baggage between United States and Europe, B-133025, Sept. 26, 1968

In January 1962 we reported to the Congress on the then inadequate use of space on military aircraft for transporting unaccompanied baggage of military

personnel. In response to our review, the Department of Defense indicated that steps had been, or would be, taken to ship as much baggage as possible on military aircraft.

- Our followup review showed, however, that during calendar year 1966 commercial carriers were still being used extensively to move baggage even though there was a substantial amount of unused space on military aircraft. We estimated that savings in excess of \$1 million annually could be achieved if the space on military aircraft were used to the extent practicable for moving baggage.
- In response to our recommendations, Department of Defense officials agreed that the military aircraft were not fully utilized. They indicated that baggage or other priority military material would be used in the future to achieve better utilization of military aircraft.

Cost evaluation for movement of household goods between United States and Germany, B-152283, Jan. 6, 1969

- Our review of overseas household goods shipments handled by commercial forwarders between the United States and Germany showed that the Department of Defense could save about \$3 million annually by managing its own shipments and procuring the required underlying transportation services directly. The use of the higher cost forwarder services resulted primarily from inaccuracies in the preshipment estimates of the cost of the various shipping methods which made it appear that the forwarder method of shipping was the least costly.
- We brought our findings to the attention of the Congress and recommended that the Secretary of Defense make a comprehensive study leading to a complete revision of the Department's methods and policies for management of its overseas household goods program and the procurement of services therefor.
- Department of Defense officials generally agreed that the method of making cost comparisons is in need of revision and they indicated that a study to develop a more accurate means to accomplish the comparison is in process.

Overall observations of transportation and traffic management activities in the Far East and Southeast Asia, B-165683, Apr. 30, 1969

- We surveyed transportation and traffic management activities in the Far East and Southeast Asia to evaluate the responsiveness of the transportation systems to the supply support demands of military forces in Southeast Asia.
- We found that the systems had been generally responsive and that the difficulties which caused delays in receiving cargo during the earlier stages of the military buildup had, for the most part, been alleviated. The problem of backup of vessels waiting to discharge their cargoes had been significantly improved.
- Several areas, however, were noted which appeared to offer opportunities for substantial savings. These areas were called to the attention of appropriate Department of Defense officials in our survey report, and many of the areas were subsequently reviewed in detail. Separate reports were issued as deemed appropriate.
- Department of Defense officials generally agreed with our overall observations and measures have been taken or planned to effect improvements in several areas. Other areas are being studied in greater depth by the Department in an effort to resolve additional problems identified during our survey.
- Savings available by using space on military aircraft to transport baggage between United States and points in the Pacific and Southeast Asia, B-133025, May 6, 1969
 - In response to a report issued to the Congress by GAO in 1962, the Department of Defense stated that action had or would be taken to ship as much military baggage as possible on military aircraft.

- Information developed in our followup survey, however, showed that commercial carriers were still being used extensively to transport baggage between the United States and points in the Pacific and Southeast Asia even though there was sufficient unused space on military aircraft to accommodate most of the baggage. We estimated that more effective use of this space would result in savings of about \$6 million annually.
- To improve aircraft utilization, the Department made the unused space from Vietnam available to commercial forwarders for returning baggage to the United States. The forwarders reduced their rates to compensate for use of the military airlift. Our analysis of the rates, however, showed that they were high in relation to the services provided and we concluded that significantly greater savings could be achieved if the Department of Defense managed its own baggage shipments and used military aircraft directly.
- Department of Defense officials agreed that greater utilization of military aircraft was possible and that the forwarders' rates on baggage transported on military aircraft may have been high. They indicated that measures will be taken to improve aircraft utilization and that they will continue to negotiate for further reductions in the forwarders' rates. They did not agree that the Department should manage its own shipments from Vietnam.
- In view of the difficulties experienced by the Department of Defense in attaining maximum use of military aircraft, we intend to evaluate the results of the corrective measures planned by the Department.

Savings by routing cargo through the military port at Subic Bay in the Republic of the Philippines, B-166017, June 3, 1969

- (Note.—This report classified CONFIDENTIAL. Restricted information deleted from this summary.)
 - Our review of military cargo to the Philippines showed that savings of over \$500,000 in port handling costs could be achieved annually by routing all Air Force cargo through the military port of Subic Bay, rather than through the commercial port of Manila. We found that the Subic Bay port was operating at less-than-full capacity and could accommodate the additional cargo.
 - The use of Subic Bay would result in additional savings and other benefits by (1) greater use of containers for which lower port handling costs are applicable, (2) better utilization of vessels controlled by the Military Sea Transportation Service, (3) a reduction in military personnel at the port of Manila; and (4) improvement in the international balance-of-payments position of the United States.
 - In response to proposals made during our review the Department of Defense indicated that initiation of containership services at Subic Bay had resulted in the shift of a significant part of the Manila workload to Subic Bay and that a continuation of this trend was expected.
 - In our opinion, this phased reduction based on continued expansion of the containership program at Subic Bay should gradually reduce the cargo workload through Manila to a level that will result in substantial savings annually and at the same time should satisfy any requirements for continued use of the port. We believe, however, that the savings to be achieved from routing cargo through Subic Bay warrants a phased reduction in the use of Manila regardless of whether plans for continued expansion of the containerization program materialize. For this reason, we intend to monitor the Department's progress in routing cargo through Subic Bay.

Savings in shipments of printed matter from Japan to points in the Pacific, B-165683, June 30, 1969

We found that air transportation was used extensively to ship routine printed forms and publications from Japan to Korea, Okinawa, and Vietnam, although less costly surface transportation was available and could have met the delivery requirements.

- We estimate that the Department of Defense can save over \$650,000 a year by diverting future shipments of routine printed matter from commercial air to surface transportation. In addition, space—valued in excess of \$750,000—on military aircraft can be made available for airlifting needed military material if routine printed matter normally shipped on these aircraft is also diverted to surface transportation.
- The airlifting of routine printed material apparently resulted from the Army's standard practice of sending routine forms and publications through the mail without designating a particular mode of transportation or without restricting the use of costly air transportation.
- During the review, we made several proposals designed to divert routine printed matter from air transportation to surface transportation. In response, the Department agreed with our finding and has taken corrective measures. As a result, 97 percent of the printed matter currently being shipped between the above named points is moved by surface transportation.

Opportunity for savings if the Government follows the practice of many private businesses and consolidates its small freight shipments, B-117196, June 30, 1969

- We reviewed the shipping practices of military and civil agencies and identified savings of millions of dollars annually that could be achieved if the Government follows the practice of many private businesses and consolidates its small freight shipments. We found that by consolidating small freight shipments to obtain the lower transportation rates applicable on larger shipments, the Government could save about \$3 million a year on shipments from just three consolidation areas to Seattle and San Francisco. The potential savings and benefits Government-wide would be significantly greater.
- Both the Department of Defense and the General Services Administration have expressed a willingness to accept and implement proposals made during our review. In a recent consolidation test responsive to our work, the Department of Defense reported it was able to consolidate 2.5 million pounds of freight from a single consolidation point (Philadelphia) to a single destination area (Oakland, Calif.) during a 6-month period, thereby saving approximately \$92,000. This represents a savings of about \$3.50 a hundredweight, which is substantially greater than the \$1.25 a hundredweight experienced by many commercial consolidators.
- The Department of Defense considered the test highly successful and it is in the process of establishing Philadelphia as a permanent contract consolidation facility. Studies will now be made by the Department of Defense to implement the concept between additional shipping points.

Need for central control and coordination in the use of transportation resources in Europe, B-165007, Dec. 31, 1968

- (Note.—This report classified SECRET. Classified information deleted from this summary.)
 - We released a classified report to the Congress on our review of the organizational structure for traffic management in Europe on December 31, 1968.
 - Our review covered the organization and function of all military transportation and traffic management activities in central Europe and disclosed a need for more central control and coordination by DOD in the use of transportation resources.
 - As a result of our report, DOD has taken some actions and planned others to improve traffic management and controls over transportation resources. These improvements should significantly influence the effectiveness and operational efficiency of DOD's transportation within Europe.

ASSISTANCE IN THE LEGAL FIELD

We continue to provide technical assistance to the Department of Justice in the prosecution and defense of transportation suits by or against the United States and in proceedings before the Interstate Commerce Commission. As part of this assistance, transportation specialists participated in four pretrial conferences in the Court of Claims and two trials before a Commissioner of the Court of Claims.

We reported to the Department of Justice for collection debts against carriers involving 99 items in the total amount of \$35,462. During the fiscal year similarly reported debts covering 373 items in the total amount of \$97,448 were settled by the collection of \$44,780 through judgments, compromises, or otherwise.

We received from the Department of Justice notice of the filing of 169 suits by carriers covering 151,346 shipments. One hundred and twenty-seven of the suits filed and about 148,398 of the shipments were on overseas movements of household goods by the Department of Defense. The amount sued for is not stated in the petitions filed in these suits but we estimate the liability of the United States on the 307 suits filed in this and prior years to be about \$170 million, if the carriers prevail on all of the issues. In the same period we furnished technical advice and other assistance to the Department of Justice in 35 suits for \$837,180 involving 5,724 shipments. Thirty-two suits, the subject of reports in this or prior years, involving 5,786 shipments and \$602,298 were settled by payment of judgments for \$337,876 and by dismissal or withdrawal of the balance.

One of the five representative cases selected for trial of the issues in the 307 household goods suits was *Trans Ocean Van Service* v. *United States*, Ct. Cl. No. 137–66, the subject of a hearing before a Commissioner of the Court of Claims. The hearing was concluded in December 1967 after hearings in San Francisco, and Los Angeles, Calif., and in Washington, D.C. On April 1, 1969, the Commissioner of the Court of Claims reported to the Court a recommendation that the carrier's petition should be dismissed as to the great majority of the issues in suit. We furnished technical witnesses at the hearing and an attorney from our Office of the General Counsel also was assigned to the case to assist the Department of Justice attorney.

Another activity of increasing importance in our audit and legal assistance work relates to the collection of motor carrier overpayments. Overpayments arise as a result of the application by carriers of unjust and unreasonable rates as defined by the Interstate Commerce Act. This act provides that reparations for such overpayment to motor carriers may be recovered only through suits filed in the U.S. District Courts. During this year we identified and prepared reports on 25 motor overpayments

TRANSPORTATION

involving 64 shipments and claimed reparations of \$69,940. All of these cases were referred to the Department of Justice and we understand that as of June 30, 1969, suits had been filed on most of them.

ASSISTANCE IN THE TRAFFIC AND TRANSPORTATION FIELD

We assisted various Government agencies in their traffic management and transportation activities. Our assistance included—

- Working with the State Department to develop a service tender for use in connection with rates to be filed to cover the transportation of employees' overseas movements of household goods in Government bill of lading service, and furnishing the cost factors to be employed in determining the most economical method of shipping household goods.
- 2. Furnishing recommendations to the Military Traffic Management and Terminal Service and the General Services Administration regarding the terms of a proposed master quotation submitted by three railroad associations on general cargo shipments.
- 3. Participating in a joint feasibility study with the General Services Administration to determine the economy and efficiency of an arrangement whereby GSA and GAO would obtain their rate and routing information from a single tariff library.
- 4. Furnishing passenger fares and other transportation data to the Department of Labor for preparation of the monthly consumer price index.
- 5. Providing guest lecturers at the U.S. Army Transportation School, Fort Eustis, Va., and a panel member for a Passenger Travel Conference conducted by the General Services Administration in Kansas City, Mo.
- 6. Considering and acting upon several requests from the administrative agencies for permission to deviate from established procedures to provide more economical and efficient traffic management.

We continued our practice of meeting with representatives of individual carriers or members of their trade associations to discuss and resolve mutual problems relating to our audit of carriers' bills. During the year, we participated in eight meetings with various domestic and international carrier associations and had numerous discussions in Washington with carrier and carrier association representatives.

TRANSPORTATION

Under the Joint Financial Management Improvement Program, we continued our participation, which began in April 1968, in a joint agency study of freight and passenger transportation in the civil agencies. The study is under the chairmanship of the General Services Administration with full-time staff members assigned from the General Accounting Office, the General Services Administration, the Bureau of the Budget, the Treasury Department, and the Departments of Commerce, Agriculture, and Health, Education, and Welfare. The study group, after reviewing the current systems of the civil agencies for paying, auditing, and settling with the carriers for transportation services, will suggest improvements or needed changes for the mutual benefit of the carriers and the Government.

CHAPTER EIGHT

Claims

GENERAL

The Claims Division is responsible for the adjudication and settlement of all claims by and against the United States with the exception of claims by and against common carriers for transportation items which are processed by the Transportation Division. Legal authority for this function is contained in section 305 of the Budget and Accounting Act, 1921, which provides that all claims and demands whatever by the Government of the United States or against it shall be settled and adjusted in the General Accounting Office, and in section 304 of this act which provides that this Office shall superintend the recovery of all debts finally certified by it to be due the United States.

While these provisions appear to be all inclusive, Congress has enacted various laws authorizing certain Government agencies and departments to adjust and settle most of the claims arising in connection with their own programs and operations, while other laws have given the courts exclusive jurisdiction over certain types of claims. On the other hand, specific statutes have been enacted which provide that payment may be made only upon settlement of the General Accounting Office. For example, claims for the proceeds of depositary checks which have not been paid prior to the close of the fiscal year next following the fiscal year in which the checks were issued must be certified for payment by this Office (31 U.S.C. 132); claims for underpayment of wages under the Davis-Bacon Act (40 U.S.C. 276a-2) and the Contract Work Hours Standards Act (40 U.S.C. 330) are for payment by this Office; and, with few exceptions, judgments against the United States are paid pursuant to settlements of our Office. Also, payments in excess of \$2,500 under the Federal Tort Claims Act (28 U.S.C. 2672) are made pursuant to settlements of GAO.

CLAIMS AGAINST THE UNITED STATES

As a general rule the Government departments and agencies pay most of their obligations in the normal course of business. Claims against the United States that are referred to the General Accounting Office for settlement are usually limited to those required by statute to be paid on settlement of this Office and those involving doubtful questions of law or fact as to the validity or amount of the claim or the entitlement of the claimants. They arise from virtually any transaction of the Government and are received from individuals, business entities, and foreign, State, or municipal governments. For convenience, the claimants are classified as live civilian employees, deceased civilian employees, live military personnel, deceased military personnel, and live and deceased other public creditors, and the subject matter is categorized as compensation, pay and allowances, travel, per diem, transportation, judgments, acts of Congress, contracts, trust funds, refunds, and miscellaneous. Actions include examination, development when necessary, adjudication, and certification for payment, or disallowance.

Settlement of claims by our Office provides an economical means by which claimants and administrative offices can be assured of fair and impartial consideration and the resolution of doubtful matters or controversial points of issue without resorting to the courts. Settlements of the General Accounting Office are not binding upon the Congress or the courts, and, therefore, they do not destroy or diminish the rights of the claimants.

On July 1, 1968, we had on hand 1,177 claims against the United States. During the fiscal year we received 19,250 claims and settled 18,690 leaving a caseload on hand of 1,737 on June 30, 1969. Incident to the settlement of the 18,690 claims, we certified the amount of \$70,140,076 for payment.

CLAIMS BY THE UNITED STATES

Claims by the United States are referred to our Office for adjudication and collection when they involve administrative doubt as to the amount or propriety of the debt or the liability of the parties to the transaction. The regulations also require that debts due the United States on which administrative agencies have taken appropriate collection action and which cannot be compromised or on which collection action cannot be suspended or terminated in accordance with the standards established pursuant to the Federal Claims Collection Act of 1966, 31 U.S.C. 952, be reported to us as uncollectible. The subject matter of these debt claims is as varied as that of claims against the United States. We examine and adjudicate the claims referred here because of administrative doubt so that action to collect the amounts found due the United States may be taken if appropriate. In other debt claims we examine and develop the claims and take whatever steps may be necessary to collect. Our collection actions include demands for payment, locator actions, development to ascertain the financial status of the debtors, and the issuance of proofs of claim in bankruptcy and deceased debtor cases.

If development of a claim discloses that a debtor is presently receiving payments from the Government, we take steps to have amounts withheld, if otherwise proper, for application to his debt. In the event a debtor is financially unable to remit the full amount of his debt in one payment, he is permitted to make installment payments commensurate with the amount of the debt and his ability to pay. Debtors who meet the standards established pursuant to the Federal Claims Collection Act of 1966 are permitted to liquidate their indebtedness by compromise. If collection actions are unsuccessful we may report the debts to the Department of Justice for suit, if warranted, together with our certification of the amount due the United States and such information and documents as may be necessary to support court proceedings.

On July 1, 1968, we had on hand in the Claims Division 14,836 claims by the United States. During the period July 1, 1968, through June 30, 1969, we received 14,511 claims and settled 9,750, leaving a balance of 19,597 on hand June 30, 1969. Of the 19,597 claims on hand, 7,977 were under collection representing accounts receivable in the amount of \$4,757,690. Incident to adjudication and collection activities during the fiscal year, we collected \$2,819,450. During that period we reported 1,266 claims to the Department of Justice for suit and as of June 30, 1969, 5,542 of the claims pending with that Department were under collection, representing accounts receivable in the total amount of \$1,892,604.

The Federal Claims Collection Act of 1966 requires the head of an agency to attempt collection of claims of the United States for money or property. In addition, an agency head is authorized to compromise any claim (except claims which arise from exceptions made by our Office in the account of an accountable officer) or to terminate or suspend collection action where the principal amount of the claim is not in excess of \$20,000 and it has not been referred to another agency for collection, except where there is an indication of fraud, misrepresentation, the presentation of a false claim, or a claim involving a violation of the antitrust laws. Collection may be terminated or suspended
only when it appears that no person liable on the claim has the financial ability, present or prospective, to pay any significant amount on the claim, or when the cost of collection is likely to exceed the amount of recovery.

In order to assist the Government agencies in their collection activities and to insure uniformity in the interpretation and application of the Federal Claims Collection Standards issued pursuant to the Federal Claims Collection Act of 1966, we have conducted reviews in several agencies of their administrative collection procedures and practices. We have found this proffered assistance helpful and we have scheduled additional reviews in other agencies.

During the fiscal year 1969, we solicited 5,274 offers in compromise. We received 1,144 replies which included 602 offers in compromise in a total amount of \$269,618 in liquidation of indebtedness totaling \$844,302. Of the number of offers received, 232 were accepted in the amount of \$134,732 in liquidation of debts totaling \$340,531.

Public Law 90-616, approved October 21, 1968, 5 U.S.C. 5584, provides that the head of each executive agency may waive claims of the United States against a person arising out of an erroneous payment of pay, on or after July 1, 1960, to an employee of an executive agency the collection of which would be against equity and good conscience and not in the best interest of the United States. In considering requests for waiver the head of agency must apply standards prescribed by the Comptroller General. These regulations provide generally that our Office shall have jurisdiction in all cases where the amount is in excess of \$500, or the debts were the subject of an exception made by the Comptroller General in the account of any accountable official. Also, the agency head may, as in other types of claims, refer to us any case where that official has doubt as to whether waiver action is proper.

In connection with this law, we have considered 80 requests for waiver of indebtedness totaling \$76,932. Of this number, 57 were waived and four waived in part for a total of \$57,044 and 19 cases were denied in the amount of \$19,888.

Chapter Nine

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CHAPTER NINE

Legal Services

SUMMARY OF LEGAL SERVICES PROVIDED

It is the principal responsibility of the Office of the General Counsel to prepare legal decisions on questions within the jurisdiction of the Comptroller General of the United States to decide. Generally all claims by the Government or against it and all accounts in which the Government is concerned, either as debtor or creditor, are within the settlement jurisdiction of the General Accounting Office.¹ Thus, the legal work of the Office extends, with certain exceptions, to virtually the full range of the Government's receipt and expenditure activity.

Many questions arise as a result of our audits and reviews of agency operations. Also, heads of departments and agencies as well as disbursing and certifying officers have the statutory right to submit for advance decision any question on the legality or propriety of proposed expenditures of Federal funds.² And by decision of the Comptroller General, contracting and procurement officers have been accorded the privilege of obtaining decisions on questions arising in connection with proposed awards of Government contracts.³ In addition, individuals and firms whose claims have been disallowed by actions of the Claims and Transportation Divisions and bidders for Government contracts who feel that procurement statutes and regulations have not been properly applied may apply for decision. Under the law decisions of the Comptroller General in these matters are final and conclusive upon the executive

¹ 31 U.S.C. 71.

³¹ U.S.C. 74; id. 82d.

³ 36 Comp. Gen. 513.

branch of the Government and payments made contrary to our decisions are subject to disallowance.⁴ Private concerns and individuals who may be adversely affected have further recourse to the courts in most cases except those involving bid protests.

The broad and diverse scope of the legal work in the Office of the General Counsel is covered under five general subject headings:

- Civil Pay. All legal questions relating to civilian personnel, including compensation, leave, travel, and transportation.
- Contracts. All matters relating to procurement by the Government of supplies and services; construction of public buildings, military housing, highways, and public works projects; lease agreements; and sale of Government property, real and personal.
- Military. All cases relating to the pay and allowances, retirement, travel, and transportation of members of the uniformed services.
- Transportation. This area includes matters involving movement of Government shipments and personnel by air, motor, rail, and water carriers.
- Appropriations and Miscellaneous. Includes matters concerning availability and obligation of appropriations; accountability of fiscal officers; Government corporations and regulatory agencies; Federal aid to States and other Federal grant programs; and all matters not within the other four subject categories.

The subjects and legal questions considered by us in fiscal year 1969 reflect a variety of issues of timely concern. For example, the Secretary of Health, Education, and Welfare raised a question with respect to State public assistance programs under the Social Security Act as to the appropriate point in time for commencing Federal matching of State funds on behalf of individuals or families applying for assistance.⁵ In connection with establishing a Junior ROTC in a high school at Mangilao, Guam, the Secretary of the Army asked us to determine the status of Guam under the Reserve Officers' Training Corps Vitalization Act of 1964.⁶ The Attorney General asked us to rule on whether, to satisfy a court judgment against an inmate of a Federal penitentiary, the Government had a right of setoff against Federal prisoners' funds held in trust by the Government.⁷ The Department of Defense requested an opinion as to whether a proposed program for procurement of ocean transportation services designated as "RESPOND" could be effected under the au-

^{4 31} U.S.C. 44; id. 74

⁵ A-80185, Jan. 17, 1969.

⁶ B-167018, June 25, 1969.

¹ 48 Comp. Gen. 249.

thority to negotiate contracts with commercial carriers to assure future availability of critical transportation services in the interest of national defense.⁸ This decision is discussed in more detail in Chapter One, page 9.

Frequently our decisions involve matters concerning intergovernmental relations. One of our decisions authorized the Department of the Interior to reimburse a State under the Federal Aid in Wildlife Restoration Act for land originally purchased from the General Services Administration for recreational purposes.⁹ A decision to the Department of the Air Force concerned application of the Uniform Disposition of Unclaimed Property Act of the State of California to unclaimed wages due for work performed under Government cost-reimbursable type contracts.¹⁰

In the area of military and civilian pay, we frequently have to apply rules of law in the field of domestic relations. Typical of such decisions was one involving the entitlement of an Army officer to quarters allowance on behalf of a child born out of wedlock and not in the member's custody.¹¹

We provide considerable legal direction each year in the implementation and adiministration of new laws. Public Law 90-485, amending and liberalizing the Retired Serviceman's Family Protection Plan, was the subject of several decisions requested by the Secretary of Defense in 1969; and we advised the Secretary concerning the application of Public Law 90-365, which permits the issuance to a bank of a single Government salary check for deposit to the accounts of individual employees.¹²

A decision in 1969 involving an unusual situation was one to the Chairman of the National Transportation Safety Board on the question of the applicability of the Missing Persons Act to a Government employee who was missing while on a private vessel lost at sea.¹³

The Director of the Selective Service System presented the question of the Service's liability for damages to chartered buses caused by registrants being transported for physical examination or induction into the military service.¹⁴

In order to prevent the Government from paying additional freight charges to certain rail carriers moving Government cargo for export on a line-haul basis to Gulf Outport at New Orleans, La., we directed an

⁸ 48 Comp. Gen. 199.

⁹ 48 Comp. Gen. 161.

¹⁰ 48 Comp. Gen. 179.

¹⁴ 48 Comp. Gen. 311.

¹² 48 Comp. Gen. 281; id. 353; id. 138; B-166156, Apr. 3, 1969.

¹³ B-166032, Feb. 11, 1969.

^{14 48} Comp. Gen. 361.

opinion to the Army Judge Advocate General suggesting corrective action by tariff publication.¹⁵

In addition to preparing formal opinions of the Comptroller General, the Office of the General Counsel renders advice on legal questions arising in the day-to-day operations of the various divisions of the Office and reviews primarily for legal sufficiency drafts of reports prepared by the operating divisions for submission to the Congress.

Advisory opinions and comments on proposed and pending legislation, litigation, and other legal matters are provided at the request of Members of Congress, congressional committees, the Attorney General, and the Bureau of the Budget. The Office of the General Counsel also prepares letters to individuals and business firms who while not entitled to formal opinions nevertheless often present legal questions requiring resolution.

During fiscal year 1969, 4,895 decisions, reports, and legal memorandums were prepared in the Office of the General Counsel. A statistical table of decisions and legal matters by assignment category will be found in Appendix C-5, page 351.

The activities of the Office of Legislative Liaison which is under the direction of the General Counsel are detailed in Chapter Two of this report under the title "Assistance to the Congress." Selected reports and letters to committees and Members of Congress in response to their requests for comments on proposed legislation, for legal opinions and for other information are listed by subject in Appendix C-3, beginning on page 327. A statistical résumé of such reports appears on page 351, Appendix C-5.

BID PROTESTS

During fiscal year 1969, we continued our review of internal procedures for the handling of protests against the award of Government contracts. Stimulated by congressional interest in our bid protest work and by industry-Government symposiums on Government contracts, we clarified our formalized bid protest procedures. After affording congressional committees, Government procurement agencies, and interested private concerns doing business with the Government the opportunity to comment on proposed regulations, the procedures for handling bid protests were finalized and published in the Federal Register for August 31, 1968, 33 F.R. 12288. These regulations are now incorporated in Title 4, part 20, of the Code of Federal Regulations.

¹⁵ B-161618, Apr. 29, 1969.

One of the problems associated with our consideration of bid protests is the degree of reliance to be placed upon administrative reports which we obtain for the purpose of establishing the position of the responsible contracting agency both as to the facts and the law in the matter under review. We have recognized a need for independent and objective review of agency reports in some cases, and in February of 1969 internal instructions were issued to provide for such review by our audit divisions where necessary.

Another problem is reflected in the statement by the Senate Select Committee on Small Business in its report on "Selected Problems of Small Business in the Area of Federal Procurement," that, "if protests against award are to be really effective, they must be processed and decided in the shortest possible time." ¹⁶ The time frame for deciding bid protest cases has been of major concern for some years. In fiscal year 1969 we promoted conferences with the military procurement agencies at the secretariat level to establish procedures for expediting bid protest reports and we are continuing our efforts to reduce bid protest handling time.

The 554 bid protest decisions rendered in 1969 constituted an increase of 19 percent over the number of such decisions in the preceding year. The protests were sustained in 34 cases and we recommended cancellation of improperly awarded contracts in eight cases. In 73 cases we wrote to the procurement activity suggesting corrective action to avoid recurrence of the deficiencies disclosed in our considerations. A considerable number of these recommendations dealt with need for the Government to state its requirements more precisely and to establish more clearly the criteria to be followed in evaluating proposals and offers.

In addition to actions resulting from our decisions, corrective measures are often taken by the procuring activity after receipt of a request from our Office for an administrative report which results in withdrawal by many bidders of the protests filed with us.

PROCUREMENT REGULATIONS

During 1969, we reviewed in some 30 separate reports various proposed amendments to and revisions of the Armed Services Procurement Regulation and the Federal Procurement Regulations. While the most expertly drafted regulations will not, of course, obviate all contract problems, we are of the firm view that clear and unambiguous guidelines are an absolute essential toward promoting the best interests of Government and industry alike.

¹⁶ 90th Cong., S. Rept. 1671, p. 10.

COMPUTER EQUIPMENT PROCUREMENTS

We issued several significant decisions concerning methods for procuring automatic data processing equipment and computer systems. The Department of the Air Force requested advice as to the propriety of acquiring ADP equipment under an installment purchase plan. A review of the plan and applicable statutes led us to conclude that the plan could not be legally implemented without further legislative authority.¹⁷ At the same time we issued a decision to the General Services Administration advising that multiyear long term leasing of automatic data processing equipment could not be accomplished under fiscal year appropriations unless legislative authority for such contracts was obtained. But when revolving funds as distinguished from appropriated funds were to be used we held it legally proper to finance proposed contracts containing renewal options, provided that sufficient funds were reserved to cover any possible liabilities.¹⁸

After review of a protest by a low bidder against a 5-year lease-purchase solicitation for an automatic hydrologic radar reporting system for the Army Engineers, we advised that the contractual arrangement was contrary to statutes which prohibit contracting in advance of appropriations.¹⁹

SOUTHSIDE PLUMBING CASE

During fiscal year 1969 our basic statutory authority to settle and adjust all claims and demands by or against the United States was challenged when the Attorney General advised the Department of the Air Force not to honor a contract-disputes clause claim of Southside Plumbing Co., Inc., despite our earlier decision that as a matter of law the contractor was entitled to an equitable adjustment.²⁰ We have taken issue with the Attorney General's position. The controversy was covered in a hearing held by the Military Operations Subcommittee, House Committee on Government Operations.²¹ The contractor has filed suit to obtain an equitable adjustment in the Court of Claims.

¹⁷ B-164908, Jan. 31, 1969.

¹⁸ B-164908, Jan. 31, 1969.

¹⁹ B-165013, Jan. 16, 1969.

²⁰ B-156192, Dec. 8, 1966.

²¹ Hearings on Government Procurement and Contracting (Part 7), pp. 1775–1803, May 22, 1969.

PERSONAL SERVICES CONTRACTS

The legal issue involved in contracting for support services as opposed to direct hiring of the personnel involved was a subject explored by the Military Operations Subcommittee of the House Government Operations Committee in its review of Government procurement and contracting. Representatives of the General Accounting Office presented their views.

It is noteworthy that the National Aeronautics and Space Administration took steps in 1969 to convert support service contracts at the Goddard Space Flight Center to a Civil Service operation in implementation of a decision by us issued 2 years ago.²²

WAIVER OF CLAIMS FOR ERRONEOUS PAYMENT OF PAY

Following enactment of Public Law 90–616, approved October 21, 1968, authorizing the waiver of claims of the United States arising out of erroneous payments to employees of executive agencies, our legal staff drafted implementing standards for inclusion in the Code of Federal Regulations (Title 4 of the Code of Federal Regulations, Chapter 3, Part 201). Heads of departments and agencies were notified of the promulgation of regulations by means of a Circular Letter.²³

During the year we issued a number of decisions and letters concerning the applicability of Public Law 90–616 to individual factual situations, and we prepared a preliminary review of actions taken under the law for the House Committee on the Judiciary.

LEGAL REFERENCE SERVICES

Departments and agencies are kept informed of our decisions through the general distribution of advance copies, digests, and the publication of monthly pamphlets. A volume of the more significant decisions is compiled and published each year.

Information on our unpublished decisions is made available to Government agencies and libraries by distribution of quarterly digest pamphlets on the following subjects: (1) Appropriations and Miscellaneous, (2) Civilian Personnel, (3) Contracts, (4) Pay and Allowances of the

²² B-133394.

²³ B-152040, B-158422, Dec. 26, 1968.

LEGAL SERVICES

Uniformed Services, and (5) Transportation. Copies of decisions are available from the Public Information Desk maintained in Room 7510.

A cumulative citation and subject card index is maintained on all decisions. Research services are furnished upon request.

The first single-volume compilation of laws relating to the work and jurisdiction of the General Accounting Office was compiled and distributed during the fiscal year 1969.

The first comprehensive scope line computer-generated index to the published decisions of the Comptroller General, volumes 1 through 46, covering the period from July 1, 1921, to June 30, 1967, was issued in 1969. This one-volume publication is a Key Word in Context (KWIC) index. It was a cooperative effort with the LITE (Legal Information Through Electronics) System developed by the Air Force Accounting and Finance Center, Office of the Staff Judge Advocate at Denver, Colo. Additionally all published decisions and unpublished decisions since 1955 are in the LITE data base and available for electronic retrieval.

Chapter Ten



CHAPTER TEN

Personnel

Management Programs

GENERAL

In the interests of affording all employees of the General Accounting Office the benefit of the best personnel development and training opportunities possible, there was created in the General Accounting Office, during fiscal year 1969, an Office of Personnel Management. This consolidation of the former organizations—the Office of Personnel and the Staff Development function of our Office of Policy and Special Studies will give management a better opportunity to implement improved recruiting, personnel operations, and employee development programs throughout the Office.

RECRUITING, TRAINING, AND STAFF DEVELOPMENT

The General Accounting Office constantly strives to maintain the highly qualified professional staff necessary to discharge the responsibilities placed upon us by the Congress and maintain the professional nature of our Office. We accomplish this by recruiting the quality graduates of our better colleges and universities. While most of the graduates we employ have academic training in accounting or business administration, many newly hired staff members are from other related fields of concentration.

After reporting for duty, the newly hired college graduate is assigned to a specially designed training program to orient him in the activities of the Federal Government and to the work of our Office. We use this approach to bridge the gap between the education obtained in the classroom and the actual audit and management review assignments which the new employee will encounter. In addition, the staff member, as he advances in his career, will participate in various professional training programs presented by the Office. These courses are designed to increase the professional talents of the individual member and the professional skills of the staff as a whole. They also fill the need of staff members at the supervisory levels to keep current in professional and technological advancements in the fields of management, accounting, and auditing.

We continued to use the services of leading educators from our foremost universities to assist us in formulating a program to obtain and develop an outstanding staff of professional accountants and auditors. They have counseled and advised us in establishing an overall long-range program for recruiting, training, and developing the members of our staff. Also, they have assisted us in encouraging continuing academic support for a program aimed at maintaining our staff at required levels.

Educator-consultants who gave us the benefit of their advice and counsel during the year were:

- Floyd A. Bond, Dean, School of Business Administration, University of Michigan.
- John E. Champion, President, Florida State University.
- Robert W. French, Dean, College of Business Administration, University of Illinois, Chicago Circle.
- Paul V. Grambsch, Dean, School of Business Administration, University of Minnesota.
- C. Jackson Grayson, Dean, School of Business Administration, Southern Methodist University.
- Charles E. Johnson, Dean, College of Liberal Arts, University of Oregon.
- Frank S. Kaulback, Jr., Dean, McIntire School of Commerce, University of Virginia.
- Harry M. Kelly, Associate Dean, School of Commerce, New York University.
- James R. McCoy, Dean, College of Administrative Science, The Ohio State University.
- Ossian MacKenzie, Dean, College of Business Administration, The Pennsylvania State University.
- Herbert E. Miller, Professor, Department of Accounting and Financial Administration, Graduate School of Business Administration, Michigan State University.
- Alfred M. Pelham, Assistant Vice President for Finance, Wayne State University.
- Robert H. Roy, Dean, School of Engineering Sciences, Johns Hopkins University.
- Frank P. Sherwood, Director, Federal Executive Institute, Charlottesville, Va.

Recruiting—Professional Staff

A total of 492 students—446 men and 46 women—with degrees from over 200 different colleges and universities started their professional careers with us during the last fiscal year. Of this number 190 were recruited from disciplines other than accounting. They included 152 management analysts, 26 mathematicians, eight economists, three statisticians, and one engineer. Of those employed from disciplines other than accounting, 18 were management interns.

Also, 48 staff members who had been separated for military service returned from the service. Of the 48, three were separated and returned from the service during fiscal year 1969 and 45 returned who had departed for military service during prior fiscal years. We also appointed 40 experienced staff members from Government, private industry, and public accounting. Total separations for the year, including those separated because of military service, amounted to 359, giving us, after considering a small number of reassignments, a net addition during the fiscal year of 169 staff members. We also have 187 staff members outstanding in military service, most of whom we expect will return to the Office upon completion of their service.

In summary, the total professional staff of 2,450 GAO auditors on the rolls as of July 1, 1968, plus an additional 213, brought our total professional staff in our accounting and auditing divisions to 2,663. This includes 44 auditors assigned to traffic management reviews. In addition we had, as of June 30, 1969, 102 professional staff in the Office of the General Counsel; 17 in the Office of Personnel Management; and 11 in the Office of the Comptroller General. This brought our professional staff to 2,793 as of June 30, 1969.

The demand for accountants graduating from the colleges and universities continues to increase. The effect of an increase in demand and a relatively constant supply of new accountants results in vigorous competition between Government, private industry, and public accounting which makes our recruiting efforts increasingly difficult.

We employed 16 new attorneys and law clerks during the year. We shall continue to recruit a limited number of attorneys each year to replace those lost to the Office as a result of transfers and retirements.

We continued our association with faculty members and administrative officers of various colleges and universities and took steps to increase our participation in the activities of professional associations. To acquaint them with the professional quality of our work and obtain their assistance in the recruitment of promising students, we continued our series of joint meetings. This year we held eight sessions which were attended by some

PERSONNEL MANAGEMENT

89 faculty members, including deans and placement officers, from colleges and universities throughout the country.

We also continued a program for selected students similar to that in which the university and college faculty members participate. During the fiscal year we conducted six programs in various regional offices and two in Washington to acquaint students with our accounting and auditing operations. A total of 94 students from universities and colleges throughout the country attended these sessions.

To broaden the base of our auditing staff and to supply an expertise in other disciplines, we expanded our program of recruiting students with academic backgrounds in areas other than accounting. We expect to increase the staff members recruited from this source of supply in the future. Our programs for faculty members and students of accounting have been expanded to include faculty members and students from these other disciplines.

The two charts on the opposite page graphically portray the general success of our recruiting efforts through the continued steady growth of our professional staff over the past 10 years.

Recruiting—Technical Staff

To satisfy a demand for adjudicators created by retirement losses, we appointed 12 new adjudicators, most of whom transferred to us from other agencies. Additionally, we initiated a program to recruit trainee adjudicators, which has thus far resulted in three appointments at the grade GS-5 level. We expect to recruit a small number of trainee adjudicators each year to compensate for the loss of experienced employees.

Our program to recruit freight rate specialists from an unassembled freight rate specialist examination for grades GS-7 and GS-9 continues unabated. We hired 23 qualified rate specialists at grade GS-9, and eight at GS-7 from this source. Also, during the year, two freight rate specialists transferred to us from other Government agencies. Another source of qualified technical personnel is through in-house training at the GS-4and GS-5 levels. Currently we have six GS-5 freight rate assistants in this training program.

Personnel Development

During the year, the Office has sought to meet the needs of the employees in developing their capabilities to the fullest. These ends are accomplished through internal career development programs supplemented by external training in both Government and non-Government facilities.



The following charts show the various programs given within GAO and those attended by our employees in other facilities during the fiscal year 1969.

Num- ber of times given	Name of training program	Length of program	Total number attending program
15	GAO orientation	5 hours	422
4	English refresher course	36 hours	105
1	Reading skills	25 hours	30
	PROGRAMS FOR PROFESSIONAL STAFF		
10	GS-7-9 training program	16 days	374
6	Intermediate career development program	10 days	225
-	GS-9-12.	,	
7	Advanced technical seminar in financial management.	5 days	178
6	Basic computer systems fundamentals (pro- grammed instruction course).	2 months	101
	Advanced accounting and auditing study		
	program:		
1	Washington	18 weeks	62
1	New York	16 weeks	20
1	Norfolk	16 weeks	25
1	Philadelphia	16 weeks	19
1	Seattle	16 weeks	12
2	Analytical techniques for GAO auditors (systematic analysis).	10 days	51
1	Report development course	5 days	23
	PROGRAMS FOR SECRETARIAL, CLERICAL AND ADMINISTRATIVE STAFF		
1	Typing refresher	20 hours	7
1	Secretarial development program	15 hours	18
2	From 9 to 5: TV secretarial training pro- gram.	28 hours	30
1	Shorthand refresher	24 hours	8
	Total		1, 710

A. Training Given Through General Accounting Office Facilities	Α.	Training	Given	Through	General	Accounting	Office Facilities
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Num- ber of times given	Name of training program	Length of program	Total number attending program
	CIVIL SERVICE COMMISSION		
2	Planning, programming, budgeting sys- tems—executive orientation.	2–3 days	17
6	Planning, programming, budgeting systems	Various	38
7	Systems analysis.	16-52½ hours	10
11	Principles and practices of auditing in ADP systems environment.	15 days	49
3	Middle management institute		
3	Supervision and group performance		
6	Seminar in ADP		
51	Miscellaneous courses such as management, operations research, etc.	Various	129
	DEPARTMENT OF DEFENSE		
1	Industrial College of the Armed Forces	1 year	1
1	National War College	1 year	1
21	Miscellaneous courses including operations research, contracts, research development, management, etc.	Various	40
	OTHER GOVERNMENT AGENCIES		
2	Foreign Service School, Department of State.	4 weeks-1 year	2
27	Miscellaneous subject areas such as contract- ing, procurement, country studies.	Various	48
	MACHINE MANUFACTURING COMPANIES		
6	Miscellaneous data processing courses	3–16 hours	11
	INSTITUTIONS, SERVICE AND PROFESSIONAL ORGANIZATIONS		
3	Data processing for CPAs	3 hours	5
1	12th Annual Symposium, Philadelphia Chapter, FGAA.	4 hours	15
1	18th Annual Symposium, FGAA	3 days	15
1	Conference for Federal executives on business	40 hours	4
63	operations. Miscellaneous subject areas such as mathe-	Various	88
	matics, management, ADP, etc.		067

B. Training Given Through Agency or Non-Government Facilities

267

PERSONNEL MANAGEMENT

Num- ber of times given	Name of training program	Length of program	Total number attending program
	COLLEGES AND UNIVERSITIES		
:	A. Management development:		
1	Programs for management develop- ment.	16 weeks	2
1	Advanced management program	13 weeks	2
1	Executive development program	4 weeks	2
1	Executive development program	6 weeks	1
2	B. Midcareer education program system-	9 months	3
	atic analysis.		
1	Career educational awards program	9 months	1
	C. Other courses (evening):		
27	Accounting	Semester	72
20	Automatic data processing	Semester	57
17	Economics	Semester	25
15	Human relations	Semester	43
39	Management	Semester	96
6	Management information systems	Semester	t
16	Mathematics and statistics	Semester	33
8	Planning, programming, and budget- ing systems.	Semester	14
10	Systems	Semester	22
25	Miscellaneous courses	Semester	31
	Total		977

B. Training Given Through Agency or Non-Government Facilities-Continued

A. Training Given Through General Accounting Office Facilities

1. Programs for Professional Staff

a. GS-7-9 Training Program. This program is designed to orient our new professional staff members to the organization, functions, policies, and procedures of GAO and to the fiscal, legal, accounting, and management processes of the Federal Government. This 16-day program bridges the gap between education obtained in college, and the more specific professional knowledge required on actual audit assignments.

b. Intermediate Career Development Program GS-9-12. The objective of this program is to present to the professional staff members in grades GS-9-12 formal instruction in (1) the application of the basic principles of management and (2) the accounting and auditing policies

and procedures of the Office. The program includes 40 hours of lecture and case study relating to basic principles and techniques of supervision and a 40-hour course presenting models of complex audit situations where problem solving and decisionmaking techniques are applied and their consequences discussed. Examples of the areas covered are—product and job planning; reviewing for efficiency, economy, and effectiveness; reviewing accounting systems; and auditing automatic data processing systems.

c. Advanced Technical Seminar in Financial Management. This 1-week course provides our staff members at the supervisory level with an understanding of management systems with emphasis on financial management systems and our special responsibility in this area.

d. Basic Computer Systems Fundamentals. The objective of this course is to provide special training in automatic data processing principles and procedures, and related audit responsibilities and techniques. The basic course in automatic data processing—a programmed instruction course—has been developed by a machine manufacturer.

e. Advanced Accounting and Auditing Study Program. This program is designed primarily to improve staff performance on daily assignments and to assist those preparing to take the CPA examination. This program harmonizes with our policy to encourage employees to advance their professional status by study in the field of their chosen discipline.

f. Analytical Techniques for GAO Auditors (Systematic Analysis). This program introduces selected senior staff members to systematic techniques which can be used in GAO management reviews. The 2-week program includes the theory and practice of model building, simulation, and common statistical techniques. For example, participants work with scientific inventory management techniques, linear programming applications, and cost models relating to PPB analysis and displays. The program was given to 51 staff members during the fiscal year.

g. Report Development Course. The purpose of this course is to help individuals in grades GS-12 through GS-14 who are primarily responsible for the development and preparation of our audit reports to overcome some of the report development problems identified by the Comptroller General's Task Force on Report Processing and by the Report Writing Committee. To meet this goal the course was designed to deal with the problems encountered in (1) defining reporting purposes and issues, (2) integrating report planning with job planning, (3) reaching agreement on report organization, style, and tone, and (4) using more effective English. Course instructions stress methods and techniques useful in defining issues, planning assignments and reports, improving coordination, and promoting better communications. The course also provides a means for feeding back to top management information on problems that could be resolved at the organizational level.

2. GAO Orientation

Through this program we orient all new employees to the organization, functions, and policies and procedures of GAO involving personnel matters. Given in the two $2\frac{1}{2}$ hour sessions, the program also includes a review of employee rights, benefits, and responsibilities.

3. English Refresher Course

This 6-week, 36-hour program provides our technical and professional employees, whose responsibilities include a large volume of writing, with a review of English grammar and modern letterwriting principles.

4. Reading Skills

This 10-week course was presented, on a trial basis, to 30 of our technical and professional employees by a local reading skills school. The expected benefits of this course are: (1) improved efficiency in reading and outlining work-related material, (2) increased ability to understand concepts, (3) sharper listening habits, and (4) better planned time and work scheduling. If the course produces satisfactory results, it will be approved for other staff members.

5. Programs for Secretarial, Clerical and Administrative Staff

a. Typing Refresher. This course provides employees, who have some knowledge of typing, with the additional controlled practice necessary for them to improve their typing skills. This 20-hour program is geared to the individual needs of the employees enrolled. Emphasis is given to typing speed and accuracy and special problems encountered in the typing of GAO correspondence.

b. Secretarial Development Program. This course was developed to provide our entrance level secretarial-clerical employees with training in human and personal relations, in the development of a healthy job outlook, and in the dynamics of a boss-secretary relationship. New procedures and secretarial shortcuts are introduced in this 15-hour program, along with a general review of basic office procedures.

c. From Nine to Five: TV Secretarial Training Program. This course, developed by the Civil Service Commission and the local educational television station, is made up of fourteen 2-hour sessions, each consisting of one-half hour of televised instruction followed by $1\frac{1}{2}$ hours of discussion, conducted by one of our staff. The program, for clerical employees at the GS-4-5 level, stresses the importance of communication and the correct attitude in various aspects of secretarial work.

d. Shorthand Refresher. This course consists of 24 hours of concentrated review of Gregg shorthand principles and correct transcription procedures. It is supplemented by dictation practice to improve speed and a review of punctuation and spelling rules.

B. Training Given Through Agencies or Non-Government Facilities

The need for keeping pace and adapting to constant and rapid changes in the professional disciplines required in our work presents a continuing challenge to the Office. Since in many cases it is not feasible to conduct in-house training in the highly technical and specialized areas, we assign staff members to formal training programs conducted by colleges, universities, various professional organizations, and other Government agencies, including the Civil Service Commission.

The special training of staff members in the related audit responsibilities and techniques in an ADP systems environment is provided through a course conducted by the Civil Service Commission. The Office assigned two professional staff members on a full-time basis to assist in the presentation of this course on principles and practices of auditing in the ADP systems environment. GAO staff members on a selective basis are assigned to this training course given in Washington and on the West Coast.

During the year, members of our staff took part in either advanced management or executive development programs conducted by Harvard University Graduate School of Business Administration, Stanford University Graduate School of Business, Cornell University Graduate School of Business and Public Administration, the University of Pittsburgh Graduate School of Business, the University of Wisconsin Center for Advanced Study in Organization Sciences, the University of Michigan Graduate School of Business Administration, the University of Texas at Austin Graduate School of Business, and the Graduate School of Business of Columbia University.

Further, in order to increase our professional capability in the area of planning, programming, and budgeting systems, we sent three staff members to a midcareer education program for systematic analysis for a full school year. These staff members will assist in training others, assist the audit staff, and cooperate with the agencies in their specialized areas.

We also sent one staff member to the University of Virginia for 9 months under the career educational awards program; one employee each to the Industrial College of the Armed Forces and the National War College for 10 months; another staff member to the Foreign Service School for 10 months; and one employee to the University of Georgia

PERSONNEL MANAGEMENT

to study Actuarial Science. In addition, eight staff members attended executive development programs offered by the Brookings Institution.

To provide for our specific operational needs during the fiscal year ended June 30, 1969, staff members were assigned on a selective basis to various subject areas and programs given by the Civil Service Commission. We assigned a total of 330 staff members to Civil Service Commission courses as follows: planning, programming, and budgeting systems and systems analysis, 65; automatic data processing, 65; management and supervision, 71; and miscellaneous courses, 129.

A total of 977 staff members attended various subject courses or training programs in other Government agencies, and in colleges, universities, service institutions and the like. Of this number 406 attended college evening classes, during nonworking hours, in order to update their knowledge in such subject matter areas as mathematics, statistics, management, economics, law, and electronic data processing.

Career Development

The progress and capability of each professional staff member is constantly being assessed. Pursuant to requirements set forth in our staff development manual, we have issued professional and career development planning questionnaires to each professional staff member. These forms are being analyzed for the long- and short-range career development needs and career and professional development objectives of each staff member. We are using this information to revise existing programs and to develop new training programs to guide staff members in their career development.

In addition, we are continuing to work on establishing standards of staff utilization for each level in terms of the audit and management review functions carried out by the Office. Work is continuing on the design and installation of an information system that will rapidly make essential data available to management.

Professional Development and Recognition

Many of our staff are members of professional accounting and legal organizations at both national and State levels and actively participate in their affairs. We encourage our staff to continue their professional development.

Forty-seven members of our staff passed the CPA examination given by State boards during the fiscal year. During the same period, 29 staff members received their CPA certificates based upon their having successfully passed the examination and six, holding CPA certificates, rejoined our staff during the year. A total of 454 staff members are certified public accountants and 88 others, who have passed the required examination, will receive their certificates upon completion of their experience requirements.

Many States recognize the professional nature of our work and accept GAO experience as meeting their eligibility standards required for a CPA certificate. Included in our total number of CPAs are 270 members of our professional staff who have obtained their CPA certificate on the basis of GAO experience or education, or both.

At present, in 44 jurisdictions, our auditors may obtain the CPA certificate on the basis of their GAO experience or upon fulfillment of educational requirements and, of course, upon passing an appropriate examination. However, not all States accept GAO experience as qualifying. Recognition of our experience by the remaining States would eliminate the inconsistency now existing, where members of our staff in some States are afforded the opportunity to obtain the CPA certificate while equally competent and highly qualified professional members of our staff in other States are denied this opportunity. We are constantly working with State boards of accountancy and committees of professional organizations to keep them informed on the professional quality of the work done by the Office so as to encourage them to recognize our experience as acceptable for the certificate. During the past year, the trend toward recognition of our experience was encouraging.

PERSONNEL OPERATIONS

General Administration

In order to keep pace with our expanded personnel management program and provide assistance to management in achieving the coordination necessary for sound personnel administration, we continued to review our personnel policies, practices, and procedures, during fiscal year 1969, to keep them attuned to progressive concepts and to changes in programs and conditions throughout the Government. To this end a number of Comptroller General's Orders and personnel manuals were issued or revised including: (1) our *Incentive Awards Manual* which outlines the scope and workings of our Incentive Awards Program, explains the

PERSONNEL MANAGEMENT

role of the supervisor in encouraging employee participation, and sets out the conditions and procedures to recognize and reward employees who by their suggestions, inventions, superior accomplishments, or other personal efforts directly contribute to the efficiency, economy, and effectiveness of Government operations; (2) our Grievance and Appeal Procedure Manual which contains the policies and procedures through which an employee may obtain a prompt and fair settlement of his grievance and may seek administrative reconsideration of an adverse action; (3) our Equal Employment Opportunity Manual which contains the regulations providing for the establishment, within the General Accounting Office, of a program to provide equal opportunity in employment and personnel operations without regard to race, color, religion, sex, or national origin, and the means by which persons may pursue complaints of discrimination; (4) our Promotion Policy and Procedures Manual which contains our promotion policy and the guidelines, procedures, and instructions relative to the Merit Promotion Program in the General Accounting Office; and (5) a new Comptroller General's Order setting forth our policies and practices for grading and fixing pay of wage-board positions in accord with the new Coordinated Federal Wage System.

In addition, substantial progress has been made toward the revision and issuance of additional policies or manuals: (1) our *Work Injury Benefits Manual* which contains the provisions for work injury benefits for employees under the Federal employees compensation for work injuries—chapter 81, title 5, of the U.S. Code—and the financial protection afforded drivers of automobiles acting within the scope of their employment; and (2) a consolidation of general policy and procedural instructions to GAO divisions and offices previously issued under Office of Personnel and Office of Policy and Special Studies—Staff Development Memorandum Series.

A vigorous program of position classification and pay administration was accomplished. To this end a significant number of new jobs were established providing a broader base in recruiting for our professional and technical staffs. In addition, annual surveys were performed and requested classification reviews were carried out to revise, update, and where appropriate, adjust the grading of positions. Several special reports were prepared as requested by the Civil Service Commission in connection with personnel and related activities during the year.

Items of particular interest relating to policies and programs of the Office of Personnel Management are set forth in the succeeding paragraphs.

274

Incentive Awards

Our Incentive Awards Program was revised to implement new simplified procedures as proposed by the U.S. Civil Service Commission. Major changes in the program include the redefinition of all employee contributions simply as Suggestion Awards or Special Achievement Awards. In the future. Suggestion Awards will be made only when an idea contributes directly to the economy, efficiency, or increased effectiveness of operations; revised procedures provide for proposals related to services or benefits to employees, working conditions, buildings and grounds, and housekeeping to be processed through administrative channels and not through the suggestion system. We adopted a higher standard for suggestions reguiring benefits to the Government of at least \$250 to earn the minimum \$25 award and a new Government-wide scale for determining cash awards for superior job performance was introduced. In order to commend private citizens officially for beneficial contributions made voluntarily to the General Accounting Office, a new award was authorized: "GAO Award for Public Service." This award consists of the seal of the General Accounting Office placed above a suitably engraved plate.

The third Annual Honor Awards Ceremony was held in our auditorium on June 17. Among other awards, 41 individual employees were honored for their sustained superior service and two group awards were presented.

In addition to honor awards, 49 employees received cash awards for sustained superior performance and 17 quality step increases were granted to employees who demonstrated a high standard of excellence in performance of duties far above that normally found in their positions in full expectation that this quality performance would continue.

Ninety-four suggestions were received during the fiscal year. Of these, 35 were interdepartmental suggestions. Over 10 percent of the Office suggestions disposed of during the year were adopted with cash awards being given in each case.

Employee Health Benefits Program

In order to make full use of the facilities of the Public Health Service, we continued our program to provide immunization inoculations for influenza, polio, smallpox, and tetanus, as well as a special inoculation program for employees traveling officially in foreign countries. During the fiscal year, 184 GAO employees received physical examinations under our Health Maintenance Program. In cooperation with the American Red

PERSONNEL MANAGEMENT

Cross, we continued our regular weekly blood donation program supplemented by a visit from the Bloodmobile in April 1969 with 82 persons participating.

The Office of Personnel Management administered the Federal Health Benefits Program assuring that all eligible employees were afforded the opportunity to participate. The Office also provided counseling to employees on individual problems arising under the program.

Equal Employment Opportunity

During the year, we revised our policies and practices relating to equal employment opportunity and the disposition of discrimination complaints in accordance with amended guidelines issued by the U.S. Civil Service Commission. Highlights of the revised program place special emphasis on the informal settlement of complaints and include the establishment in the General Accounting Office of a Director of Equal Employment Opportunity and provision for sufficient Equal Employment Opportunity Officers to carry out an affirmative and effective program. A member of our staff was designated an Equal Emloyment Opportunity Counselor, who will seek, on an informal basis, to obtain a resolution of matters giving rise to the allegation of discrimination prior to the filing of a formal complaint. Revised policies, practices, and procedures were implemented providing for an independent, impartial investigation of each formal complaint of discrimination, to be conducted by a person not associated with that part of the Office involved in the complaint and, ultimately, if so requested by the complainant, a hearing before an appeals examiner from another agency. The time necessary for the disposition of appeals should be significantly reduced under the new procedures.

Continued progress has been made in our efforts to broaden the effective utilization of women in more responsible areas of the Office. As part of our expanded recruiting program, professional women chosen from our staff have taken part in on-campus recruiting sessions to provide interested applicants with first-hand information on career development opportunities with the General Accounting Office. Continuing a firm trend, recruiting during fiscal year 1969 resulted in a steady increase in the number of women employed in various professional disciplines including accounting, law, economics, and mathematics.

Efforts continued in connection with the Operation MUST program with its broad objective—the maximum utilization of skills and training—to provide employment opportunities for persons of lower skills and to improve work efficiency with balanced staffing. This year we also continued our participation in a number of economic and educational opportunity programs by employing or hosting young men and women in the Washington area and at several of our regional offices. Students enrolled in accredited secondary schools or institutions of higher learning and who maintain acceptable scholastic standing were employed under the President's Youth Opportunity Stay-In-School Drive Program. We also hosted individuals enrolled in the Neighborhood Youth Corps by providing work experience and training to disadvantaged youth, 14 through 21 years of age. Under the terms of this program, enrollees were paid by a sponsor other than the Federal Government.

Security Clearance Program

Approximately 350 full-field investigative reports and 300 other reports were evaluated, on the basis of which clearances were issued for employees to provide them access to classified material at the "Secret" and "Top Secret" levels. The clearances of approximately 250 employees of the Office were reevaluated on a current basis.

Appendices

Appendices

APPE	NDIX	A-Fu	nctions	and	Organiz	ation of	the U	.S. Gen-	
eral Accounting Office									
	-		10						

1.	Functions and Organi	za	itic	ŋ											283
	Organization Chart														
3.	Map-GAO Regions	•		•	•	•	•	•	•	•	•	•	•	•	286

APPENDIX	B —Legislation Enacted During Fiscal Year	19	96	9	
Relating to	Work of the General Accounting Office .		,	•	287

APPENDIX C—Audit and Legal Activities

1. Number of Audit Reports Issued During the Fiscal	
Year 1969	291
2. Audit Reports Issued During the Fiscal Year 1969 .	292
3. Reports on Congressional Inquiries	327
4. Prime Contractors and Subcontractors at Which	
Contract Audit Work Was Performed During	
the Fiscal Year 1969	346
5. Decisions and Other Legal Matters Handled During	
the Fiscal Year 1969	351

APPENDIX D—Transportation Audit and Claims Adjudication

1. Bills of Lading and Transportation Requests Ex-	
amined During the Fiscal Year 1969	353
2. Transportation Claims Received and Settled During	
the Fiscal Year 1969	353
3. Transportation Audit and Collections-Fiscal Years	
1960–69	354
4. Transportation Claims Settled During Fiscal Years	
1960–69	354

APPENDICES

APPENDIX E—General Claims Settled During the Fiscal	
Year 1969	355
APPENDIX F-Collections by or Through the Efforts of the	
General Accounting Office, 1960–69	356
APPENDIX G-Financial Savings Attributable to Work of the	
General Accounting Office, Fiscal Year 1969	
1. Collections and Other Measurable Savings	357
2. Details of Other Measurable Savings	358
3. Additional Financial Savings Not Fully or Readily	
Measurable	366
4. Savings and Benefits to Others	377
APPENDIX H—Personnel Statistics	
1. Number of Employees by Division and Office	379
2. Location of Employees by Duty Station	380
 Number of Employees by Grade	381
Executive Branch and GAO—1961 to 1969	382
5. General Accounting Office Personnel Turnover	502
Rate	382
6. Accounting and Auditing Divisions Professional Staff	
Separations, Reason by Number and Percent,	
Fiscal Years 1961-69	383
7. Personnel Assigned to Congressional Committees	384
APPENDIX I—Financial Statements of the U.S. General Ac-	
counting Office	205
 Statement of Assets and Liabilities, June 30, 1969 Summary of Changes in Investment of United States 	385
Government, Fiscal Year Ended June 30, 1969	386
3. Summary of Operating Expenses for the Fiscal Year	000
Ended June 30, 1969	387
4. Summary of Sources and Application of Funds,	
Fiscal Year Ended June 30, 1969	388
APPENDIX J—Directory of the U.S. General Accounting	
Office	389

282

.

Appendix A

FUNCTIONS AND ORGANIZATION OF THE U.S. GENERAL ACCOUNTING OFFICE

Appendix A-1

Functions and Organization

The General Accounting Office was created by the Budget and Accounting Act, 1921, and is located in the legislative branch of the Federal Government. Since its establishment, the responsibilities and authorities of the Office have been broadened by various acts of Congress including the Government Corporation Control Act of 1945, and the Accounting and Auditing Act of 1950.

Functions

Under the direction of the Comptroller General of the United States, the General Accounting Office assists the Congress in carrying out its constitutional responsibilities with respect to the expenditure and application of public funds by performing the following functions.

Auditing.—Auditing the activities, financial transactions, and accounts of the Federal Government, except as otherwise exempt by law, and reporting to the Congress and the agencies the results of audit work.

Accounting.—Prescribing principles, standards, and related requirements for accounting; cooperating in the development and improvement of agency accounting and financial management systems; and reviewing and approving agency accounting systems.

Claims settlement.-Settling claims by and against the Federal Government.

Debt collection.—Superintending the recovery of debts owing to the Government and collecting amounts due the Government on adjudicated claims and amounts reported by Government departments and agencies as uncollectible through means available to them.

Legal work.—Rendering decisions at the request of heads of departments and agencies and disbursing and certifying officers on the legality of proposed payments or transactions, which decisions are binding on the executive branch; providing legal analysis and service on pending legislation before the Congress and interpreting existing legislation on matters involving doubt concerning the authority of the heads of Government agencies to undertake certain proposed actions.

Special assistance to the Congress.—Making special audits, surveys, and investigations at the request of congressional committees and Members of Congress; furnishing information in reply to inquiries; assigning personnel to assist congressional committees; and testifying before congressional committees. Records management and services.—Preserving and servicing disbursing officers' accounts, vouchers, certificates, and related papers until disposed of as provided by law.

Organization

The General Accounting Office is organized into the following divisions and offices. The directors of these organizations are directly responsible to the Comptroller General for carrying out the functions assigned.

Accounting and auditing functions: Office of Policy and Special Studies Civil Division Defense Division International Division Field Operations Division Transportation Division Legal work: Office of the General Counsel

Claims adjudication and settlement: Claims Division

Personnel and administrative functions: Office of Personnel Management

Office of Administrative Services

In addition to the headquarters office in Washington, D.C., 44 regional and subregional offices of the Field Operations Division are maintained in cities throughout the United States. The International Division has a branch office in Frankfurt, Germany, with a suboffice in New Delhi, India; and a branch office in Honolulu, Hawaii, with suboffices in Saigon, Vietnam, and Manila, Republic of the Philippines.

An organization chart for the General Accounting Office and a map showing the locations of the regional offices and the regional boundaries are shown on the following pages.

APPENDIX A-2






Appendix B

LEGISLATION ENACTED DURING FISCAL YEAR 1969 RELATING TO WORK OF THE GENERAL ACCOUNTING OFFICE

- Public Law 90-392, approved July 9, 1968, 82 Stat. 307, making supplemental appropriations for the fiscal year ending June 30, 1968, contains appropriation of \$1,559,000 for increased pay costs of the General Accounting Office (82 Stat. 323).
- Public Law 90-417, approved July 23, 1968, 82 Stat. 398, making appropriations for the Legislative Branch for the fiscal year ending June 30, 1969, contains General Accounting Office appropriations for salaries and expenses for fiscal year 1969 in amount \$57,500,000, including not to exceed \$2,000 for special studies of governmental financial practices expendable upon certification of the Comptroller General, purchase of one replacement motor vehicle, advance payments in foreign countries, and rental of living quarters in foreign countries (82 Stat. 412).
- Public Law 90-421, approved July 24, 1968, 82 Stat. 420, which amended the International Claims Settlement Act of 1949, restated, with only a minor language change, the provision with respect to determinations the Comptroller General is required to make in cases of payments to deceased persons and to persons under legal disability. In such legal disability or death payment cases, where the foreign claim payment is not over \$1,000, the Comptroller General determines the proper person or persons to receive the amount without the necessity of compliance with the law relating to administration of estates.

This requirement for determination of the proper person to receive payment in legal disability or decedent estate cases permits payments to be made to claimants without the necessity for compliance with laws relating to appointment of executors and administrators.

- Public Law 90-425, approved July 26, 1968, 82 Stat. 425, appropriated funds for the Department of the Interior and Related Agencies for 1969. Each year this act contains a proviso under the heading "Trust Territory of the Pacific Islands" requiring an audit by the General Accounting Office of all financial transactions of the Trust Territory, including transactions of all agencies or instrumentalities established or utilized by the Trust Territory. The proviso stipulates 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.
- Public Law 90-448, approved August 1, 1968, 82 Stat. 476, cited as the Housing and Urban Development Act of 1968, contained several sections specifically providing for GAO audit and access to records.

Under the lower income housing title creating a corporation designated as the "National Homeownership Foundation" to carry out a program of encouraging private and public organizations to increase homeownership, provision was made for General Accounting Office to audit the financial transactions of the Foundation in accordance with procedures applicable to commercial corporate transactions and under rules prescribed by the Comptroller General. The access to records provision was stated as follows: "* * The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papes, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government."

The audit reporting requirement spelled out the details of the report as follows: "A report of each such audit shall be made by the Comptroller General to the

Congress not later than January 15 following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the Foundation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress."

This provision is similar to the reporting requirement in the Government Corporation Control Act.

Under Title VIII of the Housing and Urban Development Act of 1968 relating to the secondary mortgage market, provision was made for the partition of the Federal National Mortgage Association, a wholly owned Government corporation, into two separate and distinct corporations, namely, the Federal National Mortgage Association and the Government National Mortgage Association. Pursuant to the transitional provisions the General Accounting Office was directed to continue to audit the financial transactions of the Federal National Mortgage Association for such period as there are outstanding obligations of FNMA which are guaranteed as to principal or interest by the newly established Government National Mortgage Association (82 Stat. 546).

The Government National Mortgage Association was specifically made subject to the Government Corporation Control Act thereby bringing its financial transactions within the ambit of GAO's audit jurisdiction (82 Stat. 544).

The 1968 Housing Act also provided for the establishment of a National Insurance Development Fund for property losses due to riots, civil disorders, and environmental hazard and specified that the Secretary of Housing and Urban Development and the Comptroller General shall have access to records of any insurer or other person that are pertinent to the costs of any program or service rendered the Secretary (82 Stat. 565).

In the administration of the flood insurance program the Secretary of Housing and Urban Development is authorized to enter into contracts to utilize facilities and services of insurance pools or other organizations to estimate payments to be made, make the payments, and make such audits as may be necessary to assure proper payment. The Secretary and the Comptroller General shall have access to the records of the pools or organizations executing contracts with the Secretary (82 Stat. 586).

- Public Law 90-496, approved August 23, 1968, 82 Stat. 837, popularly called "Virgin Islands Elective Governor Act," authorizes the Secretary of the Interior to appoint a government comptroller for the Virgin Islands to audit all accounts, review and recommend adjudication of claims pertaining to revenue, and audit all expenditures, among other things. The office and activities of the government comptroller are subject to review by the Comptroller General of the United States who shall report to the Congress. The Revised Organic Act of the Virgin Islands is amended to repeal the requirement for an annual review by the Comptroller General to permit greater flexibility in the timing of the reviews (82 Stat. 841).
- Public Law 90-497, approved September 11, 1968, 82 Stat. 842, provides for the appointment of a government comptroller for Guam by the Secretary of the Interior who shall, among other things, audit all accounts, review and recommend adjudication of claims pertaining to revenue, and audit all expenditures. The Comptroller General of the United States is required to review the office and activities of the government comptroller and report to the Congress (82 Stat. 846).
- Public Law 90-550, approved October 4, 1968, 82 Stat. 937, Independent Offices and Department of Housing and Urban Development Appropriation Act, 1969, contains the usual provision for approval of the General Services Administration operations fund accounting system by the General Accounting Office (82 Stat. 943).
- Public Law 90-577, approved October 16, 1968, 82 Stat. 1098, the Intergovernmental Cooperation Act of 1968, which, among other things, provided for improved administration of grants-in-aid to States authorized the Comptroller General and the head of the Federal agency administering the particular grant-in-aid program to have access to records pertinent to the grant-in-aid received by the States (82 Stat. 1101).

Under Title VI providing for review of Federal Grant-In-Aid Programs the Comptroller General was directed upon request of any committee having jurisdiction over a grant-in-aid program to make studies of such program to determine among other relevant matters, the extent to which

"(1) such program conflicts with or duplicates other grant-in-aid programs; and

"(2) more effective, efficient, economical, and uniform administration of such program can be achieved by changing certain requirements and procedures applicable thereto." (82 Stat. 1107)

The act further provided that

"In reviewing grant-in-aid programs the Comptroller General shall consider, among other relevant matters, the budgetary, accounting, reporting and administrative procedures applicable to such programs. Reports on such studies, together with recommendations, shall be submitted by the Comptroller General to the Congress. Reports on expiring programs should, to the extent practicable, be submitted in the year prior to the date set for their expiration." (82 Stat. 1107)

Public Law 90-581, approved October 17, 1968, 82 Stat. 1137, Foreign Assistance and Related Agencies Appropriation Act, 1969, contains a provision for access to records of the Inspector General, Foreign Assistance, by the General Accounting Office unless the President certifies that he has forbidden the Inspector General to furnish the records and the reason for so doing (82 Stat. 1144).

- Public Law 90-601, approved October 17, 1968, 82 Stat. 1172, which authorizes the appropriation of funds for the economic development of Guam and requires the government of Guam to prepare a plan including a program of private enterprise and industry development loans, provides that the Comptroller General of the United States shall have access to pertinent records of the agency of the government of Guam administering the plan (82 Stat. 1173).
- Public Law 90-602, approved October 18, 1968, 82 Stat. 1173, cited as the Radiation Control for Health and Safety Act of 1968, requires the Secretary of Health, Education, and Welfare, to establish an electronic product radiation control program and gives the Secretary and the Comptroller General of the United States access to records of recipients of assistance that are pertinent to grants or contracts entered into under other than competitive bidding procedures (82 Stat. 1175).
- Public Law 90-616, approved October 21, 1968, 82 Stat. 1212, authorizes the Comptroller General of the United States to waive claims of the United States arising out of erroneous payment of pay to employees of the executive agencies provided that there is no indication of fraud, misrepresentation, fault, or lack of good faith on the part of the employee obtaining a waiver. The act also provides that the Comptroller General shall prescribe standards for the waiver of payments.
- Public Law 90-620, approved October 22, 1968, 82 Stat. 1238, codifies title 44 of the United States Code, "Public Printing and Documents." The following provisions pertaining to functions of GAO are a restatement and codification of old laws.

The Comptroller General is required to report to Congress on audit of the activities of the Government Printing Office and to have access to records of GPO considered necessary (82 Stat. 1241).

Printing requirements for decisions and opinions of the Comptroller General (82 Stat. 1267).

On advice of the National Historical Publications Commission the Administrator of General Services makes grants for the collecting, etc., of documentary sources significant to the history of the United States, and the Administrator and the Comptroller General are given access to records of the recipients of such grants (82 Stat. 1295).

In connection with archival administration and records management by Federal agencies there is included a provision saving to the Comptroller General authority with respect to prescribing accounting systems, forms and procedures, and specifying that the responsibility of collecting and disbursing officers for rendition of their accounts for settlement by the General Accounting Office shall not be lessened (82 Stat. 1298).

Records pertaining to claims by or against the United States may not be disposed of until claims have been settled and adjusted in the General Accounting Office, except upon written approval of the Comptroller General of the United States (82 Stat. 1301).

Appendix C

AUDIT AND LEGAL ACTIVITIES

Appendix C-1

Number of Audit Reports Issued During the Fiscal Year 1969¹

	Total	Congress ²	Committees or Members of Congress ³	Agency officials 4
Civil departments and agencies: ⁵	<u></u>			
Civil departments	320	80	56	184
Independent agencies	169	37	42	90
Multiagency activities.	11	1	10	
Legislative branch	19	1	17	1
	519	119	125	275
Military departments: 5				
Department of Defense	105	29	30	46
Department of the Army	161	4	8	149
Department of the Navy	56	2	7	47
Department of the Air Force	116	6	13	97
	438	41	58	339
International activities	57	12	18	27
Government-wide	6	3	2	1
Organizations outside the Federal Government	3	2	1	
Total	1, 023	177	204	642

NOTES:

¹ A detailed listing of these reports is contained in the following table. Substantially identical reports listed more than once have, for the purposes of this table, been counted as one report.

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, Bureau of the Budget; the Senate and House Committees on Appropriations; the Senate and the House Committees on Government Operations; the appropriate legislative committees in the Senate and the House; Members of the Congress from the districts in which the activities reported are located; others in the Congress as requested; the President of the United States as appropriate; the agencies reported on; and others directly affected. Synopses of these reports will be found in Chapters Two through Seven.

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.

⁵ Exclusive of international and Government-wide activities which are listed separately.

Appendix C-2

Addressee and date issued Commit-Refer-Agency officials tees or Congress Members ence of Congress CIVIL DEPARTMENTS AND AGENCIES Review of Economic Opportunity Programs Pursuant to Requirements of Economic Opportunity Amendments of 1967: Summary report: Review of economic opportunity programs 130515 3 - 18 - 69Supplemental reports: Effectiveness and administration of the Community Action programs: Pinal County, Ariz 130515 6-18-69 Kansas City, Mo 130515 6-19-69 ---------Becker, Hubbard, and Mahnomen Counties, Minn 130515 6-30-69 Carrol, Chariton, Lafayette, Ray, and Saline Counties, Mo..... 130515 6-30-69 -----Grand Rapids, Mich..... 130515 6 - 30 - 69------Effectiveness and administration of Job Corps Centers: Keystone Job Corps Center for Women, Drums, Pa... 130515 6-19-69 Cispus Job Corps Civilian Conservation Center, Randle, Wash 130515 6-25-69 -----Eight Canyon Job Corps Civilian Conservation Center, Mescalero, N. Mex..... 130515 6-30-69 Wellfleet Job Corps Civilian Conservation Center, South Wellfleet, Mass..... 130515 6-30-69 ____ Effectiveness and administration of the Neighborhood Youth Corps program: Grand Rapids, Mich..... 130515 6-17-69 -----Administration and effectiveness of work experience and training projects: Kent County, Mich..... 164031(3) 4- 3-69 164031(3) 4-22-69 Maricopa County, Ariz_____ Lake County, Ind 164031(3) 4-24-69 ----- - -Gila River Indian Reservation, Ariz 5-26-69 164031(3) Becker and Mahnomen Counties, Minn 164031(3) 6-16-69 -----Los Angeles County, Calif..... 164031(3) 6-23-69 -----Evaluations of the war on poverty (prepared for the General Accounting Office by Resource Management Corporation, Bethesda, Md., and submitted by the General Accounting Office to the Senate Committee on Labor and Public Welfare, the Senate Subcommittee on Employment, Manpower and Poverty, and the House Committee on Education and Labor): Status and prospects at the Office of Economic Opportunity_____ 3-20-69 3-28-69 Education programs Health programs. -----3-28-69 -----The feasibility of benefit-cost analysis for manpower 3-28-69 programs ----4-28-69 Economics of poverty_____

Audit Reports Issued During the Fiscal Year 1969

		Address	ee and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
CIVIL DEPARTMENTS AND AGENCIES—continued				
Department of Agriculture:				
Agricultural Research Service:				
Need to improve regulatory enforcement procedures involv-				
ing pesticides	133192	9-10-68		
tered uses of lindane pesticide pellets	133192	2-20-69		
Review of program for screwworm eradication	133192	3-20-69		
Proposed deviation from use of bills of lading for pest control	100101	0 10 00		
shipments in Mexico	161412			8-23-68
Settlement of accounts of accountable officers, Eastern				
Administration Division				9-10-68
Agricultural Stabilization and Conservation Service and		1		
Commodity Credit Corporation:	ļ			
Examination of financial statements of Commodity Credit Corporation (1968)	114824	3-12-69		
Accounting and budgeting for operating expenses of the	111021	0 12 00		
Commodity Credit Corporation				7- 9-68
Review and approval of statement of accounting principles				
and standards of Agricultural Stabilization and Conserva-				
tion Service	1			10-24-68
Need for improvements in financial reporting				11-18-68
Review of the overall effective interest rate on repayments of				4-25-69
grain price-support loans by producers Consumer and Marketing Service:				4-20-09
Procedures for surveying facilities and sanitary conditions at				
selected nonfederally inspected meat plants (request of				
Senator Clifford P. Hansen)	163450		10- 3-68	
Federally operated commodity distribution program in				
Allamakee County, Iowa (request of Senator Jack Miller).	164880		10-16-68	
Review and approval of statement of accounting principles	115919			7-29-68
and standards	115313			1-29-08
the Delaware Valley milk marketing order				4-22-69
Farmers Home Administration:				
Policies and procedures for recommending emergency area				
designations		3-24-69		
Review of idle cash in supervised bank accounts	· · · · · · · · · · · · · · · · · · ·			91968
Review and approval of statement of accounting principles and standards	114079			5-16-69
Adequacy of determinations regarding availability of other	114873			5-10-05
credit in Hawaii.				6-18-69
Federal Crop Insurance Corporation:				
Examination of financial statements (1968)	114834	3-20-69		
Supplemental report on audit of reserve accounts for un-				
collectible debts receivable and for surety losses	· - 	. -		2-27-69
Forest Service:				
Information on circumstances surrounding request for refor- mation of a timber sale contract (request of Senators	ļ			
Gordon Allott and Peter H. Dominick and Congressman	1			
Wayne N. Aspinall)	164582		11-29-68	
Examination of control procedures and implementation				ļ
of revised regional instructions and scaling agreements in	1			
Pacific Northwest Region (request of chairman, Natural Resources and Power Subcommittee, House Committee		1		
on Government Operations)			1-30-69	
	,			

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		Address	ddressee and date issued		
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials	
civil departments and agencies—continued					
Department of Agriculture—Continued					
Forest Service—Continued					
Appraising of pulp timber in Alaska	125053			7-26-68	
Proposed change in documentation required for procure-	105044			0 00 00	
ment of certain transportation	135644		•••••	82068	
Problem areas with respect to Working Capital Fund ac- counting system.	161948			8-22-68	
Need to develop uniform policies and procedures for the sale	101940			8-22-08	
of marginal Federal timber	125053			9-30-68	
Review and approval of statement of accounting principles	120000			00000	
and standards of Appropriated Funds	161948			10-24-68	
Problem areas identified in further review of Working					
Capital Fund accounting system				13169	
Need to improve certain management controls over ap-					
praisals of national forest timber	125053			2-18-69	
Review and approval of statement of accounting principles					
and standards of Working Capital Fund	161948			3-21-69	
Settlement of accounts of accountable officers, Region 2,					
Denver, Colo				10-9-68	
Office of Management Services:					
Review and approval of statement of accounting principles and standards for Appropriated Funds	115317				
Review and approval of statement of accounting principles	110017			8- 6-68	
and standards for the Working Capital Fund	115317			10-24-68	
Soil Conservation Service:	110011				
Review and approval of statement of accounting principles					
and standards.	167019			6-9-69	
Settlement of accounts of accountable officers:					
State offices:					
Massachusetts				5-29-69	
Minnesota				2-25-69	
Ohio				8-12-68	
Tennessee				10-17-68	
Vermont				10-14-68	
Department of the Army, Corps of Engineers (civil functions): Need for additional criteria for evaluating motor vehicle use					
and estimating vehicle needs	164534	9-19-68			
Review of policies and practices for acquiring land for reser-	101001	8-18-00			
voir projects	118634	2- 3-69			
Accounting errors noted during examination of financial state-					
ments of the Southwestern Federal Power System, fiscal					
year 1967				8-6-68	
Accounts and accounting procedures of the Corps of Engi-					
neers' multipurpose projects in the Columbia River Fed-					
eral Power System				2- 5-69	
Settlement of accounts of accountable officers:					
District offices:				8-29-68	
District offices: Huntington, W. Va					
District offices: Huntington, W. Va Kansas City, Mo					
District offices: Huntington, W. Va Kansas City, Mo Louisville, Ky				12-16-68	
District offices: Huntington, W. Va Kansas City, Mo				4- 1-69 12-16-68 8-29-68 10- 9-68	

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		Address	ssee and date issued	
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
CIVIL DEPARTMENTS AND AGENCIES—Continued		;		
Department of the Army, Corps of Engineers—Continued Settlement of accounts of accountable officers—Continued District offices—Continued				
Philadelphia, Pa				1- 3-69 10- 2-68
Vicksburg, Miss New England Division, Waltham, Mass				10- 2-68
Waterways Experiment Station, Vicksburg, Miss				8-1-68
Department of Commerce:				0 1 00
Department-wide:				
Review and approval of accounting principles and	ļ			
standards	115390			6-27-69
Review of copying machines leased under Federal Supply				
Schedule contracts				4- 1-69
Bureau of the Census:				
Settlement of accounts of accountable officers, Seattle				2- 6-69
Regional Office, Wash Economic Development Administration:				2~ 0-09
Improvements needed in procedures for determining sup-				
plementary grant assistance for public works and develop-				
ment facility projects.	153449	2- 4-69		
Review of participation by the Federal Government in the				
establishment and financing of a sugar beet processing				
plant in Aroostook County, Maine (request of Congress-				
man H. R. Gross)	165456		3- 4-69	
Survey of business loan program in the Western Area				10 0 00
Office, Seattle, Wash				12- 6-68
Environmental Science Services Administration: Pricing and sale of aeronautical charts by the Coast and				
Geodetic Survey (request of Senator Gordon Allott)	128359		8-22-68	
Environmental Science Services Administration and Na-	1-0000		0 00	
tional Bureau of Standards:				
Need for improvement in the management of laboratory				
equipment at the Boulder Laboratories	164190	7 9-68		
Maritime Administration:				
Need to improve procurement procedures for outfitting				
vessels activated for use in Southeast Asia	118779	11- 4-68		
Method of compensating operators of Government-owned vessels supporting military activities in Southeast Asia.				12- 6-68
Need to improve certain automatic data processing activ-				12 0 00
ities				6-24-69
National Bureau of Standards:				
Policies and practices relating to the procurement of equip-				
ment and supplies at the Boulder Laboratories				4-29-69
Department of Health, Education, and Welfare:				
Department-wide:				
Need for improvements in the automated central payroll	164031	1 17 60		
system Donation of surplus mercury for educational and public	104031	1-17-69	• • • • • • • • • • • • •	
health purposes	164031	3-21-69		
Observations on development and status of audit function.		5-9-69		
Certain storage practices at a Government-owned ware-				
house assigned to the Department				10- 2-68
Payments to consultants for salaries and travel expenses	I	l 		12-6-68

295

		Address	ee and dat	and date issued	
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials	
CIVIL DEPARTMENTS AND AGENCIES—continued					
Department of Health, Education, and Welfare—Continued					
Consumer Protection and Health Services:					
Operation of the Air Pollution Control Program, City of					
Yonkers, N.Y. (request of Representative Richard L.					
Ottinger)	164031		6-11-69		
Settlement of accounts of accountable officers:					
District offices:					
Atlanta, Ga Baltimore, Md				2- 3-69	
Chicago, Ill				4- 7-69 5-22-69	
Cincinnati, Ohio.				3-22-09	
Minneapolis, Minn				5-29-69	
Health Services and Mental Health Administration:				0 20 00	
Federal funding of a study by the American Social Health					
Association (request of Senator Richard B. Russell)	166251		5-21-69		
Opportunities for economies in drug procurement in Indian					
health program	164031(2)			9-30-68	
Settlement of accounts of accountable officers, Clinical Re-					
search Center, Fort Worth, Tex				1- 6-69	
Settlement of accounts of accountable officers, Public Health					
Service Hospitals:					
Baltimore, Md				4-15-69	
Galveston, Tex				7-8-68	
Savannah, Ga Staten Island, N.Y			•••••	5-5-69	
National Institutes of Health:				12-10-68	
Problem areas affecting usefulness of results of Government-		i			
sponsored research in medicinal chemistry	164031(2)	8-12-68		Į	
Need for further action to determine allowable costs and	101001(2)	0 12 00			
recover overpayments under general clinical research					
center grants	164031(2)	12-26-68			
Improper use of National Cancer Institute funds for con-					
struction of research facility	164031(2)			2-18-69	
Office of Education:					
Need for strengthening controls for determining compliance					
with statutory restrictions on use of academic facilities					
constructed with Federal financial assistance.	164031(1)	12-23-68	•••••		
Practices followed in adjusting Federal grants awarded for					
construction of academic facilities	164031(1)	3- 4-69			
Certain aspects of the administration of the Teacher Corps	164091/9		7- 8-68		
program (request of Congressman Don H. Clausen) Administration and use of Federal grants for an educational	164031(3)		7- 0-00		
laboratory theatre project in Los Angeles (request of					
Congressman Glenard P. Lipscomb)	162965		9-13-68		
Certain aspects of educational projects at the Cherokee					
Indian Agency (request of Senators Howard H. Baker,					
Jr., and Albert Gore)	164980		6- 5-69		
Need for improvement in administration of certain aspects					
of the Federal financial aid programs to students in					
institutions of higher education	• • • • • • • • • • •			3-18-69	
Need to improve certain administrative procedures over					
equipment purchases under title I, Higher Education				1 10 00	
T 1997 A 1 A A A A A A A				4-17-69	
Facilities Act of 1963					

I.

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	1	Addres	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
CIVIL DEPARTMENTS AND AGENCIES—Continued				
Department of Health, Education, and Welfare-Continued		1	ĺ .	
Social and Rehabilitation Service: Need to improve procedures for reporting individuals as			}	ł
rehabilitated under the Vocational Rehabilitation pro-				
gram	164031(3)	11-26-68		
Weaknesses in controls relating to distribution of assistance				
payments to trainees in Los Angeles, Calif., work experi-		1	}	
ence and training project	~			12- 3-68
Certain aspects of the administration of the Work Experi- ence and Training program in Los Angeles County, Calif.	164031(3)			1- 8-69
Practices and procedures used by the State of Arkansas for	101001(0)			1 8 05
claiming Federal financial participation in third-party		1		
expenditures incurred under the Vocational Rehabilitation				
Act				2-20-69
Federal financial participation in certain administrative	104001 (0)			0.10.00
expenses for public assistance programs in Missouri Practices followed by State of Missouri in claiming Federal	164031(3)			6-12-69
financial participation in certain administrative costs				
incurred in connection with the Old-Age and Survivors	1	Í	1	1
Insurance program				6-18-69
Social Security Administration:	1			1
Need to strengthen procedures for determining continued	104001 (4)	0.00.00		
eligibility of widows for Federal benefits Need for timely action in resolving problems affecting the	164031(4)	8-22-68		
eligibility of hospitals under the Medicare program	164031(4)	12-27-68		
Independence of audits of Medicare reimbursements to				
St. Luke's Hospital in Cleveland, Ohio (request of				
Congressman Charles A. Vanik)	163573		12-17-68	
Additional information relating to GAO report concerning				
eligibility of hospitals under Medicare program (request	164021 (4)		3-25-69	
of chairman, Senate Special Committee on Aging) Need to improve controls over time reported by medical	164031(4)		3-23-09	
consultants (request of Representative Jackson E. Betts).	163498		6-27-69	
Administrative costs allocated by carrier to the Medicare				
program				8-22-68
Need for improvement in the internal controls over ADP				
system used by certain carrier in making payments under the supplementary medical insurance portion of the				
Medicare program				3-12-69
Problems in determining the reasonableness of physicians'				
charges under the Medicare program in Massachusetts	164031(4)	•••••		6-30-69
Department of Housing and Urban Development:				
Department-wide: Settlement of accounts of accountable officers:				
Central Office, Washington, D.C.				5-21-69
Region IV, Chicago, Ill				4-25-69
Federal Housing Administration:				
Need to increase home mortgage insurance application fees.	114860	7- 8-68		
Savings available through discontinuing purchase of title				
insurance on sales of houses acquired by FHA	114860	8-26-68		
Substantial benefits available through earlier collection of mortgage insurance premiums.	114860	9-26-68		
Examination of financial statements (1967)	114860	11-29-68		
Decision not to require builder's cost certification for Ross-				
moor Leisure World developments	158910	2-19-69		

AUDIT REPORTS ISSUED

		Address	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
CIVIL DEPARTMENTS AND AGENCIES—continued				
epartment of Housing and Urban Development-Continued		}		
Federal Housing Administration-Continued]	1		
Selection of purchasers of residential properties sold by FHA_	114860	3-19-69		
Allegations concerning awards of contracts for repair of FHA				
properties damaged by a flood in Fairbanks, Alaska (re- quest of Congressman H. R. Gross)	169400		0 0 00	
Government loan for low-income housing in the Glassboro,	163428		8- 9-68	
N.J., area (request of Congressman John E. Hunt)	165582		12-27-68	
Selected dispositions of surplus national defense housing	100002		12-21-00	
acquired by FHA	114860			8-16-6
Costs incurred by FHA for State taxes on foreclosure sales				8-28-6
Enforcement of the maintenance provisions of mortgage]			0 -0 0
insurance agreements with project mortgagors	114860			10-29-6
Method employed in determining increased dwelling unit				
cost limitations for multifamily housing mortgage loans	 			11-26-6
Federal National Mortgage Association:				
Examination of financial statements (1967)	114828	9-20-68		
Housing Assistance Administration:				
Review of financing of community facilities	118718	1-17-69		
Examination of financial statements of the low-rent public				
housing program fund (1968)	114863	2-20-69		
Proposed leased housing project of the Housing Authority of		1)
the City of Orlando, Fla. (request of Congressman Ed-				
ward J. Gurney).			8- 6-68	
Examination into complaint concerning construction of				
low-rent public housing projects (request of Congressman Thomas N. Downing)	162375		8-23-68	}
Followup on actions taken to provide for more frequent	102070		0-20-00	
payments on college loans (request of chairman, Execu-			ļ	Į –
tive and Legislative Reorganization Subcommittee,				
House Committee on Government Operations)	162246		4-14-69	
Transactions which led up to the planned purchase of an	1			
apartment house for use as low-rent public housing for				
the elderly (request of chairman, House Committee on		1		
the District of Columbia)	1		5-27-69	
Solicitation of bids for fire and liability insurance on a pub-	1			{
lic housing project (request of chairman, Senate Com-				
mittee on Government Operations)	. 118718		6-11-69	
Office of Assistant Secretary for Metropolitan Development:				
Comments on misappropriations of urban planning grant				l
funds in accounts of Association of Bay Area Govern-				
ments, San Francisco, Calif. (request of Congressman			10.00.00	
Glenard P. Lipscomb)	. 163680		12-30-68]
Review of methods used to determine amount of grants for		{		2 14
construction of basic water and sewer facilities	•			3-14
Renewal Assistance Administration: Savings available in Federal share of cost of demolishing			1	
buildings	1	11-12-68	{	
Improvements needed in the management of the urban		11 12 00		1
renewal rehabilitation program		4-25-69		
Pertinent facts concerning a change in the urban renewal				
plan for the Erieview I urban renewal project in Cleve-		1		l
land, Ohio (request of Congressman Charles A. Vanik)			9-24-68	
Selected aspects of urban renewal projects in Seaside, Calif.				Í
(request of Congressman Burt L. Talcott)		1	11-29-68	1

•

		Address	see and date issued	
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
CIVIL DEFARTMENTS AND AGENCIES—continued				· · · · · · · · · · · · · · · · · · ·
Department of Housing and Urban Development—Continued				
Renewal Assistance Administration—Continued		1		
Information concerning the John F. Kennedy urban				
renewal project, Oklahoma City, Okla. Request of Senator A. S. Mike Monroney	118754		12-27-68	
Request of Senator Fred R. Harris	118754		12-27-68	
Need for improved administration of the federally assisted				
code enforcement project in Chicago, Ill. (request of				
congressmen from Illinois)	164469		1-10-69	
Progress made in meeting conditions established to speed				
up the urban renewal effort in Cleveland, Ohio (request of Senator Frank J. Lausche)	118754		3-25-69	
Certain aspects of the land disposition activities of an	110101		0 40 03	
urban renewal project in San Bernardino, Calif. (request				
of Congressman Jerry L. Pettis)	165427		6- 3-69	
Selected urban renewal project execution activities				7-26-68
Review of transfers of interests between private developers	110774			0 0 00
in urban renewal lands Department of the Interior:	118754			9- 6-68
Department-wide:				
Cost reduction and management improvement program	163762			5-20-69
Bonneville Power Administration (including construction				
and operating activities of Army Corps of Engineers				
and Bureau of Reclamation):				
Need for improved coordination of transmission-line design and construction practices	114858	8- 5-68		
Examination of financial statements of Columbia River	114000	0-0-00		
Federal Power System (1968)	114858	12-16-68		
Review and approval of statement of accounting principles				
and standards	115383		•••••	7- 8-68
Financial planning to determine the cost dimensions and				
economic feasibility of the Advance Control and Dis-				7-29-68
patch Program Examination of selected accounting practices and settlement	•••••			1-29-08
of accounts of accountable officers				2- 5-69
Bureau of Indian Affairs:				
Improvements achieved in the management of supplies	114868	7-31-68		
Proposals for improving the system for management of re-	114040	0.07.00		
pair and maintenance of buildings and utilities Followup review of the management of monies held in	114868	9-25-68	• • • • • • • • • • • • •	
trust for Indians (request of chairman, Natural Resources				
and Power Subcommittee, House Committee on Govern-				
ment Operations)	114868	•••••	10-10-68	
Bureau of Land Management:				
Review and approval of statement of accounting principles	49100			2~ 7-69
and standards Bureau of Mines:	48120			2~ 7-09
Administration of allowances authorized for Federal em-				
ployees upon permanent change of official duty station at				
the Western Administrative Office, Denver, Colo				1- 9-69
Settlement of accounts of accountable officers, Eastern Ad-				
ministrative Office, Pittsburgh, Pa., and Mount Hope Administrative Office, Mount Hope, W. Va				6-23-69
Bureau of Outdoor Recreation:	• • • • • • • • • • • •	••••••		0-20-09
Review and approval of statement of accounting principles				

		Address	see and dat	date issued	
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials	
(IVIL DEPARTMENTS AND AGENCIES—continued					
partment of the Interior—Continued sureau of Reclamation:					
Discounts granted generating and transmission coopera- tives, Eastern Division, Missouri River Basin Project	125042	8- 6-68			
Savings available by improving administration of the					
small reclamation projects loan program Negotiation of contracts for water from the Central Valley	114885	8-27-68			
Project	125045	10-18-68			
Need to improve policies and procedures for relocating					
railroad facilities at Federal water resources projects	114885	12-30-68			
Need for inclusion in feasibility reports of information on water holding capability of proposed reservoirs		ļ		10 0	
Administration of allowances for Federal employees upon				12-6-	
permanent change of official duty station in Region 7				1-9-	
Review of contract for the transmission of Central Valley					
Power to the San Luis Unit	135805			1-31-	
Review of accounts and accounting procedures of the					
Region I power generating and related multipurpose	1				
projects Amended procedures used by the Bureau of Reclamation,				2-5-	
Region 2, in computing the power bill of the Sacramento					
Municipal Utility District				3-26-	
Settlement of accounts of accountable officers:					
Commissioner's Office				4-25-	
Office of Chief Engineer, Denver, Colo	·····			8-30-	
Region 5, Amarillo, Tex				2-14-	
ederal Water Pollution Control Administration:					
Personnel, staffing, and administration of the Federal Water Pollution Control Administration (request of					
chairman, Subcommittee on Air and Water Pollution,					
Senate Committee on Public Works)	166506		4-11-69		
Questionable award of a construction grant to the Oglala					
Sioux Tribe, Pine Ridge, S. Dak				10-25-	
lational Park Service:	l .			ļ	
Installation of a new water pipeline at Mount McKinley					
National Park, Alaska (request of chairman, House Com- mittee on Ways and Means)	164994		9-25-68		
Review and approval of statement of accounting principles	104994		9-20-08		
and standards	159611]	6-20-	
Settlement of accounts of accountable officers, Northeast					
Regional Office	- -			12-2-	
office of Territories:					
Examination of financial statements, Virgin Islands Corpo-	114000	F 02 00			
ration (1967 and 1968) Activities of the Office of the Government Comptroller of	114822	5-23-69			
the Virgin Islands (1966 and 1967)	114808	6-30-69			
Review of the eligibility of Federal employees for rest and		0.00.00			
recreation travel (request of Senator Carl Hayden)	133696		7-17-68		
outhwestern Power Administration (including construction	ł				
and operating activities of the Army Corps of Engineers):					
Examination of financial statements of Southwestern Fed-					

. |

		Address	Addressee and date issued		
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials	
CIVIL DEPARTMENTS AND AGENCIES—continued					
Department of the Interior-Continued					
U.S. Fish and Wildlife Service:	1				
Bureau of Sport Fisheries and Wildlife: Opportunities for improvement in policies for acquiring					
migratory waterfowl refuges	114841	9-11-68			
Settlement of accounts of accountable officers, Region 2,					
Albuquerque, N. Mex				7- 8-68	
Review and approval of statement of accounting princi-					
ples and standards	159308			5-27-69	
Department of Justice:					
Department-wide:					
Review and approval of statement of accounting principles					
and standards	157162		····	5-29-69	
Office of the Attorney General:				4-16-69	
Use of automatic data processing activities Copying machines used in the legal activities and general	166549	•••••		4-10-09	
administration areas in the Department				5-26-69	
Bureau of Prisons:	•••••				
Settlement of accounts of accountable officers, U.S. Peni-					
tentiary, Leavenworth, Kans				6-16-69	
Federal Prison Industries, Inc.:					
Examination of financial statements (1968)	114826	2-11-69			
Purchases of bristles from Communist countries and					
nylon fiber from France:					
Request of Congressman John Paul Hammerschmidt.			7- 1-68		
Request of Congressman Charles McC. Mathias, Jr	164406		7- 3-68		
Review of certain financial management activities: Alderson, W. Va	1	{		12-17-68	
Leavenworth, Kans				11-19-68	
Lompoc, Calif				10-21-68	
Marion, Ill				12-30-68	
Milan, Mich				1-2-69	
Need to revise certain accounting practices	114826			4-14-69	
Federal Bureau of Investigation:					
Settlement of accounts of accountable officers				6-30-69	
Immigration and Naturalization Service:					
Review of selected operations of the district office at Frank-				0.00.00	
furt, Germany	125051	•••••		8-30-68	
Office of the Secretary:					
Review of administrative controls over reimbursements					
for certain costs in connection with employees' permanent		ļ			
changes of official stations.				6-12-69	
Bureau of Employees' Compensation:					
Opportunities for reducing costs of hospitalization, medical					
services, and drugs provided to Federal employees for	1			ł	
job-related disablements	157593	5-29-69			
Implementation of the statutory provision permitting a					
reduction in disability compensation payments commen-	ļ				
surate with claimant's reduced wage-earning capacity at	117700			0.00_00	
age 70 Overpayment of disability compensation to employees	157593			8-29-68	
whose regularly scheduled workweek includes Saturday		([
	1	1	1	1 669	

.

		Address	see and date issued		
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials	
CIVIL DEPARTMENTS AND AGENCIES-continued					
Department of Labor—Continued Manpower Administration: Economies available if excess Federal personal property is used to furnish State employment security agencies Improvements needed in contracting for on-the-job train-	133182	9-25-68			
ing under the Manpower Development and Training Act of 1962	146879	112668			
Need for improvements in certain Neighborhood Youth Corps program operations in Detroit, Mich	162001	12-26-68			
Certain aspects of the administration of the Neighborhood Youth Corps program in Los Angeles County, Calif Allegations of payroll padding in a New York Neighbor-	165214	1 7-69			
hood Youth Corps program (request of chairman, House Committee on Education and Labor) Evaluation of recordkeeping and accounting procedures of	130515		8-22-68		
Youth Pride, Inc. (request of chairman, Senate Com- mittee on Appropriations) Interim report on audit of Youth Pride, Inc., and Youth Pride Economic Enterprises, Inc., an affiliated company	164537		9- 4-68		
(request of chairman, Senate Committee on Appropria- tions)	164537		9~ 6~68		
Training programs in the State of Iowa under the Manpower Development and Training Act of 1962 (request of Senator Jack Miller) Audit of contracts with Youth Pride, Inc., Washington, D.C. (request of chairman, Senate Committee on Ap-	164211		12-31-68		
propriations) Investigation of allegations relative to Youth Pride, Inc.	164537		1-16-69		
(request of Representative Joel T. Broyhill) Information on use of Federal monies for acquisition of legal services by the Arizona Employment Security Com- mission and Arizona Power Authority (request of Repre-	164537		6- 6-69		
sentative Morris K. Udall) Institutional project to train tuna fishermen in Hawaii	165211		6-16-69	7-29-68	
Certain Neighborhood Youth Corps program operations in Philadelphia and Pittsburgh, Pa Certain policies and procedures established for the adjudica-	165666			4- 8-69	
tion of claimant and employer appeals under the un- employment insurance program				4-25-69	
Need for more realistic minimum wage rate determinations for certain federally financed housing in Washington metropolitan area.	164427	9-13-68			
Wage and Hour and Public Contracts Divisions: Review and approval of back wage ancillary accounting system	115349			10-24-68	
Post Office Department: Need for improvements in planning for large mechanized	1				
mall-handling facilities. Transportation of mail from Courtney, Tex., to Navasota,	114874	8-23-68			
Tex. (request of Congressman Olin E. Teague)	164037		7-11-68		

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		Addres	see and da	late issued	
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials	
CIVIL DEPARTMENTS AND AGENCIES-continued					
Post Office Department—Continued					
Potential manpower savings through employment of an all- regular work force (request of chairman, Subcommittee on Departments of Treasury and Post Office and Executive Office, House Committee on Appropriations)	164819		8-13-68		
Comparative costs of Government-owned trailers and leased trailers (request of chairman, Subcommittee on Depart- ments of the Treasury and Post Office and Executive Office,					
Senate Committee on Appropriations) Need for coordinating plans for extending and modernizing	114874		4-18-69		
postal space in Government-owned buildings Renewal of star route contracts and establishment of box	162585			73168	
delivery star routes Savings available through modernization of mail bag repair	114874			8- 2-68	
equipment. Payments to a trucking company for unearned mail handling				8-21-68	
service. Accumulation of obsolete and unusable equipment in the				10-16-68	
Dallas Postal Region Potential savings available through conversion of heating systems at the Bronx Post Office and the Cooper and			•••••	11-20-68	
Lenox Hill Stations of the New York Post Office	1			11-26-68 2-26-69	
Need for improved controls over vehicle glass procurements, Atlanta Post Office				6- 5-69	
Settlement of accounts of accountable officers: Postal Data Centers:					
Atlanta, Ga.			••••••	5-19-69	
Dallas, Tex Minneapolis, Minn			•••••	1- 6-69 7- 5-68	
New York, N.Y				4-1-69	
Department of Transportation:					
Federal Aviation Administration:					
Need for improvements in internal auditing	160759	7- 2-68	·····		
Review of activities in the Europe, Africa, Middle East Region	164497(1)	9-18-68			
Policy revised to require airport sponsors to use funds de-	101151(1)	5 10 00	•••••		
rived from sales of donated Federal land for specific					
airport purposes	164497(1)	9-24-68	••••••		
Costs to the Federal Government of preparing airport ob-	1				
struction charts (request of chairman, House Committee on Merchant Marine and Fisheries) Aircraft owned by the Department and based at Washing-	165504		12-10-68		
ton National Airport (request of Representative Fletcher Thompson)	165502		1- 6-69		
Grants under the Federal-aid airport program for the ac-					
quisition of land for the development of public airports Followup of certain security controls at air route traffic	164497(1)			10-18-68	
control centers				5-23-69	
Proposed schedule of fees for certification services	133127	··	••••••	6-26-69	

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		Address	ee and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
CIVIL DEPARTMENTS AND AGENCIES—continued				
Department of Transportation—Continued				
Federal Aviation Administration—Continued				
Settlement of accounts of accountable officers:			1	
Alaskan Region, Anchorage, Alaska				9-20-68
Headquarters Office, Washington, D.C.				3-14-69
National Aviation Facilities Experimental Center,				
Atlantic City, N.J.				3- 3-69
Federal Highway Administration:				
Need for timely and effective resolution of appraisal prob-				l
lems in the State of Ohio	164497(3)	9-16-68		
Opportunity to increase Highway Trust Fund investment				
income by revising Federal reimbursement policy	162919	9-17-68		
Need for improved appraisal practices for right-of-way				
acquisitions in Rhode Island	164497(3)	11-19-68		
Problems arising from the manner and extent to which				
Federal funds are granted for State highway safety pro-				
grams	165355	6-19-69		
Agency's comments on GAO report recommending certain			[1
revisions in the Federal reimbursement policy (request of]	
chairman, House Committee on Government Opera-	100010			
tions) Certain audit activities of the Federal Highway Adminis-	162919		2- 7-69	
tration	160750			7 20 00
Problems associated with development of the 1968 Inter-	160759			7-30-68
state System Cost Estimate	133833			1-29-69
Need to revise policy for participation in cost of State	100000			1-20 03
highway safety projects	165355			2-13-69
Need for improved management of nonexpendable personal				
property	164497(3)			4-30-69
Propriety of using Federal emergency funds to finance				
entire cost of replacing the Silver Bridge in West Virginia.	166132			6-30-69
Settlement of accounts of accountable officers:				
Region 1, Delmar, N.Y				3-4-69
Region 5, Kansas City, Mo				2-20-69
Region 6, Fort Worth, Tex				10-14-68
Region 7, San Francisco, Calif.				1-17-69
Region 15, Arlington, Va				6-30-69
Federal Railroad Administration:				1
Possible misuse of Federal funds granted for a research pro-			1	
ject on prototype electric cars (request of Representative]	1]	
Craig Hosmer)	165924	····	2-24-69	
Saint Lawrence Seaway Development Corporation:			1	
Examination of financial statements for calendar year 1967.	125007	3-26-69		
Observations on accounting and administrative matters	[10.10.00
for calendar year 1967				12-19-68
United States Coast Guard:	(ļ	l
Followup review on use by the Coast Guard of military	114951	5-8-69	1	
personnel in civilian-type positions.	114851	0-0-09		
Per diem payments to advance crew members assigned to	146898			11- 6-68
vessels under construction at Avondale Shipyards, Inc Management of construction projects	1			2-25-69
Settlement of accounts of accountable officers:				2-20-00
U.S. Coast Guard Yard, Curtis Bay, Md				6-6-69
12th Coast Guard District, San Francisco, Calif				6-9-69

		Address	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
CIVIL DEPARTMENTS AND AGENCIES-continued				
Treasury Department:				
Office of the Secretary: Settlement of accounts of accountable officers				1-27-69
Review and approval of statement of principles and stand-				
ards of administrative accounting systems				5-21-69
Review and approval of administrative accounting system.	115300			6-30-69
Bureau of Accounts:				
Review and approval of Investments Branch accounting				0 10 00
system Review and approval of the accounting system for central	. 115397			3-13-69
accounting for foreign currency operations	115397			6-30-69
Review and approval of the system of central accounting	110091			0-00-09
for the cash operations of the Federal Government	115397			10-31-68
Settlement of accounts of accountable officers at regional	1			
disbursing offices:				
Juneau, Alaska				10-16-68
New York, N.Y	• • • • • • • • • • • • • • • • • • •			8-22-68
Bureau of Customs:				
Followup review of control over unloadings of bulk petrole-				
um (request of chairman, Legal and Monetary Affairs				
Subcommittee, House Committee on Government			0.05.00	
Operations) Review of selected internal audit activities, Office of the			3-25-69	• • • • • • • • • • • •
Director, Field Audit, San Francisco.				4- 2-69
Inquiry into the use of duty-free aviation fuel for certain				<u>4</u> -2-08
flights purportedly engaged in foriegn trade				6-9-69
Settlement of accounts of Collectors of Customs:				
Region V, New Orleans, La.				12- 9-68
Region VIII, San Francisco, Calif				4-2-69
Bureau of the Mint:				
Settlement of accounts of accountable officers:		ļ	j	
U.S. Assay Office, San Francisco, Calif				10-18-68
U.S. Mint, Philadelphia, Pa	•			11-19-68
Bureau of Public Debt:				
Maintaining current income savings bond records				7-26-68
Review and approval of accounting system Internal Revenue Service:	. 1153/1			12-13-68
Proposed revision to the Internal Revenue Code governing				
interest payments on certain types of Federal income tax			}	
refunds		9-19-68		
Procurement of automated mail sorting and handling equip-				
ment (request of chairman, Subcommittee on Treasury,				
Post Office and Executive Office, House Committee on				
Appropriations)			8-27-68	
Need for strengthening management controls over processing			1	
of claims for Federal income tax refunds				9-27-68
Savings available from quantity discounts on purchase of		1		11 00 00
microfilm	-	·		11-20-68
Savings available through purchase of shorter rolls of micro-				1-22-69
film and utilization of unused film Opportunity for reducing costs relating to the seizure of				1-22-08
vehicles having little value				2-20-69
			1	1
Controls over taxpayer reporting of State income tax refunds.	137762			4-2-69

		Address	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
CIVIL DEPARTMENTS AND AGENCIES—continued				
Treasury Department—Continued				
Internal Revenue Service—Continued		ļ		
Settlement of accounts of accountable officers:				
National Office, Washington D.C. Office of International Operations, Washington, D.C.				4-29-69
Southeast Region, Atlanta, Ga				4-11-69 3-10-69
Western Region, San Francisco, Calif				7-3-68
Office of the Treasurer:				1- 3-08
Examination of financial statements of accountability of				
the Treasurer of the United States for fiscal years 1966				
and 1967	114802	7-17-68]
Audits of the cancellation, destruction, and accounting for				
unfit currency by selected Federal Reserve banks and			}	
branches (request of chairmen, House and Senate Com-				
mittees on Banking and Currency)	157069		12-26-68	
Settlement of accounts of accountable officers				9- 9-68
Cancellation, verification, destruction, and accounting for				
currency unfit for circulation, Federal Reserve Banks:				
Dallas, Tex				3-10-69
Kansas City, Mo				2-11-69
INDEPENDENT AGENCIES				
Atomic Energy Commission:				
Procurement of certain products from private industry	164105	10-22-68		
Opportunities for improving reliability evaluation of nuclear)	
weapons (Confidential)	165546	12-31-68		
Analysis of estimated and actual costs of certain major re-	150005	0 00 00	ļ	
search facilities. Development of warheads for the SENTINEL system (re-	159687	2-20-69		
quest of chairman, Joint Committee on Atomic Energy)				
(Secret and Restricted)	164250	}	9-16-68	
Need for separate support contractors at the Nevada Test	104230		5-10-00	
Site and the Nuclear Rocket Development Station (request				
of chairman, Special Studies Subcommittee, House Com-				
mittee on Government Operations)	165218		10- 1-68	
Summary of status and results of review of development and		1		
deployment of Sentinel Antiballistic Missile System (re-				
quest of chairman, Joint Committee on Atomic Energy)				
(Confidential)	164250		2-20-69	
Administration of selected contract activities relating to con-				r
struction of the 200-Bev accelerator (request of chairman,)	
Joint Committee on Atomic Energy)	160615		2-25-69	
Management of equipment (request of chairman, Joint Com-				
mittee on Atomic Energy)	160731		3-14-69	
Administration and management of the biology and medicine		ļ		
research program (request of chairman, Joint Committee on	165117		4-16-60	
Atomic Energy)	165117		4-16-69	
	l			
Possible transfer of the gaseous diffusion plants to private		1	4	1
ownership (request of chairman, Joint Committee on	150697		5-20-60	
ownership (request of chairman, Joint Committee on Atomic Energy)	159687		5-20-69	
ownership (request of chairman, Joint Committee on	159687		52069	

		Address	ee and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INDEPENDENT AGENCIES-continued				
Atomic Energy Commission—Continued				
Review of diversified contractors' accounting systems, Rich- land Operations Office, Richland, Wash				4-15-69
Settlement of accounts of accountable officers:				11 10 69
Albuquerque Operations Office, Albuquerque, N. Mex				11-19-68 1-27-69
Idaho Operations Office, Idaho Falls, Idaho Civil Service Commission:				1~27-09
Review and approval of statement of accounting principles				
and standards	115338			111868
Review and approval of accounting systems for employees'	110000			11-10-00
retirement and disability, group life insurance, health				
benefits, and retired employees health benefits programs	115338			11~25-68
Settlement of accounts of accountable officers:				
Headquarters office, Washington, D.C.			<i></i>	9-9-68
Regional offices:				
Boston, Mass				3- 5-69
New York, N.Y.				21769
San Francisco, Calif				5~ 7-69
Corregidor-Bataan Memorial Commission:				
Settlement of accounts of accountable officers				10- 7-68
District of Columbia Government:				
Comparison of taxes in the District of Columbia with those	110000	0.14.00		
of its environs and other metropolitan areas	118638	3-14-69		
Inquiry into overtime and promotion practices within Dis- trict of Columbia Fire Department (request of Senator				
Wayne Morse)	165065		11-19-68	
Information on Federal financial assistance received by the	100000			
District of Columbia (request of chairman, District of				
Columbia Subcommittee, Senate Committee on Appro-				
priations)	118638		6-16-69	
Continued need for improvement in the maintenance of				
employees' attendance and leave records	118638			1- 3-69
Department of Highways and Traffic:		1		
Landscape beautification activities in the National Capital		(
Region	• • • • • • • • • • • • • • • • • • •	• • • • • • • • • • • •		8-20-68
Review of Materials Research and Development Division				1-30-69
Executive Office of the President: The White House Office:		[[[
Modifications in accounting operations		1		6-13-69
Office of Economic Opportunity:				0 10 00
Federal programs for the benefit of disadvantaged preschool			(1
children, Los Angeles County, Calif	157356	2-14-69		
Selected aspects of payments and charges to Job Corps				}
members	130515	6-30-69		- -
Disbursements of the Woodlawn Organization, Chicago,				
Ill. (request of Congressman Roman C. Pucinski)	163198		7-16-68	
Investigation of the Dependency Prevention Commission,		1	1	1
San Bernardino County, Calif., under Office of Economic				
Opportunity grants and Department of Labor contracts	100000		7 10 00	
(request of Congressman Jerry L. Pettis)	162089		7-16-68	
		1	1	L .
Certain activities of transportation and warehousing train- ing program at the Kilmer Job Corps Center (request of			1	1

•

		Address	late issued	
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INDEPENDENT AGENCIES—continued				
Executive Office of the President—Continued				
Office of Economic Opportunity-Continued				
Funds received by the Hough Area Development Corpora-				
tion, Cleveland, Ohio (request of chairman, House				
Committee on Appropriations)	130515		9-24-68	••••
Material distributed at a high school in Mountain View, Calif by an employee of the Economic Opportunity				
Commission (request of Congressman Charles S. Gubser).	164824		9-25-68	
Investigation of the Southwest Alabama Farmers Co-	101024		3 20 00	
operative Association, an OEO grantee (request of				
chairman, Subcommittee on Legislative Appropriations,)			
House Committee on Appropriations)	130515		10-21-68	
Circumstances surrounding grant to AAY-Community				
Development, Inc., to provide free lunches to needy				
schoolchildren in Boone County, W. Va.:				
Request of chairman, House Committee on Appro- priations.	165395		1-14-69	
Request of Representative John Slack	165395		1-14-03	
Certain activities of the Southwest Alabama Farmers	100000		1 20 00	
Cooperative Association, an OEO grantee (request of)	1	
chairman, Subcommittee on Legislative Appropriations,				
House Committee on Appropriations)	130515		1-27-69	
Establishment and operation of food stores by the Mingo				
County Economic Opportunity Commission, an OEO				
grantee (request of Senator Robert C. Byrd, and Rep-	100515		2-27-69	
resentative James Kee) Use of OEO funds to transport demonstrators to sit-in at	130515		2-27-09	
welfare office, New Orleans, La. (request of Representa-				
tive Speedy O. Long)	130515		6- 5-69	
Inquiry into operation of a school in Brown County, Ohio,				
with OEO funds (request of Representative William H.	ļ			
Harsha)	166634		6-23-69	
Legal services programs in Pittsburgh and Philadelphia				9~ 5-6
Selected operations at Job Corps Centers for Women at	1		1	0.10.0
Omaha, Nebr. and Excelsior Springs, Mo				9-19-6
Allowability of certain costs claimed for reimbursement by Job Corps Center contractor	ļ			9-27-6
Entertainment expenses included in contractor claims for]
reimbursement				10- 2-6
Administration of selected community action program	1			}
grants				5-9-6
Office of Emergency Preparedness:				
Review of Federal disaster assistance to State and local			l I	
governments	156457	6- 6-69		11-25-6
Settlement of accounts of accountable officers				11-20-0
Audit (1968)	114806	1-28-69		
Federal Communications Commission:				
Need to make fuller use of automatic data processing facilities.	164987		.	11 1-6
Federal Deposit Insurance Corporation:				
Audit of financial statements (1967)	114831	10-8-68		
Examination of financial statements (1968)		3-7-69		
Audit of financial statements (1968).	114831	5-27-69		
GAO access to records prior to 1950 (request of chairman, House Committee on Banking and Currency)	58300		7- 2-68	

,

		Address	ee and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INDEPENDENT AGENCIES—continued				
Federal Home Loan Bank Board and Corporations Supervised:				
Audit of Federal Savings and Loan Insurance Corporation for the year ended December 31, 1966	114893	7-26-68		
Audit of Federal Savings and Loan Insurance Corporation for the year ended December 31, 1967	114893	2-26-69		
Examination of financial statements of Federal home loan banks for the year ended December 31, 1967	114827	9-20-68		
Examination of financial statements of the Federal Home	-			
Loan Bank Board for the year ended December 31, 1967 Use of association examiners in bank examinations	114827	10-31-68		3- 7-6
Federal Power Commission: Audit of payroll and leave records				718-64
General Services Administration:				7-10-0
Federal Supply Service: Savings realized through the use of effective formal adver-		}		
tising in contracting for propane	164531	8-26-68		
Use of the second-phase method of contracting—a method that does not encourage maximum price competition Award of contract for electrical extension assemblies (re-	163379	1-10-69		
quest of Senator Clifford P. Hansen)	165046		9- 3-68	
Procedures governing procurement of electric typewriters (request of Congressman J. William Stanton)	164630		9- 3-68	
Analysis of savings under mandatory discount policy				
(request of chairman, Subcommittee on Government Procurement and Economic Concentration, House Select				
Committee on Small Business) Need to discontinue purchasing 2-wire electrical extension	163971		5-27-69	·····
assemblies.				9-19-6
Opportunities for improvements in the management of stocks with limited shelf life	161319			12236
Elimination of locks from general office desks	114807			12-23-6
Effectiveness in meeting the supply requirements of do-				
mestic agencies Office of Administration:				6-26-6
Use of special Government rate tenders for transportation				
incurred under cost-reimbursement contracts	166864			5-28-69
Property Management and Disposal Service:				
Opportunity for savings by increasing transfers of excess property among Federal agencies	146929	3-21-69		
Public Buildings Service:	110323	0 21 00		
Improvements in the management of Government park-				
ing facilities.	155817	6-16-69		
Closing of the Philadelphia field office: Request of Senator Hugh Scott	164493		9- 4-68	
Request of Congressman Richard S. Schweiker	164493		9-4-68	
Request of Congressman Joshua Eilberg	164493		9-19-68	
Funding of improvements to the Post Office and Federal				
Office Building, Grand Haven, Mich. (request of Con- gressman Guy Vander Jagt)	165152		12-11-68	
Silver recovery from wastes at a leased facility (request	100104			
of Representative Silvio O. Conte)	166483		6-23-69	
Working conditions at a building occupied by National Institute of Mental Health personnel				11- 8-68

AUDIT REPORTS ISSUED

		Address	see and dat	e iss ued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INDEPENDENT AGENCIES—continued				
General Services Administration-Continued				
Transportation and Communications Service:				
Opportunity to reduce costs substantially in acquiring tele- typewriters for use in the Advanced Record System				
communications network	162104	9-12-68		
Review of the fixed-price portion of the Advanced Record	102104	9-12-08		
System contract	162104			9-16-0
National Aeronautics and Space Administration:	102.01			0.00
Opportunity for savings in acquiring security guard and fire				l
protection services at the Kennedy Space Center, Fla	133394	7-15-68		
Need for improved compliance by Goddard Space Flight				
Center with established accounting procedures for control				
of equipment	164674	8-28-68		
Opportunity for savings in procurement costs by improved				
procurement policies and procedures	161366	9-24-68		
Procedures and practices for control of materials under the Apollo program	170200	11- 8-68		
Certain management controls of the quality assurance sys-	158390	11- 8-08		
tem for the Apollo program	156556	3-11-69		
Saturn S-IVB-503 stage accident under the Apollo program		4-15-69		
Logistics support provided by Bendix Field Engineering				
Corp. at Goddard Space Flight Center (request of acting				
chairman, Subcommittee on Special Studies, House Com-				
mittee on Government Operations)	133394		7-26-68	
Purchase of warranties under fixed-price subcontracts award-	1			
ed by Grumman Aircraft Engineering Corporation (re-			10.01.00	
quest of Senator Margaret Chase Smith) Comparative cost study for personnel services of laboratories	156556		10-25-68	
and test facilities at the Manned Spacecraft Center, Hous-				
ton, Tex. (request of acting chairman, Special Studies Sub-				
committee, House Committee on Government Operations).	133394		12-30-68	
Selected aspects of outfitting temporary facilities for Elec-				
tronics Research Center, Cambridge, Mass. (request of				
chairman, House Committee on Science and Astronautics)_	162407(2)		2- 4-69	
Adequacy of in-house laboratory facilities at Marshall Space				
Flight Center, Huntsville, Ala. (request of chairman,				
House Committee on Science and Astronautics).	162407		2- 7-69	
Selected aspects of the management and operation of tracking and data acquisition facilities near Madrid, Spain (request				
of chairman, House Committee on Science and Astronau-				
tics)	162407(8)		3-11-69	
Inspection functions performed during development and				
production of the lunar module of the Apollo spacecraft				
(request of chairman, House Committee on Science and				
Astronautics)	156556		3-12-69	
Construction of the S-II Structural Test Stand and liquid				
hydrogen storage facilities at the Marshall Space Flight				
Center, Huntsville, Ala. (request of Representative William	101000		E 112 60	
F. Ryan) Long-term leasing costs incurred for motor vehicles by the	161366		5-23-69	
Marshall Space Flight Center, Huntsville, Ala., and the				
Mississippi Test Facility, New Orleans, La.				7-11-6
Accounting control over ground support equipment at			1	•
Manned Spacecraft Center, Houston, Tex				7-15-6

٠

		Address	te issued	
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INDEPENDENT AGENCIES—continued				
National Aeronautics and Space Administration—Continued				
Year-end procurements from the administrative operations appropriation, 1967				11 15 60
Award and administration of contract for manufacture of				11-15-68
certain types of Apollo launch support equipment, Ken-				
nedy Space Center, Fla	162547			11-29-68
Certain aspects of subcontractor source selection under lunar				
module contract at Grumman Aircraft Engineering Cor- poration	156556			1-16-69
Selected aspects of materials management under lunar module				1 10 00
contract at Grumman Aircraft Engineering Corporation	156556			1-23-69
Compliance with intent of 10 U.S.C. 2304(g), requiring com-				
petitive negotiations	-			3-18-69
Selected negotiated, sole-source, fixed-price contracts awarded by the Marshall Space Flight Center, Huntsville, Ala	162009			4-10-69
Procurement of ground support equipment for the Saturn	102000			1 10 05
S-II Program				4-11-69
Proposed revision in procedure for procurement of air passen-				
ger transportation	160548			5-14-69
Selection of air carriers for transportation of domestic air shipments				5-29-69
Review and approval of accounting principles and standards				0-25-05
and system design	158995			62069
Settlement of accounts of accountable officers:				
Headquarters, Washington, D.C				10-31-68
Kennedy Space Center, Cape Kennedy, Fla.	•••••			5-20-69
National Mediation Board: Settlement of accounts of accountable officers				1-29-69
National Science Foundation:				0 00
Need for grantees to use GSA supply sources				1-27-69
Review and approval of statement of accounting principles				
and standards	115341			4-18-69
Review of auditing activities Panama Canal Company:	160759			6-17-69
Need to strengthen management controls to improve ac-				
counting for property	114839	7- 9-68		
Railroad Retirement Board:		1		
Problem areas in implementing amendatory legislation	114017	11 00 60		
affecting railroad retirement annuities	114817	11-29-08		
Review and approval of the accounting system	115372			63069
Selective Service System:				
Use of charter buses by the Selective Service System				7-12-68
Review of accounting system				7-23-68
Settlement of accounts of accountable officers: State Headquarters:				
Boise, Idaho				8- 2-68
Carson City, Nev				4-17-69
Cheyenne, Wyo				4-17-69
Columbia, S.C.				12-23-68
Denver, Colo				3-19-69
New Orleans, La Oklahoma City, Okla				4-21-69
Portland, Oreg				4- 1-68
St. Augustine, Fla				11- 4-68
Topeka, Kans				2-19-69

366-424 0-69-21

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		Addressee and date		e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INDEPENDENT AGENCIES—continued				
Small Business Administration:]		
Need for improved administration and increased effectiveness	100515	4 00 00		
of the economic opportunity loan program Administration of the disaster loan program in connection	130515	4-23-69		
with the 1964 Alaska earthquake	163451	5-28-69		
Review of study of concentration of Small Business Invest-	100101	0.000		
ment Company resources in real-estate-oriented enterprises				
(request of chairman, Senate Committee on Banking and				
Currency)	149685		7-2-68	
Review of loan made under section 7b(3) of the Small Business				
Act of 1958, as amended (request of Congressman H.R. Gross)	104400		0.10.00	
Review and approval of statement of accounting principles and	164456		8-13-68	
standards	115350			12-23-68
Review of administration of the displaced business loan pro-	110000			12-20-00
gram	162445			1-9-6
Settlement of accounts of accountable officers:				
Washington, D.C.				6-10-6
Rocky Mountain Area Office, Denver, Colo				11-12-68
Subversive Activities Control Board:				
Settlement of accounts of accountable officers				8 868
Tennessee Valley Authority:				
Examination of financial statements (1968)	114850	3-25-69		
Veterans Administration:				
Need to improve reviews of drawings and specifications pre- pared by architect-engineers before solicitation of hospital			l	ļ
construction bids	133044	9-9-68		
Opportunity for economies in counseling services provided	100011	0 0 00		
under children's educational assistance program	118660	11-15-68		
Examination of financial statements of Veterans Canteen		1		
Service (1968)	114818	12-20-68		
Legislation needed to avoid servicemen's bearing war-time				
mortality costs under the Servicemen's Group Life Insur-				
ance program	114859	5-29-69		
Need to acquire hospital sites before developing working	100044	0.000	ļ	Į
drawings and specifications for construction of hospitals	133044	6- 6-69		
Opportunities for better service and economies through standardization of pharmacy items and consolidation of				
bulk compounding factilities	133044	6-30-69		
Awards of two contracts for studies relating to certain activi-	100011	0.00.00		
ties of the Veterans Administration (request of chairman,				
House Committee on Veterans' Affairs)	134161		8-23-68	
Information on two construction contracts that were recently				
terminated by the Veterans Administration (request of				
Senator John J. Sparkman)	133044		12769	
Travel information on five employees (request of Senator	10000		1.10 60	
Mark O. Hatfield)	159835		4-18-69	
Economies available by phase out of costly and unnecessary employee housing units, Veterans Administration Hospital,				1
Perry Point, Md	133044			7 3-6
Silver reclamation program	100021			7 -17-6
Use of commercial banking facilities by the Washington Field				
Office, Veterans Canteen Service				3-24-6

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		Addres	Addressee and date issued			
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials		
INDEPENDENT AGENCIES—continued						
Veterans Administration—Continued		ļ	ļ	ļ		
Administrative expenses charged against Servicemen's Group						
Life Insurance program Settlement of accounts of accountable officers:				4-7-6		
Hospitals and outpatient clinics:						
Albuquerque, N. Mex				8-5-6		
Butler, Pa				2-20-6		
Dallas, Tex	1			11-18-6		
Lake City, Fla				11 4-6		
Lexington, Ky				8-29-6		
Lubbock, Tex				6-2-6		
Marion, Ind				5-28-6		
Montrose, N.Y.				4-22-6		
Murfreesboro, Tenn New York, N.Y				3-21-6		
Palo Alto, Calif				6-27-6		
Pittsburgh, Pa				12-16-6		
Tomah, Wis				9-30-6		
Waco, Tex				12-30-6		
West Haven, Conn	1		..	5-16-6		
Regional Office, Newark, N.J.			· · · · · · · · · · · · · · · · · · ·	12- 9-6		
VA Centers:						
Boise, Idaho				8-26-6		
Dayton, Ohio				5-14-6		
Temple, Tex				5- 5-6 3- 4-6		
•	· ···			3- 4-0		
MULTIAGENCY REVIEWS						
Opportunity for savings if the Government follows the practice of many private businesses and consolidates its small freight shipments:						
Department of Defense, and General Services Administra-						
tion	117196	6-30-69				
Use of Federal funds at a local educational agency (request of						
chairman, Subcommittee on Education, Senate Committee						
on Labor and Public Welfare):						
Department of Health, Education, and Welfare; Depart- ment of Labor; and Office of Economic Opportunity	161280		10- 1-68			
Information on reported instances of waste in Federal expendi-	101200	• • • • • • • • • • • •	10- 1-00			
tures (request of Senator Len B. Jordan)	164988		10-24-68			
Information regarding different methods of disbursing Federal						
loans and grants (request of Senator J. W. Fulbright):						
Farmers Home Administration, Department of Agri-	1					
culture; Department of Housing and Urban Develop-		}				
ment; and Economic Development Administration,		1				
Department of Commerce.	114873		1-14-69	••••		
Differential pricing of drugs (request of Senator Clifford P. Case)	165306		2- 4-69			
Agency comments on GAO report on marketing obligations of	10000		2 100			
selected Federal agencies and the Treasury Department						
(request of chairman, Legal and Monetary Affairs Subcom-		1				
mittee, House Committee on Government Operations):	-					
Federal home loan banks, Federal land banks, Federal	1					
intermediate credit banks, banks for cooperatives, and Government National Mortgage Association	160851		2-11-69			

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		Address	ee and dat	e issued
	Refer- enco	Congress	Commit- tees or Members of Con- gress	Agency officials
MULTIAGENCY REVIEWS—continued				
Information on alleged waste in Government (request of Rep-				
resentative Fred B. Rooney):		l		
Department of Health, Education, and Welfare; Depart- ment of Transportation; and Department of Labor	164031		3-13-69	
Information on Government-wide lending activities (request				
of Senator Richard S. Schweiker) Information in regard to matters discussed in the October 1968	165996		4-23-69	
issue of the Reader's Digest "Tell Us the Truth, Uncle Sam"				
(request of Senator Edward W. Brooke, and Representatives J. William Stanton and Frank Horton)	105000		4 00 60	
Information on figures quoted in newspaper column comparing	165209		4-29-69	
income tax deduction of \$600 with costs incurred in supporting				
persons under various Federal programs (request of Rep- resentative Charles E. Chamberlain)	166481		5-12-69	
Examination into certain programs conducted in the State of				
South Carolina pursuant to the Manpower Development and Training Act of 1962 and the Economic Opportunity Act of			ĺ	
1964 (request of Senator Strom Thurmond):			-	
Department of Health, Education, and Welfare; Depart- ment of Labor; and Office of Economic Opportunity	163313	l	6-16-69	(
LEGISLATIVE BRANCH	103313		0-10-09	•••••
LEGISLATIVE BRANCE				
Architect of the Capitol: Senate Restaurants (July 3, 1966, to July 1, 1967)	114871		8-13-68	
Payroll activities	161145		11-27-68	
House Restaurant (July 2, 1967, to June 29, 1968)	114891		2-14-69	
Senate Restaurants (July 2, 1967, to June 29, 1968) Government Printing Office:	114871		2-28-69	
Examination of financial statements (1967)	114829	11-1-68		
Possible improvements in pricing and billing operations for				
printing and binding services				2-13-6
Opportunity to improve service to Members of the House of		j	ĺ	
Representatives through centralization of printing, address- ing, folding, and inserting operations	164163		7-2-68	
Reorganization of the House Beauty Shop	162878		7-15-68	
Recording Studio revolving fund (1968)	114842		11- 1-68	
Stationery revolving fund (1968)	114862 114854		12-20-68 12-20-68	
Finance Office, financial transactions and accounts (July 1,				
1967, to June 30, 1968) Management review of the House of Representatives Restau-	114864		1-31-69	
rant (request of chairman, Subcommittee on Legislative				
Appropriations, House Committee on Appropriations)	114891		2-19-69	
Determination of accountability as of April 30, 1968, of Clerk, House of Representatives, for furniture	114865		5 669	
Joint Committee on Atomic Energy:				
Audit of financial transactions for the fiscal years of 1967 and 1968 (request of chairman, Joint Committee on Atomic				
Energy)	114800		3-28-69	

,

APPENDIX C-2

		Address	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
LEGISLATIVE BRANCH—continued				
United States Senate:)		
Beauty Shop (calendar year 1967)	133046		7-25-68	
Barber Shop (calendar year 1967)	133046		8-16-68	
Recording Studio revolving fund (1968)	125079		12-20-68	
Beauty Shop (calendar year 1968)	133046		6-16-69	
MILITARY DEPARTMENTS				
Department of Defense:				1
Feasibility of consolidating military real property mainte-				
nance functions on Oahu, Hawaii, and in the Norfolk, Va.,				
area	164217	8- 5-68		
Movement of American Forces from France (Operation				
FRELOC)	161507	8 7-68		
Need for improvement in funding practices affecting spare		1		
parts procurements	164301	8-27-68		.
Need for improvement in the processing of requisitions for				
materials	164500	9-17-68		
Control over procurement, use, and disposition of magnetic				
computer tape	164392	9-18-68	•	
Savings available by using space on military aircraft to				
transport baggage between United States and Europe	133025	9-26-68		
Increased costs to the Government attributed to leasing				
rather than purchasing land and buildings by contractors	156818	10-23-68		
Differences in allowing corporate expenses as charges to				
Government contracts at Government-owned, contractor-	104107	11 14 69		
operated plants	124125	11-14-68		
Need to improve the management of the detailing of civillans employed at military installations	160879	11-15-68		
Cost reductions obtainable by improving the management	100879	11-15-08		
of maintenance of commercial vehicles	133244	12- 3-68		
Policies, procedures, and practices for developing and re-	100244	12- 0-00		
viewing proposed military hospital construction projects	161475	12-31-68		
Need for central control and coordination in the use of trans-	101410	14-01-00		
portation resources in Europe (Secret)	165007	12-31-68		1
Cost evaluation for movement of household goods between	100007	1. 01 00		
United States and Germany	152283	1- 6-69		
Requirements contracting and other aspects of small pur-	102200			
chases	162394	2- 5-69		
Need for improved accounting for civilian employees' leaves	102001	~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~ ~		
of absence in the military departments	152073	2-7-69		
Need for improved guidelines in contracting for research with				
Government-sponsored nonprofit contractors	146810	2-10-69		
Policies, procedures, and practices for determining require-				
ments for military family housing and bachelor officer and				
enlisted quarters.	133316	2-18-69		
Cost to design, construct, and equip selected general hospitals				
in the United States	161475	2-18-69		
Policies and procedures used in disposal of United States		1		
property in France (Confidential)	161507	3-18-69		
Need for improvement in procuring and stockpiling jewel		1		
bearings	159463	4-17-69		

I.

AUDIT REPORTS	S ISSUED
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		Address	Addressee and date issued		
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials	
MILITARY DEPARTMENTS—continued					
epartment of Defense—Continued					
Follow-on report on opportunities for savings through use of spare Government-owned communications circuits in Europe	161000	4 00 60			
Europe Overall observations of transportation and traffic manage-	161992	4-29-69			
ment activities in the Far East and Southeast Asia Savings available by using space on military aircraft to	165683	4-30-69	·····		
transport baggage between United States and points in the					
Pacific and Southeast Asia	133025	5- 6-69			
Savings by routing cargo through the military port at Subic Bay in the Republic of the Philippines (Confidential) Opportunities for improving internal audit of civilian pay-	166017	6- 3- 69			
rolls	152073	6- 5-69			
Problems in the administration of the military building					
program in Thailand	159451	6-12-69			
Army and Air Force controls over inventories in Europe	161507	6-30-69			
Savings attainable through improved application of the					
economic order principle in the procurement of military supplies	133396	6-30-69	ł	Į	
Savings in shipments of printed matter from Japan to points	199980	0-30-09			
in the Pacific	165683	6-30-69	- <u>-</u>		
Cost to design, construct, and equip selected general hospitals					
in the United States (request of chairman, House Com-					
mittee on Appropriations)	161475		7-2-68	- -	
Government-owned equipment in a contractor's plant					
(request of chairman, Joint Economic Committee) Plans of system development corporation to become a pub-	140389		7-18-68		
licly owned corporation (request of chairman, Government					
Activities Subcommittee, House Committee on Govern-		1			
ment Operations)	164026		8-9-68		
Access to inspector general reports (request of chairman,					
House Committee on Government Operations)	132900		8-13-68		
Warehouses leased by a defense contractor (request of chair-					
man, Joint Economic Committee)	163569		8-13-68		
Use of engineers in lieu of technical personnel by contractors				1	
(request of chairman, Military Operations Subcommittee, House Committee on Government Operations)	164385		9-20-68		
Actions taken to improve small-purchase operations (request	101000				
of chairman, Subcommittee for Special Investigations,					
House Committee on Armed Services)	162313		10- 7-68		
Financial data relating to F-111 aircraft program (request of				1	
chairman, Permanent Subcommittee on Investigations,	100040		10.00.00		
Senate Committee on Government Operations)	153545		. 10-23-68		
Civilianization program (request of chairman, Subcommittee on Manpower and Civil Service, House Committee on					
Post Office and Civil Service)	146890		11- 1-68		
Pacific Architects and Engineers, Inc., operations for manage-					
ment, maintenance, and repair of property in the Republic				1	
of Vietnam (request of chairman, Permanent Subcommittee]	1	1	
on Investigations, Senate Committee on Government	1045		1 0 00		
Operations)	159451		. 1- 6-69		
Selected significant audit findings in the Department of Defense (request of chairman, House Committee on Ap-	l			l	
propriations)	106190		1-31-69	1	

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4

	Refer- ence	Addressee and date issued		
		Congress	Commit- tees or Members of Con- gress	Agency officials
MILITARY DEPARTMENTS—continued				
Department of Defense—Continued				
Application of the full funding concept and analysis of the				
unobligated and unexpended balances in selected appro- priations (request of chairman, House Committee on				
Appropriations)	165069		2-17-69	
Warehouses leased by a defense contractor (request of chair-	100009		2-17-03	
man, Joint Economic Committee)	163569		2-24-69	
Automatic data processing services charged to Government				
contracts (request of chairman, Subcommittee on Govern-				
ment Activities, House Committee on Government Oper-	104000		3 769	
ations) Audits in process or planned dealing with construction and	164026		3- 7-09	
real property management (request of chairman, Real			ļ	
Estate Subcommittee, House Committee on Armed Serv-				
ices)	156818		4-14-69	
Comments on the "Report of the Small Business Advisory				
Council" (request of chairman, Senate Select Committee	166470		4-21-69	
on Small Business) Selected aspects of the C-5A airplane program (request of	100470	-	4-21-09	• • • • • • • • • • • •
several committees of the House and Senate)	162578		6-11-69	
Availability of SENTINEL funds for the SAFEGUARD				
program (request of chairman, Senate Committee on For-				
• eign Relations)	164250		6-11-69	
Procurement of beryllium products (request of Congressman	160007		- 00 00	
Basil L. Whitener) Leasing of land and buildings by Government contractors	163805		7-22-68	
(request of Congresswoman Martha W. Griffiths)	156818		7-30-68	
Congressional control over expenditure of funds (request of				
Congressman Richard L. Roudebush)	153545		8-9-68	
Inquiry concerning land in the Arlington Cemetery (request	100004		0.00.00	
of Congressman Page Belcher)	162804		8-29-68	
Per diem payments to contractors' employees charged to Government contracts (request of Congressman Charles W.				
Whalen, Jr.)	165058		9- 4-68	
Needed supplies contained in excess or obsolete aircraft parts				
kits (request of Senator Milton R. Young)	163902		11-25-68	
Contractor's delay in making payments for materials pur-				
chased from a supplier (request of Congressman Edward G. Biester, Jr.)	165317		12- 9-68	
Systems for distributing petroleum, oil, and lubricants in	100011			
Thailand and for processing related documents (request of				
Senator William Proxmire)	163928		1- 9-69	
Investigation of practices followed by a contractor (request of		1		}
Senator John J. Williams) SENTINEL program costs and availability of SENTINEL	166036		5-8-69	
funds for the SAFEGUARD program (request of Senator				
Gaylord Nelson)	164250		6-11-69	
Department of Defense support to commercial film produc-	1			
tion (request of Congressman Benjamin S. Rosenthal)	166014		6-19-69	
Procurement of air dehydrators (request of Senator William	100010		0.00.00	
Proxmire) Contract audits:	162313		6-30-69	
Various contractors	159724			9-19-6
Litton Systems, Inc., Guidance and Control Division,				
Woodland Hills, Calif				9-25-6

MILTARY DEFARTMENTS—continued Department of Defense—Continued Supply management reviews: Aircraft engine overhaul and repair. Bale of surplus property in hands of contractors. 140389 Depot level maintenance in Japan and Okinawa. 150613 Depot level maintenance in Japan and Okinawa. 150613 Orrenement reviews: 13202 Orourement reviews: 13202 Orourement reviews: 133645 Consigned scenario 8-14 Support equipment for F-4 aircraft. 125600 Consigned scenario 133645 Support equipment for scenaris 133645 Transportation reviews: 133645 Consigned scenaris 163999 Military hospital accounting systems. 11-19 Civilian pay audits: Varic Continental United States installations, 8 reports. Varic Audits of discussing officers' accounts: 7-20 Security guards at military installations. 164602 8-2 Postaward audit of contracts by the Defene Contract 164662 9-2 Military installations scheduled for closur		ence	Addressee and date issued			
Department of Defense—Continued Supply management roviews: Aircraft engine overhaul and repair. Sale of surplus property in hands of contractors. Disposal of excess and obsolete repair kits. Dept level maintenance in Tapan and Okinawa. 165613 Cround support equipment for F-4 aircraft. Cround support equipment for repair kits. Support equipment for relating endings. Transportation reviews: Consignet's certificate of delivery on express shipments in Europe. Consignet's certificate of delivery on express shipments in Europe. Continental United States installations, 8 reports. Military hospital accounting systems: Continental United States installations, 9 reports. Continental United States installations. Scourting and subsistence of military personnel at civilian schools. Security guards at military installations. Postaward audit of contracts by the Defense Contract Audit Agency. Audit Agency. Military installations schedule for closure. 16369 Modernization and replacement of industrial equipment in custody of contractors. Military construction standards. Military construction standards. Military personnel.			Congress	tees or Members of Con-	Agency officials	
Supply management roviews: 7-10 Aircraft engine overhaul and repair	MILITARY DEPARTMENTS—continued					
Aircraft engine overhaul and repair	Department of Defense-Continued					
Sale of surplus property in hands of contractors. 140389 9-28 Disposal of excess and obsolete repair kits. 10-14 Depot level maintenance in Japan and Okinawa. 165613 Repair and reuse of radiosondes. 133202 Procurement reviews: 133202 Ground support equipment for F-4 alreraft. 152600 Support equipment for alreraft engines. 153645 Transportation reviews: 153645 Consting es's certificate of delivery on express shipments in Europe. 92523 Charter bus service documentation. 163999 Accounting systems: 11-19 Civilian pay audits: 11-19 Continental United States installations, 9 reports. Varic Other audits and reviews: 164662 Housing and subsistence of military personnel at civilian schools. 164662 Recruiting, training, raining, and utilization of civilian produce 164662 Postaward audit of contracts by the Defense Contract 16472 Audit Agency. 164682 9-24 Military installations scheduled for closure. 164682 9-24 Military installations determent of industrial equipment in custody of contractors. 164682 9-2	Supply management reviews:					
Sale of surplus property in hands of contractors. 140389 8-22 Disposal of excess and obsolet erepair kits. 100-14 Dept level maintenance in Japan and Okinawa. 166613 12-6 Repair and reuse of radiosondes. 13202 3-26 Procurement reviews: 13202 3-26 Ground support equipment for F-4 alreraft. 152600 7-3 Catalog-priced supplies. 13345 8-14 Support equipment for alreraft engines. 13345 8-14 Transportation reviews: 7-23 Charter bus service documentation. 16999 8-2 Accounting systems: 11-19 15399 8-2 7-23 Continental United States installations, 8 reports. Vario Vario Vario Continental United States installations, 9 reports. Vario Vario Vario Other audits and reviews: 164697 8-8 8-20 Housing and subsistence of military personnel at civilian schools. 164697 8-8 8-20 Security guards at military installations, 9 reports. 164697 8-8 8-20 Postaward audit of contracts by the Defense Contract 164697 8-8 <td>Aircraft engine overhaul and repair</td> <td></td> <td></td> <td></td> <td>7-10-68</td>	Aircraft engine overhaul and repair				7-10-68	
Depot level maintenance in Japan and Okinawa.15561312-6Repair and reuse of radiosondes.1332023-20Procurement reviews:152007-3Catalog-priced supplies.152007-3Consignee's certificate of delivery on express shipments in Europe.1535458-14Transportation reviews:1535458-14Consignee's certificate of delivery on express shipments in Europe.925237-23Charter bus service documentation.1639998-2Accounting systems:11-1911-19Civilian pay audits: Continental United States installations, 8 reports.VarioAudits of disbursing officers' accounts: Continental United States installations, 9 reports.VarioOther audits and reviews: Housing and subsistence of military personnel at civilian schools.1645027-29Security guards at military installations1646027-29Miltary installation for civilian procure ment personnel.1646828-20Postaward audit of contracts by the Defense Contract Audit Agency.1597249-16Miltary installation scheduled for closure.1646829-24Miltary construction and replacement of industrial equipment ration and replacement of industrial equipment in curstoy of contractors.13314212-2Miltary construction in Uniwa Requirements or taming logistics personnel.1644716-4Civilian porore industrial plant equipment retained as reserve. Miltary construction in Okinawa.1644716-4Miltary construction in Okinawa. Requir	Sale of surplus property in hands of contractors	140389			8-28-68	
Repair and reuse of radiosondes 133202 7-26 Procurement reviews: Ground support equipment for F-4 alreraft 152600 7-3 Catalog-priced supplies 8-14 152600 7-3 Support equipment for aircraft engines 153645 8-19 Transportation reviews: 153645 8-19 Consignee's certificate of delivery on express shipments in Europe 163999 8-2 Charter bus service documentation 163999 8-2 Accounting systems: 11-19 11-19 Willtary hospital accounting systems 11-19 11-19 Continental United States installations, 9 reports Vario Vario Audits of disbursing offleers' accounts: Vario Vario Continental United States installations. 164602 7-29 Security guards at military installations 164682 8-20 Postaward audit of contracts by the Defense Contract 164682 8-20 Miltary installations scheduled for closure 164682 164682 Miltary installations and replacement of industrial equipment in custody of contractors. 165002 9-30 Use of auditors' findings by contracting offleers	Disposal of excess and obsolete repair kits				10-14-68	
Procurement reviews: Castage priced supplies 7-3 Castage priced supplies 153645 8-14 Support equipment for alcraft engines 153645 8-14 Transportation reviews: 02523 7-23 Consigned's certificate of delivery on express shipments in 02523 7-23 Charter bus service documentation 163699 8-2 Accounting systems: 11-19 11-19 Civilian pay audits: Continental United States installations, 9 reports Vario Continental United States installations, 9 reports Vario Vario Continental United States installations, 9 reports Vario Vario Continental United States installations, 9 reports Vario Vario Cost Reduction Program 164697 8-8 8-2 Postaward audit of contracts by the Defense Contract 164682 9-24 9-19 Cost Reduction Program 165002 9-33 11-14 Third party liability for Government costs of treating injured military personnel. 164682 11-14 Military construction standards. 133316 4-22 2-24 Government-wide Automatic Data Processing Sharing i		165613			12- 6-68	
Ground support equipment for F-4 aircraft. 152600 7-3 Catalog-priced supplies. 8-14 Support equipment for aircraft engines. 153545 Transportation reviews: 153545 Consignee's certificate of delivery on express shipments in Europe. 92523 Accounting systems: 163999 Military hospital accounting systems. 11-19 Continental United States installations, 8 reports. Vario Continental United States installations. 164502 Continental United States installations. 164607 Security guards at military installations. 164607 Recruiting, training, and utilization of civilian procurement personnel. 164667 Postaward audit of contracts by the Defense Contract 164667 Audit Agency. 163762 Postaward audit of contracting officers. 164682 Miltary installations scheduled for closure. 164825 Injured military personnel. 164825 Industrial plant equipment retained as reserve. 164825 Industrial plant equipment retained as reserve. 164825 Industrial plant equipment retained as reserve. 164825 Industrial plant equipment retained as reserve.<	• • • • • • • • • • • • • • • • • • • •	133202			3-26-69	
Catalog-priced supplies 8-14 Support equipment for aircraft engines 13345 Transportation reviews: 2523 Consignee's certificate of delivery on express shipments in 92523 Europe 163999 Accounting systems: 11-19 Military hospital accounting systems: 11-19 Civilian pay audits: Vario Continental United States installations, 8 reports. Vario Audits of disbursing officers' accounts: Vario Continental United States installations. 164502 Security guards at military installations. 164667 Recruiting, training, and utilization of civilian procurement personnel. 164667 Postaward audit of contracts by the Defense Contract 159724 Audits of dinings by contracting officers. 166462 Postaward audit of contracts by the Defense Contract 164682 Multary installations scheduled for closure 163002 Use of auditors' findings by contracting officers. 164682 Industrial plant equipment retained as reserve. 140389 Industrial plant equipment et ained as reserve. 140389 Industrial plant equipment retained as reserve. 140389 <td></td> <td></td> <td></td> <td></td> <td></td>						
Support equipment for aircraft engines. 153545 9-19 Transportation reviews: 153545 9-19 Consignee's certificate of delivery on express shipments in Europe. 92523 7-23 Charter bus service documentation. 163999 8-2 Accounting systems: 11-19 Military hospital accounting systems. 11-19 Continental United States installations, 8 reports. Variot Other audits and reviews: Variot Housing and subsistence of military personnel at civilian schools. 164602 Security guards at military installations. 164667 Postaward audit of contracts by the Defense Contract Audits of auditors' findings by contracting officers. 164682 Postaward audit of contracts by the Defense Contract Audits agency. 159724 9-19 Cost Reduction Program. 163602 9-33 Use of auditors' findings by contracting officers. 163625 11-14 Modernization and replacement of industrial equipment in custody of contractors. 133142 12-2 Modernization and replacement of industrial equipment in custody of contractors. 136369 3-33 Military construction is tandards. 136462 5-24 Modern					7- 3-68	
Transportation reviews: Consigne's certificate of delivery on express shipments in Europe					8-14-68	
Consignee's certificate of delivery on express shipments in Europe		153545			8-19-68	
Europe925237-23Charter bus service documentation1639998-2Accounting systems:1139998-2Military hospital accounting systems.11-19Civilian pay audits:11-19Continental United States installations, 8 reports.VarioOther audits and reviews:104502Housing and subsistence of military personnel at civilian164502Security guards at military installations.164697Recruiting, training, and utilization of civilian procurement personnel.164682Postaward audit of contracts by the Defense Contract9-24Audit Agency.163762Yeard Military installation scheduled for closure.164682Military installation and replacement of industrial equipment16432In custody of contractors.164889Covernment-wide Automatic Data Processing Sharing115369Exchange Program.115369Military construction standards.12-27Military construction is no horizes personnel.164682Per diem payments on temporary duty assignments.156625Military construction is controls over ammunition146824Per diem payment data system.164671Need to improve the Army Tank-Automotive Command's supply management data system.1647729-23-689-27-68Need to improve the management controls over ammunition development.16753511-27-6811-27-68	•					
Charter bus service documentation163999163999Accounting systems:11-19Military hospital accounting systems.11-19Civilian pay audits:11-19Continental United States installations, 8 reports.VarioAndits of disbursing officer's accounts:VarioContinental United States installations, 9 reports.VarioContinental United States installations, 9 reports.VarioContinental United States installations, 9 reports.VarioContinental United States installations, 9 reports.VarioHousing and subsistence of military personnel at civilian schools.164502Security guards at military installations.164697Recruiting, training, and utilization of civilian procure- ment personnel.164682Postaward audit of contracts by the Defense Contract Audit Agency.159724Cost Reduction Program.165762Use of auditors' findings by contracting officers.164525Thrid party liability for Government costs of treating injured military personnel.16482Modernization and replacement of industrial equipment in custody of contractors.140389Government-wide Automatic Data Processing Sharing Exchange Program.15369Military construction standards.133316Per diem payments on temporary duty assignments.150625Military construction in Okinawa.164772Per alem payments on temporary duty assignments.164672Need to improve the Army Tank-Automotive Command's supply management controls over ammunition development.16477						
Accounting systems: Military hospital accounting systems.III-19Civilian pay audits: Continental United States installations, 8 reports.III-19Continental United States installations, 9 reports.VariceAddits of disbursing officers' accounts: Continental United States installations, 9 reports.VariceOther audits and reviews: Housing and subsistence of military personnel at civilian schools.164502Security guards at military installations.164697Recruiting, training, and utilization of civilian procure- ment personnel.164682Postaward audit of contracts by the Defense Contract Audit Agency.159724Cost Reduction Program.164622Use of auditors' findings by contracting officers.164625Industrial plant equipment retained as reserve.163762Industrial plant equipment retained as reserve.140389Covernment-wide Automatic Data Processing Sharing Exchange Program.113809Military construction in Okinawa.150625Per diem payments on temporary duty assignments.150625Military construction in Okinawa.164471Requirement of training logistics personnel.164471Civilian skill shortages.1467729-23-689-248Med to improve the Army Tank-Automotive Command's supply management data system.1467729-23-6811-27-68Need to improve the Army Tank-Automotive Command's supply management data system.157535Need to improve the management controls over ammunition development.157535Need to improve the					7-23-68	
Military hospital accounting systems.11-19Civilian pay audits: Continental United States installations, 8 reports.VarioAudits of disbursing officers' accounts: Continental United States installations, 9 reports.VarioOther audits and reviews: Housing and subsistence of military personnel at civilian schools.164502Becruiting, training, and utilization of civilian procure- ment personnel.164607Recruiting, training, and utilization of civilian procure- ment personnel.164682Postaward audit of contracts by the Defense Contract Audit Agency.164682Postaward audit of contracts by the Defense Contract auditors' findings by contracting officers.164682Use of auditors' findings by contracting officers.165425Injured military personnel.13142Modernization and replacement of industrial equipment in custody of contractors.140389Covernment-wide Automatic Data Processing Sharing Government-wide Automatic Data Processing Sharing Per diem payments on temporary duty assignments.150625Military construction in Okinawa.150625Military construction in Okinawa.150625Military construction in Okinawa.164471Civilian skill shortages.164624Per diem payments on temporary duty assignments.164627Per diem payment data system.164677Need to improve the Army Tank-Automotive Command's supply management data system.164772Need to improve the management controls over ammunition development.16772P-23-6811-27-68		163999	-		8- 2-68	
Civilian pay audits: Continental United States installations, 8 reports. Audits of disbursing officers' accounts: Continental United States installations, 9 reports. Continental United States installations, 9 reports. Continental United States installations, 9 reports. Housing and subsistence of military personnel at civilian schools. Recruiting, training, and utilization of civilian procure- ment personnel. Audit Agency. Cost Reduction Program. Use of auditors' findings by contracting officers. Industrial plant equipment retained as reserve. Industrial plant equipment retained as reserve. Government-wide Automatic Data Processing Sharing Exchange Program. Industrial plant equipment retained as reserve. Military construction in Okinawa. Requirements for training logistics personnel. Military construction in Okinawa. Requirement of the Army: Need to improve the Army Tank-Automotive Command's supply management dof ammunition research and development. Need to improve the management of ammunition research and development. Need to improve the management of ammunition research and development. Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. Improvements and the plating management and Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. Improvements and the plating y management and Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. Improvements and arguing and the system. Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. Improvements and arguing and advention arguing						
Continental United States installations, 8 reportsVarioAudits of disbursing officers' accounts: Continental United States installations, 9 reportsVarioOther audits and reviews: Housing and subsistence of military personnel at civilian schools7-29Security guards at military installations.164697Recruiting, training, and utilization of civilian procure- ment personnel.164697Audit Agency.164697Cost Reduction Program.164682Use of auditors' findings by contracting officers.165724Use of auditors' findings by contracting officers.165425Industrial plant quipment retained as reserve.140389Military construction standards.1133316Military construction in Okinawa15625Military construction in Okinawa164471Civilian skill shortages.164471Requirements for training logistics personnel.164471Civilian skill shortages.164772Per diem payments on temporary duty assignments.164624Need to improve the Army Tank-Automotive Command's supply management data system.146772Need to improve the Army Tank-Automotive Command's supply management data system.146772Need to improve the management controls over ammunition development.157535Need to improve the management of ammunition research an development at Picatinny Arsenal, Dover, N.J.15753511-27-6811-27-68		•••••			11-19-68	
Audits of disbursing officers' accounts: Continental United States installations, 9 reports					Vaniana	
Continental United States installations, 9 reports.VariedOther audits and reviews:Housing and subsistence of military personnel at civilianVariedHousing and subsistence of military personnel at civilian1646027-29Security guards at military installations.1646978-8Recruiting, training, and utilization of civilian procure- ment personnel.1646828-20Postaward audit of contracts by the Defense Contract1597249-19Cost Reduction Program.1637629-24Military installations scheduled for closure.1650029-30Use of auditors' findings by contracting officers.16542511-14Third party liability for Government costs of treating injured military personnel.13314212-2Modernization and replacement of industrial equipment in custody of contractors.1403892-17Industrial plant equipment retained as reserve.1403892-26Government-wide Automatic Data Processing Sharing Exchange Program.1156693-31Military construction standards.1506254-25Military construction in Okinawa5-244-26Requirements for training logistics personnel.1644716-4Civilian skill shortages.1467729-23-68Need to improve the Army Tank-Automotive Command's supply management data system.1467729-23-68Need to improve the management of ammunition research an development.15753511-27-68Need to improve the management of ammunition research an development at Picatinny Arsenal, Dover, N.J		•••••			various.	
Other audits and reviews: 1000000000000000000000000000000000000					Variour	
Housing and subsistence of military personnel at civilian schools	· · · · ·				various.	
schools1645027-29Security guards at military installations1646978-8Recruiting, training, and utilization of civilian procure- ment personnel1646978-8Postaward audit of contracts by the Defense Contract1646828-20Audit Agency1597249-19Cost Reduction Program1637629-24Military installations scheduled for closure1650029-30Use of auditors' findings by contracting officers16542511-14Third party liability for Government costs of treating injured military personnel13314212-2Modernization and replacement of industrial equipment in custody of contractors1403892-17Industrial plant equipment retained as reserve1403892-22Government-wide Automatic Data Processing Sharing Exchange Program11566254-22Military construction standards1333164-22Military construction in Okinawa5-245-24Military construction in Okinawa5-245-24Need to improve the Army Tank-Automotive Command's supply management data system164716-4Need to improve the Army Tank-Automotive Command's supply management of ammunition research and development167729-23-68Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J.15753511-27-68Improvements needed in Army supply management and15753511-27-68						
Security guards at military installations		164502			7-29-68	
Recruiting, training, and utilization of civilian procure- ment personnel1646828-20Postaward audit of contracts by the Defense Contract Audit Agency			1		8-8-68	
ment personnel1646828-20Postaward audit of contracts by the Defense Contract1597249-19Audit Agency1637629-24Military installations scheduled for closure1650029-3Use of auditors' findings by contracting officers1650029-3Use of auditors' findings by contracting officers16542511-14Third party liability for Government costs of treating13314212-2Modernization and replacement of industrial equipment1331422-27Industrial plant equipment retained as reserve1403892-26Government-wide Automatic Data Processing Sharing1153693-31Military construction standards133164-25Per diem payments on temporary duty assignments1506254-22Military construction in Okinawa5-204-22Requirements for training logistics personnel1644716-4Civilian skill shortages1468246-26Department of the Army:1467729-23-68Need to improve the Army Tank-Automotive Command's supply management data system1575359-27-68Need to improve the Army Controls over ammunition development1575359-27-68Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J.15753511-27-68		101000				
Postaward audit of contracts by the Defense Contract Audit Agency		164682			8-20-68	
Audit Agency1597249-19Cost Reduction Program	•				0 00	
Cost Reduction Program	-	159724			9-19-68	
Military installations scheduled for closure1650029-30Use of auditors' findings by contracting officers16542511-14Third party liability for Government costs of treating13314212-2Modernization and replacement of industrial equipment13314212-2Modernization and replacement of industrial equipment1403892-17Industrial plant equipment retained as reserve1403892-26Government-wide Automatic Data Processing Sharing1153693-31Military construction standards1333164-22Military construction in Okinawa1506254-24Military construction in Okinawa5-264-24Military construction in Okinawa1644716-4Civilian skill shortages1468246-26Department of the Army:1467729-23-68Need to improve the Army Tank-Automotive Command's supply management data system1575359-27-68Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J.15753511-27-68Improvements needed in Army supply management and15753511-27-68					9-24-68	
Use of auditors' findings by contracting officers					9-30-68	
Third party liability for Government costs of treating injured military personnel					11-14-68	
injured military personnel.13314212- 2Modernization and replacement of industrial equipment1403892-17in custody of contractors1403892-26Government-wide Automatic Data Processing Sharing1403892-26Exchange Program.1153693-31Military construction standards1333164-22Per diem payments on temporary duty assignments.1506254-22Military construction in Okinawa5-224-22Military construction in Okinawa5-224-22Military construction in Okinawa5-245-22Military construction in Okinawa5-245-24Military construction in Okinawa5-246-26Department of the Army:1644716-4Need to improve the Army Tank-Automotive Command's supply management data system146772Need to improve management controls over ammunition development157535Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J.157535Improvements needed in Army supply management and157535						
in custody of contractors1403892-17Industrial plant equipment retained as reserve1403892-26Government-wide Automatic Data Processing Sharing1403892-26Exchange Program1153693-31Military construction standards1333164-22Per diem payments on temporary duty assignments1506254-22Military construction in Okinawa5-264-22Military construction in Okinawa1644716-4Civilian skill shortages1468246-26Department of the Army:1468246-26Need to improve the Army Tank-Automotive Command's supply management data system1575359-27-68Need to improve the management of ammunition and development at Picatinny Arsenal, Dover, N.J.15753511-27-68Improvements needed in Army supply management and15753511-27-68		133142			12- 2-68	
Industrial plant equipment retained as reserve						
Government-wide Automatic Data Processing Sharing Exchange Program	in custody of contractors.	140389			2-17-69	
Exchange Program.1153693-31Military construction standards1333164-28Per diem payments on temporary duty assignments1506254-24Military construction in Okinawa1506254-25Military construction in Okinawa5-24Requirements for training logistics personnel1644716-4Civilian skill shortages1644716-26Department of the Army:1468246-26Need to improve the Army Tank-Automotive Command's supply management data system1467729-23-68Need to improve management controls over ammunition development1575359-27-68Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J15753511-27-68Improvements needed in Army supply management and15753511-27-68	Industrial plant equipment retained as reserve	140389			2-26-69	
Military construction standards 133316 4-22 Military construction in Okinawa 150625 4-25 Military construction in Okinawa 5-26 Requirements for training logistics personnel 164471 6-4 Civilian skill shortages 164471 6-26 Department of the Army: 146824 6-26 Need to improve the Army Tank-Automotive Command's supply management data system 146772 9-23-68 Need to improve management controls over ammunition development. 157535 9-27-68 Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. 157535 11-27-68	Government-wide Automatic Data Processing Sharing					
Per diem payments on temporary duty assignments 150625 4-20 Military construction in Okinawa 5-20 Requirements for training logistics personnel 164471 Civilian skill shortages 146824 Department of the Army: 146824 Need to improve the Army Tank-Automotive Command's supply management data system 146772 Need to improve management controls over ammunition development. 157535 Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. 157535 Improvements needed in Army supply management and 157535	Exchange Program	115369			3-31-69	
Millitary construction in Okinawa 5-26 Requirements for training logistics personnel 164471 Civilian skill shortages 146824 Department of the Army: 146824 Need to improve the Army Tank-Automotive Command's supply management data system 146772 Need to improve management controls over ammunition development 157535 Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. 157535 Improvements needed in Army supply management and 157535	Military construction standards	133316			4-28-69	
Requirements for training logistics personnel	Per diem payments on temporary duty assignments	150625			4-29-69	
Civilian skill shortages 146824 6-26 Department of the Army: 146824 6-26 Need to improve the Army Tank-Automotive Command's supply management data system 146772 9-23-68 Need to improve management controls over ammunition development 157535 9-27-68 Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. 157535 11-27-68 Improvements needed in Army supply management and 10 11-27-68 11-27-68					5-26-69	
Department of the Army: 146772 9-23-68 Need to improve the Army Tank-Automotive Command's supply management data system 146772 9-23-68 Need to improve management controls over ammunition development. 157535 9-27-68 Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. 157535 11-27-68 Improvements needed in Army supply management and 11-27-68 11-27-68			1		6~ 4-69	
Need to improve the Army Tank-Automotive Command's supply management data system 146772 9-23-68 Need to improve management controls over ammunition development. 157535 9-27-68 Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. 157535 11-27-68 Improvements needed in Army supply management and 11-27-68 11-27-68	5	146824			6-26-69	
supply management data system 146772 9-23-68 Need to improve management controls over ammunition development 157535 9-27-68 Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J. 157535 11-27-68 Improvements needed in Army supply management and 11-27-68	•					
Need to improve management controls over ammunition development						
development		146772	9-23-68			
Need to improve the management of ammunition research and development at Picatinny Arsenal, Dover, N.J		10000	0.07.00		1	
and development at Picatinny Arsenal, Dover, N.J 157535 11-27-68		157535	9-27-68			
Improvements needed in Army supply management and		1 57595	11 07 60			
		10/000	11-27-08			
	stock fund activities in Korea.	166312	6-30-69	1		
Selected aspects of M-16 rifle program contracts (request of		100012	0.00-09			
		161710		9-10-68		

		Addressee and date issued			
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials	
MILITARY DEPARTMENTS—continued					
epartment of the Army—Continued					
Utilization of civilian manpower at Granite City Army Depot, Granite City, Ill. (request of chairman, Subcommittee on Military Operations, House Committee on Government					
Operations) Centralization of Supply Management Operations	164959		12- 4-68		
(COSMOS) system (request of chairman, House Com- mittee on Appropriations) Procurements of AN/GRC-142 radio teletypewriter sets	163074		1-16-69	- • - • - •	
(request of chairman, Subcommittee on Economy in Gov- ernment, Joint Economic Committee)	165004		4-18-69		
Procurement of radio sets (request of Senator Peter H. Dominick)	161031		7-22-68		
Green) Heating plant conversion and sandblasting of brick buildings at Fort Sheridan (request of Congressman John N. Erlen-	159200		7-24-68	••••••	
born) Procurement of AN/PRC-25 radio sets (request of Senator					
Peter H. Dominick) Contract audits: Amron Corp., Waukesha, Wis.				10- 2-	
National Presto Industries, Inc., Eau Claire, Wis				10-2-	
Supply management reviews:	105000				
Control over modification work orders. Operations of the Materiel Management Agency, U.S. Army, Pacific.				8-19- 9-20-	
Repair pipeline of major aircraft components Supply support of HAWK and NIKE-HERCULES				3- 3-	
missiles Procurement reviews:	167314			6-30-	
Technical manuals	161671			10 3-	
Transportation reviews: Commodity descriptions on Government bills of lading			1	8-30-	
Unused seats on military controlled passenger flights				12-13-	
Distribution of tonnages on multiple car shipments of	Į				
ammunition				2-10-	
Verification of contractor's measurement of containers	f .	1		4-10-	
Procedures for use of short form Government bill of lading. Payment of small transportation claims.				4-21- 6-10-	
Ticket orders for purchase of bus transportation	100000			6-16-	
Accounting systems:				0.00	
Army Equipment Record System (TAERS)				7-8-	
Headquarters, U.S. Army, Pacific				1-14-	
Fort Benning, Ga				2-7-	
Fort Devens, Mass.				5-9-	
U.S. Army, Europe				6-13-	
U.S. Army, Pacific				6-17- 6-24-	
Fort Hamilton, N.Y Fort Bliss, Tex				6-24-	
Civilian pay audits:				0-20-	
Continental United States installations				Vario	
Overseas installation1 report					

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	Refer- ence	Addressee and date issued			
		Congress	Commit- tees or Members of Con- gress	Agency officials	
MILITARY DEPARTMENTS—continued					
Department of the ArmyContinued					
Audits of disbursing officers' accounts:]	1		
Continental United States installations]		Various.	
Overseas installations4 reports4					
Overseas units				Various.	
Other audits and reviews:					
Construction by U.S. Army Corps of Engineers, Merritt Island, Fla				7-31-68	
Use of rent income for maintenance and repair of rented fa-					
cilities	141157			8-22-68	
Procurement and installation of elevators	164882			8-26-68	
Management of household furnishings				1-29-69	
Use of contract personnel for maintenance of aircraft	146824			1-29-69	
Per diem payments to enlisted personnel	125037			2-12-6	
Department of the Navy:					
Control over repairs of electronic components and assemblies.	133313	3-19-69			
Followup review of per diem payments to prospective crew					
members of ships under construction in New Orleans, La	153839	3-24-69			
Costs and benefits of the F-111B aircraft and costs of the		í		Į	
PHOENIX missile (request of chairman, House Com-					
mittee on Appropriations) (Confidential)	153545		3-14-69		
Contract for technical writers at Port Hueneme, Calif. (re-					
quest of Congressman George H. Mahon)	158840	•••••	7- 5-68		
Termination of a shipbuilding contract (request of Senator	100500		- 11 00		
John J. Williams)	163599		7-11-68		
Procurement of nitrogen receivers for SIDEWINDER air-to-	162196		7-25-68		
air missiles (request of Congressman Richard S. Schweiker). Replacement of Civil Service employees with janitorial serv-	102190		1-20-08		
ice contracts (request of Senator Warren G. Magnuson)	164832		10- 4-68		
Development of test equipment for generator sets (request of	104032		10- 4-08		
Congressman Craig Hosmer)	162711]	10-28-68]	
Development of a radar altimeter (request of Senator Peter H.	102711		10 20-00		
Development of a radial attinicter (request of Senator 1 etc. 11. Dominick)	165372		5-27-69		
Contract audits:	100012		0 21 00		
Borg-Warner Corp., Ingersoll Products Division, Chicago,					
Ill	118710			12-23-68	
McDonnell Douglas Corp., St. Louis, Mo.	152600			9- 5-68	
Norris Industries, Inc., Los Angeles, Calif.	118710			6-30-69	
Sylvania Electronics Systems, Mountain View, Calif	163567			7-30-68	
Supply management reviews:					
Test systems used in maintenance of avionics equipment	133118			4-28-69	
Materiel requirements computations, Marine Corps Base,					
Camp Pendleton, Calif				5-28-69	
Warehousing practices, Marine Corps Supply Center, Bar-					
stow, Calif				5-29-69	
Procurement reviews:	l	l			
Aviation Supply Office, Philadelphia, Pa				8-20-68	
Do				9-23-68	
External fuel tanks	152600			9-25-68	
Accounting systems:	ł	1	1	7 00 0	
Long Beach Naval Shipyard				7-29-68	
Naval Air Station, Whidley Island, Wash Naval Air Station, Barber's Point, Hawaii				1-20-69 2-19-69	
wavar Ali Station, Darver 5 Fulli, Elawan					

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	Refer- ence	Addres	e issued	
		Congress	Commit- tees or Members of Con- gress	Agency officials
MILITARY DEPARTMENTS—continued				
Department of the Navy-Continued				
Accounting systems—Continued	ſ	ĺ	ĺ	ĺ
Fleet Marine Force, Pacific			· · · · · · · · · · · · · · · · · · ·	3-18-69
U.S. Pacific Fleet				4-15-69
Naval Supply Center, Oakland, Calif			- -	5-21-69
Civilian pay audits: Continental United States installations				Various.
Audits of disbursing officers' accounts:				various.
Naval Air Station, Moffett Field, Calif.				11-21-68
Other audits and reviews:				~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
Saved pay of military personnel	125037			7-3-68
Marine Service Section of the 1100th Air Base Wing				12-18-68
Military construction in the Far East	39995			3-10-69
Department of the Air Force:				
Opportunity for savings in space programs by reevaluating				
needs before buying facilities	164027	7- 3-68		•••••
Reliability of the Air Force personnel data system	164471	7-25-68	• • • • • • • • • • •	
Savings attainable by preventing condemnation of econom-				}
ically repairable equipment	146874	10-23-68		
Potential savings by improving evaluation of competitive	100090	4 07 60		
proposals for operation and maintenance contracts	162839	4-25-69		
development efforts	146876	5 769		
Effectiveness of the Air Force systems for managing man-	110010	0- 1-08		
power resources at air bases in Thailand (Secret)	165863	5-23-69		
Administration of contracts with McDonnell Douglas Astro-		0 20 00		
nautics Co., Santa Monica, Calif. (request of chairman,				
Joint Economic (Committee)	140389		12-5-68	
Contract costs versus in-house costs of operating computer sys-				
tems for the Aeronautical Systems Division (request of				
chairman, Subcommittee on Manpower and Civil Service,	1			
House Committee on Post Office and Civil Service)	158685		1-16-69	
Air Force on-base requirements contracts for procurement of				
automotive vehicle parts (request of chairman, Subcom-				
mittee on Manpower and Civil Service, House Committee on Post Office and Civil Service)	133244		1-23-69	
Military construction funds justified under the heading of	155244		1-23-09	•••••
classified projects (request of chairman, House Committee				
on Appropriations)	166230	<u></u>	4-17-69	
Building alterations, Los Angeles Air Force Station, El	100200	•••••		
Segundo, Calif. (request of Congressman Cecil R. King)	161981		8-2-68	
Performance rating of a civilian employee (request of Con-				
gressman John E. Moss)	164126		10-22-68	
Operating cost of telephone facility at McClellan Air Force				
Base (request of Congressman John E. Moss)	157888	• · · · · · · · · ·	11-8-68	.
Procurement of containers for bomb dispensers (request of				
Congressman John J. Flynt, Jr.)	163659	-	11-8-68	
Employee's suggestions relating to engineering drawings	10.00		11 00 00	
(request of Congressman O. C. Fisher)	164964		11-22-68	•••••
Household furnishings at Bitburg Air Base, Germany (re-	105000		1-9-69	
quest of Senator Jacob K. Javits). Overtime payments to civilian employees at Travis Air	165269		1-9-09	
Force Base, Calif. (request of Congressman John E. Moss)	165313		2-4-60	
AUDIT REPORTS ISSUED

		Addres	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
MILITARY DEPARTMENTS-continued				
Department of the Air Force—Continued				
Disposal of certain surplus property at Brookley Air Force				
Base (request of Senator John J. Williams) Military leave practices (request of Senator William Prox-	149268		6-17-69	
mintary leave practices (request of Senator william Prox- mire)	166444		6-30-69	
Contract audits:	100444		0-30-09	
Chromalloy American Corp., San Antonio, Tex				11-27-68
Explosive Technology, Inc., Fairfield, Calif				9-30-68
Supply management reviews:				
Repair of crashed aircraft				7-30-68
Utilization of shipping containers for wing tanks				8-20-68
A ircraft engine overhaul and repair.				12-10-68
Supply support, Pease Air Force Base, Portsmouth, N.H				5-28-69
Supply support, March Air Force Base, Calif Transportation reviews:	·····	•••••		6- 2-69
Military controlled "Rest and Rehabilitation" contract		1		
flights	155021			7-25-68
Cargo space available on military controlled flights to	1			0 00
Southeast Asia				11-21-68
Accounting systems:				
Project PRIME	159797			12-11-68
Pacific Air Force		••••		6-18-69
Civilian pay audits:	1)	1)
Continental United States installations 16 reports				Various.
Audits of disbursing officers' accounts: Continental United States installations 37 reports	1			Various.
Overseas installations 21 reports				Various.
Overseas units 3 reports	1	1		Various.
Other audits and reviews:				various.
Use of contract personnel for certain services	158685			7-22-68
On-the-job training of enlisted personnel				9-10-68
Use of contract personnel for maintenance of aircraft				10-21-68
Advanced and professional training of officers				11-13-68
Administration of a lease				12-30-68
Research, development, test, and evaluation programs				1- 3-69
Management of household furnishings				1-29-69
Management of real property				2-4-69
Travel on temporary duty assignments	100508			4- 2-69
INTERNATIONAL ACTIVITIES				
Agency for International Development:	ł		ļ	
Economic assistance provided to Korea by the Agency for				
International Development	164264	7-16-68		- •
Need for improvements in management of the excess property				
program	146995	8- 2-68		
Review of Washington internal audit activities of the Agency				
for International Development	160759	1-17-69		•·• • •·•
Review of activities under contracts with the African-Amer- ican Institute (request of chairman, Subcommittee on	l			
State Department Organization and Foreign Operations,				
House Committee on Foreign Affairs)	161632		7- 2-68	
TOUR COMMINES ON FOIGH ANGINS	101002		1 4-00	•••••

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		Address	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INTERNATIONAL ACTIVITIES—continued				
Agency for International Development—Continued		6		
Review of administration and management of nonproject assistance to Colombia (Secret) (request of chairman,				
Senate Committee on Foreign Relations)	161798		7- 8-68	
Examination of unpaid billing for rehabilitation of excess				
property in Belgium (request of chairman, House Com- mittee on Foreign Affairs)	160485	1	7-30-68	
Followup review of financial aspects of loan for construction	100100		1-00-00	
of a river water supply system for Saigon, Vietnam (re-				
quest of Senator Hugh Scott)	133220		9- 3-68	
Examination of unpaid billings and settlement of claims for rehabilitation of excess property in Korea (request of chair-	ĺ	[
man, House Committee on Foreign Affairs)	160485		1-27-69	-
Examination of procurement, travel, and other financial				
practices of the Afro-American Purchasing Center, Inc. (re- quest of Senator William Proxmire)	160789		2-17-69	
Examination of the Agency for International Development's				
audit of unpaid billings related to a contract for rehabilita-				
tion of excess property in Japan (request of chairman, House Committee on Foreign Affairs)	160485		6- 2-69	
Information relating to a contract settlement between AID	100100		0-2-03	•••••
and Japan Aircraft Manufacturing Company (request of		1		
chairman, Senate Committee on Government Operations) Review of Excess Property Revolving Fund, a segment of the	160485		6-30-69	•••••
Agency for International Development's Accounting				
Manual	158381			12-31-68
Review of Part III—Foreign Currency Programs Accounting				
Manual, a segment of the Agency's overall accounting sys- tem	158381			1-16-69
Cost reduction and management improvement program in	100001		••••••	1 10 00
the Agency for International Development	163762			4-21-69
Department of Defense: Military Assistance Programs:				
Review of action taken to obtain exemption from foreign				
taxes under defense agreement between the United States				
and Iceland (Secret)	164463		• • • • • • • • • • • • • • • • • • • •	7-15-68
Review of HAWK repair parts provided to a European country in excess of agreed amounts (Confidential)	160154			12-18-68
Review of the participation by Greece and Turkey in an	100101			12 10 00
overhaul program for jet engines under the military				
assistance program Other International Activities:	166986	-		6- 2-69
United States construction activities in Thailand, 1966,				
1967	₩159451	11-13-68		
Difficulties encountered in arranging air support services	150451	11 14 00		
for United States contractors in Vietnam Review of the purposes and objectives, the cost, and the	159451	11-14-68		
Rand Corporation's role in ARPA Project AGILE (re-		1		
quest of chairman, Foreign Operations and Government				
Information Subcommittee, House Committee on Gov- ernment Operations)	159451		8-14-68	
	1 200301		, ,	

AUDIT REPORTS ISSUED

APPENDIX C-2

		Address	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INTERNATIONAL ACTIVITIES—continued				
Department of DefenseContinued				
Other International Activities—Continued Review of the objectives and cost of studies by the Rand				
Corporation in the field of land reform (Confidential)				
(request of chairman, Foreign Operations and Govern-				
ment Information Subcommittee, House Committee on		l	l	
Government Operations) Review of personnel management and other practices by	159451		11- 5-68	
B. B. McCormick and Sons, Inc. (request of chairman,				
Subcommittee on Military Construction, House Com-				
mittee on Appropriations)	164407		11- 8-68	
Review of RMK/BRJ material control in Vietnam (re- quest of chairman, Permanent Subcommittee on Investi-				
gations, Senate Committee on Government Operations).	159451		12-31-68	
Utilization of Government-owned passenger motor vehicles				
assigned to the U.S. Army and the U.S. Civil Admin-				
istration, Ryukyu Islands Survey of selected aspects of administration of the Foreign				1-28-69
Military Sales Fund	165731			4-16-69
Interagency Programs:				
Food for Peace:				
Review of selected shipments of Public Law 480 commodi- ties and other supplies exported by voluntary relief				
agencies	163536			4-22-69
Review of the financial management procedures of the				
Department of Agriculture relating to the collection of foreign currency proceeds from sales of agricultural com-		1		
modifies under title I of Public Law 480	146820]	6-26-69
Review of selected shipments of agricultural commodities				
exported under title I of the Agricultural Trade Develop-	100500			
ment and Assistance Act of 1954 (Public Law 480) Utilization of Foreign Currencies:	163536		••	6-30-69
Opportunity to use excess foreign currencies to pay trans-		1		
portation expenses of returning Peace Corps volunteers	145883	4-23-69		
Examination of the payment of dollars in lieu of using				
Government transportation requests, payable in U.S owned foreign currency, for return transportation of				
certain Peace Corps volunteers	145883			72968
Review of selected policies regarding accommodation				
exchange transactions in excess currency countries Examination of dollar benefit payments in lieu of U.S	146749			10- 2-68
owned dinar payments to certain annuitants residing in				
Yugoslavia				12- 9-68
Review of the policies, procedures, and practices for ad-				
ministering U.Sowned local currency funds generated from the sale of surplus agricultural commodities in the				
Republic of the Philippines and allocated for common				
defense purposes	146820			4-24-69
Other International Activities: Information relating to certain matters pertaining to U.S.				
balance-of-payments (request of Congressman Lester L.				
Wolff)	162222		8-21-68	
Utilization of U.S. flag vessels in the shipment of bartered commodities (request of chairman, Senate Committee on			1]
Commerce)	163536		2-28-69	

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		Address	see and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INTERNATIONAL ACTIVITIES—continued				
Interagency Programs—Continued				
Other International Activities—Continued Review of balance-of-payments effect of military offshore procurement (Confidential)	163389			9–10–68
Examination of effectiveness of policies restricting use of AID dollars to procurement from the United States	146820			11-22-68
Examination of offshore procurement of prefabricated buildings to fill requirements originating in Vietnam	163389			10 20 20
Department of State:	100009			12-30-68
United States participation in the World Health Organiza- tion	164031	1- 9-69		
management of nonexpendable personal property over- seas	165867	3-12-69		
States (Confidential)	165850	4-9-69		
change Between East and West Review of the Hamlet Evaluation System, Vietnam Pacifi-	154135	52069		
cation Program (Confidential) (request of Chairman, House Committee on Foreign Affairs)	164785		1-16-69	
Review of economies available in the operation of the U.S. Embassy and selected consulates in the Federal Republic of Germany	133017			7-19-68
Examination and approval of the Department of State's	100017			1-18-00
Accounting Principles and Standards Need to improve Embassy and Consulate administrative activities in Thailand	115343			9-20-68 12-12-68
Review of the accounting system for the Foreign Service				
Retirement and Disability Fund United States Information Agency:	115343			12-27-68
Review of internal audit activities of the United States Infor- mation Agency	160759	4-8-69		
Review of the disposal of usable magnetic recording tape by	100700			
the Broadcasting Service				10-25-68
Policy and Accounting Principles and Standards.	115365			12-31-68
Letter report relative to the development of an improved financial management system Peace Corps:	115365			2–10–69
Information on reviews made relating to the administration of the Peace Corps (request of Congressman Paul Findley)	164691		7-31-68	
Independent Agencies: Audit of Export-Import Bank of the United States, fiscal year]		
1968 Review of certain aspects of the role of the Export-Import	114823	52969		
Bank of the United States in export expansion (request of chairman, Senate Select Committee on Small Business) Examination of the statement of assets and liabilities of the	114823		2 569	
Export-Import Bank of the United States, fiscal year 1968	114823			9-12-68
Examination of the utilization of ADP equipment at Export- Import Bank of the United States	114823			10- 2-68

AUDIT REPORTS ISSUED

		Address	ee and dat	e issued
	Refer- ence	Congress	Commit- tees or Members of Con- gress	Agency officials
INTERNATIONAL ACTIVITIES—continued				
Other International Activities:		ļ		ļ
Review of United States Department of Agriculture proce-				1
dures for making quarterly estimates of meatimports (request				}
of Congressman James F. Battin)	165475		32869	
GOVERNMENT-WIDE REPORTS				
Compilation of General Accounting Office findings and recom- mendations for improving Government operations, fiscal year 1968.	138162	12-11-68		
Study of indirect cost of federally sponsored research primarily	100102	12 11 00		
by educational institutions.	117219	6-12-69		
Study of the acquisition of peripheral equipment for use with	11,210	0 12 00		
automatic data processing systems	115369	6-24-69		
Selected significant audit findings in the civil departments and	110000	0 21 00		
agencies of the Government (request of chairman, House				1
Committee on Appropriations)	106190		12-24-68	
Information on reports issued on internal auditing systems and				
reviews in process or planned	160759		2- 5-69]
Procedures for travelers receiving damage payment for air				1
carrier's failure to provide confirmed reserved space	148879			5-26-69
ORGANIZATIONS OUTSIDE THE FEDERAL GOVERNMENT				
Gorgas Memorial Institute of Tropical and Preventive Medi-				
cine, Inc.:				
Examination of financial statements (1968)	114867	12-19-68		
Government Services, Inc.:				
Audits of Government Services, Inc., its Employee Retire-				
ment and Benefit Trust Fund, and its Supplemental				
Pension Plan, year ended December 31, 1968	114820	4-3-69		
Review of selected activities of the Military Order of the Purple			1	
Heart of the U.S.A., Inc. (request of chairman, House Com-		1]
mittee on Veterans' Affairs)	148144		10-22-68	1

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C-3
Appendix

Reports on Congressional Inquiries

This table is an alphabetical listing of selected reports and letters to committees and Members of the Congress in response to their request for comments on proposed legislation, for legal opinions, and for information on other subjects of interest. It does not include audit reports, which are listed on pages 292 through 326.

Subject	Bill No.	То	Date	Reference No.
Accountable officer: Relief for loss of public funds.		Rep. Joel T. Broyhill	1-22-69	B-165932
Accounting systems: Improvement in systems to reduce waste and inefficiency in use of Govern- monthinde	91st, H.R. 9510.	H. Government Operations	5-19-69	B-127287
Status disclosure.	91st, H.R. 187.	do.	2-14-69	B-127287
Uniform cost accounting study		Sen, William Proxmire	1-14-69 7- 0-68	B-39995(1) B-164522
Air carriers:			} •	
Reduced rate fares	91st, S. 1179	S. Commerce	4-22-69	B-134882
D0.	JIST, S. 1/20	ao	4-ZZ-6	4-22-09 D-134862
Subsidy restriction	91st, S. 1244	dodo	3-28-69	B-82964 B-120027
Airports:				
Federal assistance for construction and establishment of trust fund	90th, S. 3641	do	7-2-68	B-77406
D0.	91St, S. 1265	d0	60-02-0	D-//400
D0.	1316 S. 100/		60-07-0	005//-0
Appropriations: Availability period for presidential transition		H. Appropriations.	4-29-69	$4-29-69 \left \left\{ B-149372 \\ B-158195 \right\} \right $
A vailability prior to law enactment		Rep. Melvin R. Laird	7-17-68	B-164823
Restriction on indirect costs under research grants and contracts		S. Aeronautical & Space Sciences	10-1-68	B-165343
Architects and engineers: Fee limitation.		Numerous Senators & Congressmen		B-152306
Armed Services:				
Allotment refund entitlement incident to World War II service		Rep. William L. Hungate	7-9-68	B-164621
Do.		Rep. Elford A. Cederberg	1-14-69	B-165891
Burial expense entitlement.		Rep. Joe L. Evins.	12-13-68	B-165651
Class F Allotment entitlement incident to World War I service		Rep. James M. Hanley	1-28-69	B-154872

[Reports of general interest only are included]

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Reports on Congressional Inquiries-Continued

Subject	Bill No.	То	Date	Reference No.
Armed Services-Continued Dual compensation rule applicable to receipt of retired pay and employees compensation.		Sen. A. S. Mike Monroney	9-3-68	B-165079
Duty propriety of Marines manning rifle ranges for private shooting matches		Sen. William Proxmire	12-3-68	B-164034 B-164034
Family separation allowance entitlement		Numerous Senators & Congressmen		B-157586
Flight pay entitlement.		Sen. Robert P. Griffin	1-14-69	B-165858
Foreign duty pay for World War II service		Sen. George Murphy	9-12-68	B-115242
Hazardous duty pay for flight duty in Vietnam.		Rep. Fred B. Rooney	9-11-68	B-165142
Liberty loan bond deductions during World War I service		Sen. A. S. Mike Monroney	8-27-68	B-166933
Medical scholarship program.		H. Armed Services	8-8-68	B-164597
Pay and allowances:				
Entitlement during injury on duty period		Rep. Edward J. Derwinski	1-21-69	B-164847
Missing World War II seaman, death presumption status		Rep. Kenneth J. Gray	6 - 27 - 69	B-167219
Overpayments:				
Review of service records of particular members for relief		H. Veterans' Affairs	5-14-69	B-166612
		Ren. Melvin Price	2-28-69	B-165567
· · · · · · · · · · · · · · · · · · ·			[4- 9-69	B-165567
Waiver propriety	91st, H.R. 7363	H. Judiciary.	5-19-69	B-152040 B-158422
Per diem entitlement.		Rep. Armistead I. Selden, Jr	8-20-68	B-165003
Quarters allowance entitlement when foreign divorce involved.		Rep. Joseph G. Minish.	6-26-69	B-160591
Record correction as entitlement to pay.		Rep. Jerry L. Pettis.	8- 6-68	B-164861
Record correction review		Rep. Frank Annunzio.	5-29-69	B-165484
Reenlistment bonus-variable entitlement	90th, H.R. 17610.	H. Armed Services.	7-2-68	B-160096
Do.		Rep. John E. Moss.	7-12-68	B-160096
Do.		Sen. Warren G. Magnuson	9-18-68	B-160096
Reservists on training duty		Rep. John E. Moss	8-20-68	B-163727

Retired pay: Elzew v. U.S. effect.		Rep. William S. Mailliard	12 -12-68	B-140076
Enlisted grade pay higher than warrant officer pay.		Rep. Don Edwards	7-15-68	B-116582
Highest temporary grade rule applicability		Rep. Don Fuqua.	9-26-68	B-146568
Inactive service credit for enlisted members.	91st, S. 1871	S. Armed Services	5-5-69	B-139206
Members entitlement under Public Law 89-395 except for res judicata rule		H. Judiciary	6-16-69	B-145158
Overpayment relief under Public Law 90-616.		Sen. John J. Sparkman	3-26-69	B-165983
Recomputation at higher rate entitlement		Rep. Frank Horton.	7-24-68	B-163770
\mathbf{D}_{0}		Rep. Dante B. Fascell.	9-13-68	B-153784
Service credit as reserve member of Public Health Service Corps.		Rep. L. Mendel Rivers.	11- 8-68	B-129286
Service credit for nonregular service		Rep. William S. Broomfield	11-15-68	B-165270
Survivor benefit withdrawal.		Rep. Charles H. Griffin	5-15-69	B-166738
Six months' death gratuity entitlement		Rep. Glenn Cunningham	9-24-68	B-165223
Station per diem entitlement		Sen. Charles E. Goodell.	1-8-69	B-165473
Storage of household effects incident to retirement		Sen. George Murphy	11-21-68	B-165598
Subsistence in lieu of rations entitlement		Rep. Carl D. Perkins.	12-16-68	B-165749
Transportation and travel allowance entitlement:				
Commercial air reimbursement for dependent travel.		Rep. Ken Hechler	7-19-68	B-164774
\mathbf{D}_{0}		Sen. Strom Thurmond	10-25-68	B-163513
Dependents transportation entitlement.		Sen. Edward M. Kennedy	5-28-69	B-165724
D_0		Sen. Edward J. Gurney	0.00	D 120/02
		Sen. Spessard L. Holland	8 5	006001-0
Enlisted member's entitlement to transportation of dependents.		H. Armed Services.	11-22-68	B-165547
Transportation of dependents incident to permanent change of station		Rep. Gilbert Gude	1-8-69	B-165720
Transportation of dependents incident to retirement		Rep. John J. Rhodes.	11- 1-68	B-165426
\mathbf{D}_{0}		Sen. Russell B. Long.	3-25-69	B-166404
Transportation of household effects entitlement		Sen. E. L. Bartlett	8-2-68	B-163358
\mathbf{D}_{0}		Rep. John E. Moss.	2-26-69	B-166112
Travel allowance for medical and outpatient treatment		Rep. Fernand J. St Germain	11-21-68	B-165485
Travel allowance on discharge		Sen. Mark O. Hatfield	12-19-68	B-154929
Travel allowance on release of officer		Rep. Fletcher Thompson	10- 1-68	B -165098
Merced allattenas as refirement		Ran Charles S. Gubear	11-5-68	B-165476
and anno anno anno anno anno anno anno		Citatize of Guines of Cultary	1- 6-69	B-165476
Travel of reservists ordered to short period of duty		Rep. Philip J. Philbin	5-19-69	B-152420
Army Corps of Engineers: Newsletter on project propriety		Rep. John P. Saylor	6-20-69	B-166672
Automatic data processing:	0110		00 E 6	Motor G
Equipment control board	91St, 5. 410	S. Government Operations	- FO- / - FO	B-151204
Systems under GAO control.	91st, H.R. 404	H. Government Operations	2-20-69	B-165958
D0.	91st, H.R. 5522.	dodo	4-2-69	B-165958

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Appendix C-3-Continued

Reports on Congressional Inquiries—Continued

Subject	Bill No.	To	Date	Reference No.
Boards, committees, commissions: Feribilishmont				
Air Traffic Control Advisory Commission	90th. S. 3727	S. Commerce.	7-23-68	B-148903
Do	91st, S. 1070.	do	4-1-69	B-148903
Balanced Economic Development.	91st, S.J. Res. 60	S. Government Operations.	4- 0-69	B-161247
Budget Priorities and Expenditure Policy.	90th, H.R. 17683	H. Government Operations	7- 3-68	B-50164
Council on Environmental Quality.	91st, H.R. 25	H. Science & Astronautics	2-14-69	B-140579
Executive Organization	91st, H.R. 1143	H. Government Operations	3-18-69	B-50164
Do	91st, H.R. 83	do	3-20-60	B-50164
Do.	91st, H.R. 340.	do	3-20-69	B-50164
D_0	91st, H.R. 388	do.	3-20-69	B-50164
D_0	91st, H.R. 3825	do	3-20-69	B-50164
Do.	91st, H.R. 4028.	do	3-20-69	B-50164
D_0	91st, S. 436.	S. Government Operations	3-20-69	B-50164
Executive Reorganization and Management.	90th, H.R. 18574.	H. Government Operations.	9-13-68	B-50164
D_0	91st, H.R. 9914	do.	4-21-69	B-50164
National Economic Conversion Committee	91st, S, 1285.	S. Government Operations	5-22-69	B-152821
Port facilities for nuclear vessels	90th, S.J. Res. 167	do	8-2-68	B-124032
Procurement Commission	91st, H.R. 474	H. Government Operations	2-26-69	B-160725
\mathbf{D}_{0}	91st, S. 1707	S. Government Operations	4-28-69	B-160725
Program evaluation	91st, H.R. 1208	H. Government Operations	2-10-69	B-161740
Social programs	91st, H.R. 999-	do	2-10-69	B-160824
Weather modification	91st, S. 1182.	S. Commerce.	4-29-69	B-100063
Bonds:				
Performance and payment waiver.	90th, S. 3760	do	7-29-68	
D_0	90th, H.R. 18482	H. Judiciary.	8-1-68	
D_0	91st, S. 1175	S. Commerce	3-12-69	A-54197
Budget:				
Cost estimates of new proposals.	91st, H.J. Res. 244	H. Government Operations	2-12-69	B-95072
Revisions in receipts and expenditures.	91st, H.R. 3261	do	2- 7-69	B-107689
Budgetary Information Service	91st, H.R. 951	do	3-13-69	B-158708

Civil Aeronautics Board: Air carrier stock control	91st, S. 1250	S. Commerce.	3-26-69	B -82964 B -0064
Depreciation accounting regulation of air carriers		do	3-20-69	B-139169
\mathbf{D}_{0}	H.R. 8666	H. Interstate & Foreign Commerce.	3-27-69	B-139169
Terms of Board members, change to fiscal year	91st, S. 2081	S. Commerce.	5-20-69	B-75409
Civil Service Commission:				
Retirement financing.	91st, H.R. 770.	H. Post Office & Civil Service	3-14-69	B-130150
Revolving fund for financing security investigations	91st, H.R. 9233.	do	6- 2-69	B-110497
Commerce Department:				
Aliens employment	91st, S. 1173	S. Commerce	4- 1-69	B-132818
Authority for special services and for user charges	91st, S. 1170.	do	3-25-69	B-134944
D_0	91st, H.R. 8668	H. Interstate & Foreign Commerce	3-25-69	B-134944
Consumers:				
Protection assistance	91st, S. 861	S. Commerce	3-12-69	B-139310
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	91st, H.R. 4144	H. Interstate & Foreign Commerce	3-12-69	B-139310
Council	91st, S. 607	S. Government Operations	2-19-69	B-139310
Contractors liability insurance		H. Government Operations	9-5-68	B-158926
Contracts:		-		
byment areas	91st, S. 239	S. Government Operations	4 9 69	B-118268
Procedure review		Rep. Robert J. Corbett	2-5-69	B-165322
Propriety of award to Hgeia Dairy Co.		Rep. Eligio de la Garza	12-11-68	B-165373
Propriety of fish protein contract		H. Merchant Marine & Fisheries	7-17-68	B-157927
Propriety of award of trash collection contract at Andrews Air Force Base.		Rep. Rogers C. B. Morton.	4-14-69	B-164109
Small business concerns eligibility		H. Select Committee on Small Busi-	1-24-69	B-165219
		ness.		
Bid peddling	91st, H.R. 3345	H. Judiciary	3-20-69	B-109181
D_0		Sen. Joseph D. Tydings	1- 6-69	B-165848
Bid protests:				
Cancellation of planned procurements.		Rep. Donald J. Irwin	9-19-68	B-163828
Collusion allegation		H. Government Operations	2-26-69	B-164767
Discarding all bids and readvertising		Sen. Clifford P. Case	9-20-68	B-165190
Late bid		Rep. Clarence E. Miller	10-30-68	B-165309
Prices as "buying in"		Sen. Birch Bayh	9-25-68	B-165182
Rejection propriety in particular case		Rep. Clarence D. Long	5-6-69	B-166497
D0.		Sen. Vance Hartke	8-13-68	B-163979

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331

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C-3-Continued	
Appendix	

Reports on Congressional Inquiries-Continued

Subject	Bill No.	То	Date	Reference No.
Contracts-Continued Bid protesta-Continued		Too Dok Dathandt	9 9 9	0
Do		Rep. John J. Rhodes.	4-23-69	B-165439
D_0		Subcom. on Military Operations, H.	6-25-69	B-165792
		Government Operations.		
Status pending decision.		Rep. William S. Mailliard	8-19-68	B-164767
Dur American Act. Amilian hitter to MV7 A starl southerst		Sen. Thomas H. Kuchel.	8-26-68	B-164767 D 150664
Duy Anter wan Act, Applications to 1 vA steel collidation		Ren Charles F. Wirgins	8-2-68	B-164212
Disputes, propriety of consideration.		Rep. Fletcher Thompson	4-23-60	B-154792
Equal employment. Philadelphia Preaward plan		Sen. Hugh Scott.	4-11-69	B-163026
Government equipment control	91st. S. 2007	S. Armed Services	5-26-69	B-140389
Increased costs:				
Additional work under typewriter service repair contract		Rep. Porter Hardy, Jr	8-12-68	B-154688
Wage rate increases		Rep. Philip E. Ruppe.	11-12-68	B-165338
Increased price modification propriety		H. Armed Services.	12-13-68	B -162538
Labor costs chargeable to defense contracts		Rep. James C. Corman	1-22-69	B-165926
Labor standards:				
Davis-Bacon Act action review		Rep. O. C. Fisher	9-17-68	B-164376
Debarment procedure		Rep. Frank Horton	12-11-68	B-137259
Wage rate propriety.		Rep. Arch A. Moore, Jr	7-25-68	B-163880
Wage underpayment distribution		Rep. James J. Howard	5-15-69	B-165994
Withholding release		Rep. F. Edward Hebert	12-12-68	B-165394
M-16 rifle contracts		Rep. William D. Hathaway	7-24-68	B-164313 B-164313
Miller Act bond. final settlement date		Ren G Elliott Haean	12-18-68	B-165694
Most favored customer clause, deferral of legislative action until DOD regula-	90th, H.R. 17268.	H. Banking & Currency.	9-13-68	B-39995
tion issuance.				
Multiyear procurement:				
Propriety		Rep. Robert N. Giaimo	7-29-68	
D_0		Sen. Peter H. Dominick.	7-22-68	_
Reservation for single year awards		Rep. Donald J. Irwin.	10-10-68	B-163828

332

Negotiated: Restrictive requirements. Sole-source propriety		Sen. Albert Gore	11- 8-68 3-11-69 12-17-68	B-165192 B-164978 B-163367
Payment abatement until cost disallowances are investigated		H. Banking & Currency	1-15-69	B-146733 B-146760
Performance deficiencies and irregularities.		Rep. William L. Dickinson	12- 6-68 1- 8-69	B-164528 B-165855
Release effect		& Currency. Sen. Strom Thurmond	3-18-69	B-61057
Specifications relating to particular contract.		Rep. Hervey G. Machen	9-12-68	B-157209
Specifications waiver of requirement propriety-		Rep. William S. Mailliard	11-27-68	B-165226
Termination:				
Convenience for Government propriety.		Rep. Speedy O. Long	5-26-69	B-166875
Default change to convenience for Government		H. Public Works	4-11-69	B-165016
Dredging contract with Engineer Corps		dodo	11-18-68	B-165016
Transportation and public utility services contracts, compliance with		,		
Federal and State laws	91st, S. 1939	S. Government Operations	6-5-69	B-166789
Contract work hours: Standards Act amendment	91st, H.R. 10946	S. Labor & Public Welfare	6 - 23 - 69	B-123085
Corporations: Pension Benefit Security Act	90th, S. 3421	do	7- 5-68	B-164292
Court reporters: Removal of limitations on salary	90th, S. 3557	S. Post Office & Civil Service	8-2-68	B-164781
Customs, etc., services: Charges for overtime services:				
Collection discontinuance for noncommerical aircraft or vessels	91st, S. 1241	E. Commerce	5-26-69	B-75409 P 140601
D0		Sen. Quentin N. Burdick		B-140891
Flat fee substitution	91st, S. 1298	S. Commerce	6-24-69	B-140168 B-142318
Defense Department: Foreign currency, funded construction; eligibility for reimbursement through		H. Government Operations	11-12-68	B-156489
NATO. RESPOND—ocean transportation procurement		Sen. Stephen M. Young H. Merchant Marine & Fisheries]7-23-68 B-163964	B-163964

Appendix C-3---Continued

Reports on Congressional Inquiries-Continued

s: over	Subject	Bill No.	To	Date	Reference No.
er 91st, H.R. 1088 hnology 91st, H.R. 6171 hnology 91st, H.R. 6171 odium 91st, S. 960 abilities 91st, S. 163 abilities 91st, S. 163 abilities 91st, S. 1963 abilities 91st, S. 1960 education assistance 91st, S. 1189 education assistance 91st, S. 1890 education assistance 91st, S. 1380 education assistance 91st, S. 1380 education assistance 91st, S. 1380 education assistance 91st, S. 3060 education assistance 91st, S. 3060 education assistance 91st, S. 1033 education assistance 91st, S. 1033 education assistance 91st, S. 1033					
er		91st, H.R. 1088	H. Government Operations	2-11-69	B-149737
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hnology 91st, H.R. 464 odium 91st, S. 960 abilities 91st, S. 1963 abilities 91st, S. 1190 abilities 91st, S. 1180 abilities 91st, S. 1380 abilities 91st, S. 1380 abilities 91st, S. 1307 abilities 91st, S. 1307 abilities 91st, S. 1307 abilities 91st, S. 1033		91st, S. 953	S. Government Operations	4 -8-69	B-86133
ndium. 91st, S. 1663 abilities 91st, S. 1663 abilities 91st, S. 1189 education assistance 91st, S. 1890 education assistance 91st, S. 1807 education assistance 91st, S. 1069 education assistance 91st, S. 1033 education assistance 91st, S. 1033 education assistance 91st, S. 1033 education assistance 91st, S. 1083 education assistance 91st, S. 1083	technology	91st, H.R. 464	H. Government Operations.	1-27-69	B-135547
abilities	odium.	01st, S. 950.	S. Labor & Public Welfare	4-7-69	B-114836
Tams. 1683 1683 rith learning disabilities. 91st, S. 1687 91st, S. 1687 e programming disabilities. 91st, S. 1687 91st, S. 1687 e programming disabilities. 91st, S. 1687 91st, S. 1687 e programming disabilities. 91st, S. 1687 91st, S. 1687 e programming disabilities. 91st, S. 1734 91st, S. 1734 e clucation 91st, S. 1734 91st, S. 1734 rite clucation 91st, S. 1807 91st, S. 1807 rite clucation 91st, S. 309 91st, S. 309 rive clucation 91st, S. 309 91st, S. 309 rive ducation 91st, S. 306 91st, S. 306 reaction grants 91st, S. 303 91st, S. 303 nousing 91st, S. 1033 91st, S. 1033 ademy- 91st, H. B. 576 91st, H. B. 576 noution 91st, H. B. 516 91st, H. B. 566	ucation:				
91st, S. 1130 91st, S. 1167 91st, S. 1167 91st, S. 1189 91st, S. 1784 91st, S. 1784 91st, S. 1307 91st, S. 1969 91st, S. 1969 91st, S. 1969 91st, S. 1969 91st, S. 1963 91st, S. 1033 91st, H.R. 576 91st, H.R. 576 91st, H.R. 576 91st, H.R. 576 91st, H.R. 576 91st, A. 1563 91st, A. 1563 91st, S. 1563	Adult programs	01st, S. 1663	do	6-6-60	B-148519
91st, S. 1687	Children with learning disabilities	01st, S. 1190	-do	4-21-69	B-148515
91st, S. 1189- 91st, S. 1187- 91st, H.R. 514- 91st, S. 1807- 91st, S. 1807- 91st, S. 1806- 91st, S. 1866- 91st, S. 1063- 91st, S. 1033. 91st, H.R. 576- 91st, H.R. 35- 91st, H.R. 35- 91st, H.R. 35- 91st, A. 1563- 91st, A. 1563- 91st, S. 1562- 91st, S. 1562- 91st)rug abuse program	01st, S. 1687	-do	6-25-69	B-166557
91st, S. 1734	Uducation and technology	91st, S. 1189.	.do	5-2-69	B-166313
91st, H.R. 514	Clementary and secondary education assistance.	01st, S. 1734	-do	6-4-69	B-148513
91st, S. 1807	D_0	91st, H.R. 514.	.do.	6-11-69	B-148513
91st, S. 939	rederal-State education	91st, S. 1807	do	5-26-69	B-148513
01st, S. 1969	foreign Service Corps.	01st, S. 939	do	4-1-69	B-59263
91st, S. 366. 91st, S. 962. 91st, S. 2034. 91st, S. 1033. 91st, H.R. 576. 91st, H.R. 35. 91st, S. 1563.	ligher education grants.	01st, S. 1969.	do.	6-12-69	B-114836
91st, S. 962. 91st, S. 2034. 91st, S. 1033. 91st, H.R. 576. 91st, H.R. 35. 91st, A.R. 35.	Higher education scholarships.	91st, S. 366	do.	4-21-69	B-93353
91st, S. 2034 91st, S. 1033 91st, H.R. 576	aw enforcement profession assistance	91st, S. 962	do	3-27-69	B-157179
91st, S. 1033. 91st, H.R. 576. 91st, H.R. 35. 91st, S. 1563.	ocal education in Federal impacted areas to assist parents of children in	91st, S. 2034	S. Labor & Public Welfare	6-26-69	B-148513
91st, S. 1033	low-rent housing.				
91st, H.R. 576.	Post secondary education .	91st, S. 1033.	do	4-11-69	B-93353
91st, H.R. 35 91st, S. 1563.	science A cademy	91st, H.R. 576.	H. Science & Astronautics	2-10-69	B-142768
91st, S. 1563	science promotion	91st, H.R. 35	do	2-7-69	B-58911
01et & 1363	ccientists institutional grants	91st, S. 1563.	S. Labor & Public Welfare	5-6-69	B-58911
······································	Teacher Corps.	91st, S. 1363	đo	4-17-69	B-164031(1)
Election, financing: Design of technique for mailing vouchers to taxpayers for			Sen. Lee Metcalf	3-25-69	B-130961

Employees, Government: Commented				
Compensation. Amount due on retirement		Sen. Ernest F. Hollings	9-6-68	B-165123
Back nav antitlamant		Sen Edward M Kennedy	89-61-11	B-154308
μΩ		Ren. George P. Miller	12-26-68	B-165563
Dual concurrent retired nav and disability compensation		Rep. F. Bradford Morse	5-13-69	B-166800
Overtime as border patrol officer		Rep. Richard C. White.		B-164901
Overtime under Public Law 90-556.		Rep. Morris K. Udall.	4-17-69	B-148903
Rates for National Day of Mourning (Eisenhower funeral)		Sen. Joseph D. Tydings	5-27-69	B-153107
Rates for wage board employees		Rep. Charles E. Bennett.	7-15-68	B-164700
		Rep. John E. Moss.	3- 6-69	B-165823
D_0		Rep. Don Fuqua.	3-17-69	B-165765
Rates on reemployment.		Rep. John E. Moss.	2-11-69	B-166042
Saved pay in downgrading		Rep. Silvio O. Conte	9-6-68	B-165096
Tropical differential for Panama Canal Co. employee		Rep. Watkins M. Abbitt	7-30-68	B-162677
Health benefits:				
Government contribution.	91st, S. 1218.	S. Post Office & Civil Service.	4-7-69	B-119033
D_0	91st, S. 1772.	do	4-21-69	B-119033
Retired employees, waiver of recovery of Government contribution	91st, S. 403.	do	2-11-69	B-119033
Home leave travel entitlement		Sen. Edward W. Brooke.	8-8-68	B-163364
Injuries, commencement of compensation		Rep. John E. Moss.	4-17-69	B-166616
Leave:				
Administrative:				
Eisenhower funeral		Sen. Gaylord Nelson	02 61 2	D 169107
		Rep. Richard Fulton	ED-ET-D	101001-0
Mardi Gras.		Rep. Hale Boggs	3-10-69	B-166253
Public service activities	91st, S. 2047	S. Post Office & Civil Service	6-2-69	B-156506
Annual:				
Forfeiture of excess.		Rep. Tom Bevill.	7- 5-68	B-164636
Military duty for riot control.		Sen. Joseph M. Montoya	7-15-68	B-133972
Do.		Rep. Joel T. Broyhill	8-30-68	B-133972
Sick:				
Payment upon retirement for accrued leave	91st, S. 526	S. Post Office & Civil Service	3-20-69	B-130441
Recredit after break in service		Rep. Olin E. Teague	10-3-68	B-146610
Service credit upon ratirement.	91st, S. 1276	S. Post Office & Civil Service	3-20-69	B-130441
Medical examination payment.		Rep. Tom Steed	2-12-69	B-165971
Per diem:				
Overpayment liability.		Sen. William Proxmire	5-5-69	B-166763
Rate applicability		Rep. Thomas G. Abernethy	8-16-68	B-154330
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Appendix C-3—Continued Reports on Congressional Inquiries—Continued

Subject	Bill No.	To	Date	Reference No.
Employees, Government-Continued Privacy rights, generaliy.	90th, S. 1035 and H.R.	H. Post Office & Civil Service.	7- 8-68	B-157275
Privacy rights, personnel records. Quarters allowance at Tachikawa Air Force Base, Japan. Retirement: A nunities:	11/00. 91st, H.R. 7214.	H. Government Operations H. Judiciary	6-30-69 3-20-69	B-130411 B-146869
Elimination of reduction when survivor predeceases employee	91st, S. 437	S. Post Office & Civil Service	3-19-69	B-83477 B-126504
Increases	91st, S. 423.	do	4-4-69	B-138504
Minimum annuities and increase	91st, S. 421	do	5-6-69	B-130393
Reduction in marriage period for widows and widowers	91st, S. 51	do	3-17-69	B-83477
Reemployment period credit.	91st, S. 1822	do	4-24-69	B-138504
Benefit extension:				
Air traffic controllers	91st, S. 1629	do	4-10-69	B-148903
Hazardous duty performed by customs inspectors.	91st, S. 1473	do	4-3-69	B-74036
Hazardous duty performed by firefighters.	91st, S. 578	do	2-11-69	B-135003
Eligibility after 30 years' service and age 55	91st, S. 1297	dodo	4-30-69	[B-93671 [B-94946
Service credits:				,
International organization service	91st, S. 1533	do	4-8-69	B-135075
Periods employees of Japanese ancestry were detained	91st, S. 1876	do	5- 6-69	B-101036
State, etc., service	91st, S, 438	do	2 - 14 - 60	B-84843
D_0	91st. S. 1610	do	4-10-69	B-84843
Severance pay entitlement.		Rep. Spark M. Matsunaga.	9 5-68	B-165072
		Rep. F. Bradford Morse.	4-21-69	B-157753
Storage of household effects		Sen. Mark O. Hatfield	8-5-68	B-164807
Transfer expenses under Public Law 89–516:				
Benefit entitlement		Rep. Patsy T. Mink	7-1-68	B-164375
D_0		Rep. Eligio de la Garza	6-13-69	B166961
Congressional employee transferring to executive agency		Sen. Wallace F. Bennett	8-1-68	B-164854

Expense reimbursement entitlement.		Rep. Wendell Wyatt	4-3-69	B-166287
			[10-30-68	B-165477
Real estate expense reimbursement		Sen. Joseph D. Tydings	{ 2-10-69	B-165962
			5-22-69	B-161388
D_0		Rep. Joel T. Broyhill	1-28-69	B-165935
			2-26-69	B-166050
D_0		Sen. Henry M. Jackson	3-25-69	B-164461
D_0		Rep. John J. Rhodes.	6-16-69	B-164902
Service agreement breach.		Sen. Birch Bayh	7-10-68	B-164200
D_0		Rep. Howard W. Pollock	12-27-68	B-163726
Sharing costs between agenices	91st, H.R. 4142.	H. Government Operations	2-28-69	B-149798
Tax on real estate appraisal		Sen. John G. Tower.	12-11-68	B-165550
Temporary quarters and subsistence expenses.		Rep. John O. Marsh, Jr.	7-25-68	B-164545
D_0		Sen. Daniel K. Inouye	12-12-68	B-165389
Time limit		Rep. L. Mendel Rivers.	11-15-68	B-165121
Transportation of remains of employees dying in Alaska and Hawaii	90th, S. 3648.	S. Government Operations	7-9-68	B-144396
D_0	91st, H.R. 11709.	H. Government Operations	6-16-69	B-144396
Travel expenses:		1		
Increases	91st, H.R. 337.	do.	3-18-69	B-5019
D_{0}	91st, S. 820	S. Government Operations	3~18~69	B-5019
Preemployment and invitational travel	91st, S. 1770	do	5- 6-69	B-107407
Return from overseas by circuitous route.		Rep. Morris K. Udall.	7-24-68	B-163059
Scheduling and payment of overtime for travel		Sen. Thomas J. McIntyre	7 06 60	000101 CL
D_0		Rep. William H. Bates	00-07-1	760101-C
D_0		Sen. Norris Cotton	8-2-68	B-101892
Do.		Sen. Wallace F. Bennett.	8- 7-68	B-164817
Do.		Rep. Alvin E. O'Konski	2-19-69	B-165889
Separation for cause effect on payment.		Sen. Lee Metcalf.	8-29-68	B-163698
Workweek:				
Change for wage board employees		Vice President.	8-2-68	R-164904
Uniform workweek establishment.	90th, S. 3952	S. Post Office & Civil Service	8-30-68	B-130379
D_0	91st, S. 419.	do	2 - 28 - 69	B-130379
Environmental Science Services Administration:				
Commissioned personnel appointment, promotion, etc	90th, H.R. 17993	H. Merchant Marine & Fisheries	7- 5-68	B-27836
				B-106254 [B-97626
Do	91st, H.R. 212.	do	2-6-69	B-108234
Do	91st, S. 1286.	S. Commerce.	3-26-69	B-27836 B-108234
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Appendix C-3-Continued

Reports on Congressional Inquiries-Continued

Subject	Bill No.	То	Date	Reference No.
Erroneous Payments Walver:				
Cutoff date propriety.	90th, H.R. 17954	H. Post Office & Civil Service	8-27-68	B-152040 B-158422
Extension of authority to include claims of military services	91st, H.R. 7363	H. Judiciary	5-19-69	B-152040 B-158422
Individual claims considered under Public Law 90-616.		Rep. Henry Helstoski	4-10-69	B-165925
D_0		Rep. Manuel Lujan, Jr.	5- 9-69	B-162507
(See also under Private Relief, waiver of compensation overpayments).				
Renranization anthority extension	otst H R 407	H. Gavernment Overstians		
	H.R. 2353	do	2- 5-69	B-107949
	H.R. 3292	do		
D_0	91st, H.R. 2652.	do	2-26-69	B-107949
Executive, Legislative, and Judicial Salary Increases:	•			
Effective date for President's recommendation		Sen. Mike Mansfield	2-4-69	B-101892
Time for disapproval		H. Post Office & Civil Service	2-6-69	B-101892
Federal Buildings Fund: Creation	91st, H.R. 950.	H. Government Operations	6-16-69.	B-95136
Federal Communications Commission:				
Expenses for State officials serving in joint hearings.	91st, S. 1922	S. Commerce	6-12-60	B-113531
Transfer of function of several new agencies.	91st, H.R. 3058.	H. Interstate & Foreign Commerce	3-26-69	B-132290
Firefighting services: Furnished by city of Weare, N.H., on Federal land,		Rep. James C. Cleveland	12- 6-68	B-153911
claim for reimbursement.				
Fiscal year: Change to calendar year	91st, H.R. 6529	II. Government Operations.	2-28-69	B-153121
Fish inspection regulation	91st, S. 1092	S. Commerce	3-20-69	B-147118
Fish inspection regulation	91st, H.R. 11262	H. Merchant Marine & Fisheries	6-2-69	B-147118
Foreign aid: Funds for American University in Cairo.		Sen. Ernest Gruening	9-18-68	B-156766
General Accounting Office:				
Supergrade requirements	91st, H.R. 4806	H. Post Office & Civil Service	2-20-69	B-130503
Do.	91st, S. 2325	S. Post Office & Civil Service	6-24-69	B-130503
Tort claims in foreign countries, authority for administrative settlement	90th, S. 2999	Sen. Everett McK. Dirksen	7-24-68	B-135984

REPORTS ON CONGRESSIONAL INQUIRIES

Health, Education, and Welfare Department: AFDC regulations		Sen. George Murphy	1- 6-69	B-150569
Blomedical engineering institute establishment.	91st, S. 1111.	S. Labor & Public Welfare	4- 9-69	B-143181
Construction industry health and safety program	91st, H.R. 3290	H. Education & Labor	3-19-69	B-123085
D_0	91st, S. 1368.	S. Labor & Public Welfare	3-20-69	B-123085
Digestive Diseases and Nutrition Act.	90th, S. 3871.	op	9-12-68	B-74254
Hospital emergency assistance	91st, S. 1589	op	7-22-69	B-143181
Hospital modernization and medical facilities construction	91st, S. 269	do	4-14-69	B-143181
D0.	91st, H.R. 3783	H. Interstate & Foreign Commerce	4-14-69	B-143181
Do.	91st, S. 1733	S. Labor & Public Welfare	6-12-69	B-143181
D0.	91st, H.R. 10126	H. Interstate & Foreign Commerce	6-12-69	B-143181
Kidney disease treatment assistance.	90th, S. 3616	S. Labor & Public Welfare	7-18-68	B-163460
Nursing education	91st, S. 1540	-do	4-24-69	B-143181
Personnel system improvement	90th, H.R. 15760	H. Interstate & Foreign Commerce	10-30-68	B-163765
Regional and community health protection	91st, S. 16	S. Labor & Public Welfare	3-19-69	B-74254
Vaccination assistance	91st, S. 1622.	do	4-15-69	B-74254
Highways:				
Equal employment requirement		Rep. William C. Cramer	11-18-68	B-163026
Impact of fund freeze on construction	*****	Sen. Wayne Morse	11-19-68	B-118653
Immigration and Naturalization Service: Overtime inspection service discon-		Sen. Ralph W. Yarborough	2-27-69	B-140891
. Intergovernmental relations:			-	
Cooperation Act of 1969.	91st, H.R. 7366	H. Government Operations	4-24-69	B-146285
Cooperation service costs		do	9-11-68	B-146285
Information systems for Federal grant programs	91st, H.J. Res. 434	do	5-22-69	B-83433 B-05020
Toint funding simulification	91st H.R. 783	ųμ	3-10-69	B-146285
	91st, H.R. 6654	do	3-24-69	B-146285
	91st, H.R. 9167	do	5-6-69	B-146285
Personnel training	91st, S. 11	S. Government Operations	3-13-69	B-157936
Interstate Commerce:				
Attorneys' fees	91st, S. 1653	S. Commerce	4-9-69	B-120670
Carrier acquisition	91st, S. 1398	do	3-24-69	B-135036
Commission delegation of authority to employees.	91st, S. 2243.	do	4-11-69	B-107445
Contracts between freight forwarders and railroads.	90th, S. 3714.	do	7-23-68	B-87374
compliance 1	91st, S. 2244	do	6-11-69	B-131012
lations. Freight forwarders	90th. S. 3715	do	7-23-68	B-87375
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Appendix C-3---Continued

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Reports on Congressional Inquiries—Continued

Subject	Bill No.	To	Date	Reference No.
Interstate Commer ce -Continued Motor carriers:				
Economic Law Enforcement Act of 1969	91st, S. 1921	S. Commerce	6-27-69	B-104930 B-120670
Livestock exemption repeal	91st, S. 748.	do	2 - 18 - 69	B-119257
Safety regulations.	91st, S. 1920.	do.	5-13-69	B-166787
Prohibition against discriminatory assessments, repealRailroads:	91st, S. 2289.	do	6-12-69	B-158648
Passenger train and ferry service, financial assistance before discontinuance .		do.	2-14-69	B-139052
Passenger train service study	90th, S. 3861	do	7-31-68	B-139052
Safety regulations	91st, S. 723	-do-	2 - 18 - 69	B-123346
Lobbying:				
Regulation	91st, H.R. 4242	H. Judiciary	5-5-69	B-129874
Violation allegation.		Rep. William C. Cramer	1- 3-69	B-165548
Manpower and training:				
Amendments.	90th, H.R. 16304	The second se	00 00 2	D 169000
	H.R.16305	H. Ways & Means	00-47-1	778901-91
D_0	91st, H.R. 317	do	6-3-69	B-163922
Older workers training	90th, S. 4180.	S. Labor & Public Welfare	12-13-68	B-165430
Scientific manpower utilization	91st, H.R. 4564	H. Government Operations	4-28-69	B-157936
Trainee workweek.		Rep. Alexander Pirnie.	3-26-69	B-146879
Maritime matters:				
Consolidation of shipping laws	91st, H.R. 836.	H. Merchant Marine & Fisheries	2-28-69	B-159377
Construction reserve fund	91st, H.R. 264.	do	4-29-69	B-110344
D_0	91st, S. 936	S. Commerce	5-5-69	B-138589
Long -range program	91st, H.R. 765	H. Merchant Marine & Fisheries	4-30-69	B-162926
Nonsubsidized operators, fishing fleets:			-	
Construction-differential subsidies, tax benefits.	91st, H.R. 185.		17 00	B-194074
	H.R. 211.		20-/ T-F	5 ME71-0
Do	91st, H.R. 8000.	đo.	5-28-69	B-124074
Do.	91st, S. 2341	S. Commerce	6-27-69	B-124074

Appendix C-3--Continued

Reports on Congressional Inquiries-Continued

Subject	Bill No.	To	Date	Reference No.
Private relief: A hotosente of colloction position another of locial stan	11 D 1120		8	Potest d
Triverentient of confection action pending enactively of registration	9000, H.K. 1/003	H. Judiciary	0-77-1	
D_0	90th, H.R. 17063	Rep. James J. Howard.	8-20-68	B-164339 D 164330
D0.	90th H R 18774	Ren Inel T Brovhill	8-30-68	D-163495 B-163495
Accountable officer relief for loss funds in Vietnam	91st. S. 116	S. Judiciary	4-17-69	B-161202
			-	
Allotment overpayment	90th, H.R. 17351	H. Judiciary.	8-0-68	B-164822
Leave overpayment	90th, H.R. 18315.	do	8-28-68	B-164922
Do.	90th, H.R. 19075	do	9- 9-68	B-165039
Medical pay overpayment	90th, H.R. 17838	do	9-29-68	B-164687
Midshipman service credit	91st, H.R. 2480	do	2-26-69	B-163044
D0	91st, H.R. 10233	-do	5-15-69	B-63549 B-129993
Pay and allowance overpayments.	90th, H.R. 18477	-do	8-13-68	B-164909
D_0	90th, H.R. 19583	do	10- 3-68	B-165234
$\mathrm{D0}$	91st, H.R. 7689.	đo	3-19-69	B-164822
Do.	91st, H.R. 8470	do-	4-7-69	B-158495
D_0	91st, H.R. 9820	dodo	5-13-69	B-166669
Do.	91st, H.R. 10704	do	6-20-69	B-166896
D_0	91st, H.R. 10227	dodo	6-12-69	B-166844
D0	91st, H.R. 12034	do	6-27-69	B-158965
Per diem and leave for member in missing-in-action status	90th, H.R. 19591	dodo	10-30-68	B-165230
Quarters, claim for expenses in rehabilitating family quarters	91st, H.R. 5935	do	3-5-69	B-166139
Retired pay overpayments	90th, H.R. 14752	do	7- 9-68	B-164476
D_0	91st, H.R. 3775	do	3-7-69	B-132487
Do	91st, H.R. 2950	do	3-20-69	B-166140
Do.	91st, H.R. 8694	do.	3-28-69	B-164476
D0	91st, H.R. 9910	do	5-29-69	B-166680
Do.	91st, H.R. 10361	do.	6-10-69	B-166845

Nuclear-powered vessels		H. Merchant Marine & Fisheries	3-24-69	B-124032
	H.K. 1124		_	
Subsidies for Great Lakes commerce	91St, H.K. 1053	d0	2-27-69	B-138589
Do	91st, H.R. 3060.	do	5-23-69	B-138589
National Aeronautics and Space Administration: Appropriation authorization		Sen. Margaret Chase Smith.	69-11-69	B-165118
for construction.				
Nonprofit organizations: Government Sponsored, guideline needs		Bubcom. on Government Activities, H Government Overations	5-29-69	B-146810
Oceanographic Service Act	91st. H. R. 9482	H. Government Operations	6- 5-60	B-156204
Pacific Trust Territories: Employees status for workmen's compensation		H. Post Office & Civil Service.	7-11-68	B-84843
benefits.				
Panama Canal: Increase in capacity and improvement	91st, H.R. 3792	H. Merchant Marine & Fisheries	3-24-69	A-60428
Postal Service:				
Employees:				
A ccountable officer relief		Rep. Benjamin S. Rosenthal.	11-13-68	B-165505
Compensation, saved for railway and highway employees.	91st, S. 1771.	S. Post Office & Civil Service	4-24-69	B-162369
Compensation overpayment liability.		Rep. Joel T. Broyhill	10- 2-68	B-164933
Leave, excess due to administrative error		Rep. Melvin Price	4-16-69	B-166023
Reclassification	01cf H R 1000			
	H.R. 1100	H. Post Office & Civil Service	6-13-69	B-99833
Seniority status, etc.		Rep. Silvio O. Conte.	12-27-68	B-165760
Mail:				
Franking privilege, propriety of use		Sen. John J. Williams.	4-28-69	B-128930
Free for income tax returns.	91st, S. 2141.	S. Post Office & Civil Service	6-20-69	B-166947
Modernization Act.	90th, S. 3726.	do	9-10-68	B-164786
Penalty mail for States and D.C. use	91st, S. 996	do	5-29-69	B-166245
Postmasters appointment	91st, S. 1583.	do	4-7-69	B-86947
Poverty programs:				
Grant to Connecticut Law Reform, Inc., propriety		Rep. Thomas J. Meskill	9-0-68	B-164990
Legal services:				
Program		Sen. George Murphy	2-18-69	B-130515
Removal from Community Action Program	91st, S. 1291	S. Labor & Public Welfare	6-10-69	B-130515
President: Transition funds		Rep. Samuel L. Devine	3-19-69	B-149372 B-158108
Printing: Cost for particular publication		Rep. Samuel L. Devine	4-22-69	4-22-69 B-159748

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Transportation of household effects. Travel allowance overpayment. Travel expenses. Casa Angelica Mental Retardation Facility, grant for debt liquidation.	90th, H.R. 19179	do	8-28-68 3- 6-69 3-26-69 5- 5-69	B-162577 B-166124 B-166311 B-166332
nt: yments.	90th, H.R. 8405.	H. Judiciary	7- 6-68	B-163361
	90th, H.R. 8405	Sen. Joseph D. Tydings	3-11-69	B-163361
	90th, H.R. 18017	H. Judiciary.	7-15-68	B-163813
	90th, H.R. 17400	do	7-16-68	B-162358
	90th, H.R. 18234	do	7-18-68	B-163813
	90th, H.R. 11515	do	7-23-68	B-164177
	90th, H.R. 16921	dodo	7-23-68	B-164275
	90th, H.R. 19663	do	11-22-68	B-165300
Waiver of compensation overpayments considered under Public Law 90-616		do	1-27-69	B-163813
D0		do	11-29-68	B-164933
	91st, S. 23	do	2 - 26 - 69	B-160569
	91st, S. 23	Rep. Henry B. Gonzalez	2-26-69	B-160569
	91st, H.R. 1702	H. Judiciary	3-20-69	B-166408
D0.	91st, H.R. 6578	do	3-28-69	B-161178
	91st, H.R. 2210	do	3-28-69	B-162358
	90th, H.R. 8096	do	4-14-69	B-160569
	91st, H.R. 1721	do	4-15-69	B-155460
ne	91st, H.R. 8911	do	4-9-69	B-164901
Compensation rate propriety	90th, H.R. 17063	dododododo	7-23-68	B-164339
	90th, H.R. 11207	do	8-20-68	B-164585
	91st, H.R. 4983	do	3-25-69	B-164933
ion	90th, H.R. 19002	dodo	9-20-68	B-165089
Quarters allowance in excess of proper rate	90th, H.R. 17387	do	7- 1-68	B-146869
Reemployed annuitants entitlement to compensation for emergency services.	91st, S. 499}	ų	6 - 24 - 69	B-167199
	H.R. 11842			
	90th, H.R. 15768		80-81-1	15-104330
ISes:	004F TT D 10001		00.00	B_16K06K
nusuo	90tn, H.K. 1904	-00	30-07-6	D-10300
enses	91st, H.R. 7683.		5 5 50	B-100492
	91st, H.K. 10993		60-11-0	B-100940
	91st, H.R. 4982.	do	4-22-69	B-166244
payment	Н.R.	do	4- 9-69	B-163407
Travel expenses due to failure to complete overseas service	Н.R.	dodo	5-15-69	B-166733
Leases, hold over occupancy	90th, H.R. 18164	do	8-22-68	B-164968

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Appendix C-3—Continued Reports on Congressional Inquiries—Continued

Subject	Bill No.	То	Date	Reference No.
Private Relief-Continued Lien for legal services incident to judgment against U.S. by Trans Ocean Air Tiens Tue	91st, H.R. 8358.	H. Judiciary	6-12-69	B-145651
Postage underpayment. Silver sales moreram losses	91st, H.R. 9906.	do.	4-22-69 7- 1-68	B-166649 R-164544
Do. Waired statute of limitations effect	91st, H.R. 1661	do Senate Republican Calendar Com-	2-20-69 7-10-68	B-164544 B-33716
Property :		mittee.		
Private, damage, Government contractors indemnification		Rep. Don Edwards	2-20-69	2-20-69 B-158926
Conveyance to Cheyenne, Wyo.	91st, S. 1718	S. Government Operations	6- 6-69	B-124956
Lanu acquisition poitcy Loss or damage in transit, recovery without filing claim with carrier	C 'ASTA	Sen. Wallace F. Bennett.	11-5-68	B-165554
Surplus real property to unemployment areas.	91st, H.R. 7332	H. Government Operations	4-21-69	B-116344
Surplus short-shelf items.	91st, S. 406	S. Government Operations	3-25-69	B-133038
D0.	91st, H.R. 216	H. Government Operations	3-28-69	B-133038
Regulatory agencies: Direct submission of budget estimates.	91st, H.R. 1068	do	1-31-69	B-163628
D0.	91st, S. 789	S. Government Operations		B-163628 [B-151205
Rural Electrification Administration: Loan Propriety		S. Appropriations	5-26-69	B-101230
Sewer charges: Liability of Navy Department for capital contribution to		Sen. Henry M. Jackson.	8- 5-68	B-164521
Seature. Small business: GAO functions relating to		Senate Select Committee on Small	5- 1-69	5- 1-69 B-123260
Smithsonatan Tusitinian.		Business.		
Folklife foundation	91st, S. 1591	S. Labor & Public Welfare.	4-23-69	B-166511
Supergrade requirements	91st, S. 542.	S. Post Office & Civil Service.	2-14-69 8-13-68	B-130503 B-164944

States: Compacts:				
Northeast Rail Authority	91st, S. 914.	S. Commerce	2-18-69	B-139052 B-130055
Susquehanna River Basin. Devrments in lion of toose on DFC monorty, estimation of outboatty.	91st, S. 1079	S. Judiciary	3-24-69	B-145065
Do	91st, S. 1184	S. Government Operations.		B-115764
Statistical sampling procedures		Rep. Joshua Eilberg	•••	B-153509
Transportation: A ntomologies from averages		Ban Datar H R Frailinghurson	7- 1-69	R_16020
Freight charges:			3	
Audit by private companies		Rep. Richard C. White	12-17-68	B-165818
Carrier liability.		Sen. Wallace F. Bennett.	12-11-68	B-164607 B-165104
Classification of mobile dolly cradles and jet airplane engines		Sen. Frank Church.		B-166167
D0.		d0.		B-166167 B-164240
Overtime services		Rep. Arnold Olsen	2- 5-69	(B-164312
Professional driveaway services		Sen. Everett McK. Dirksen	-	B-165806
D0		do	2-24-69	B-165806
Intercity passenger services	91st, S. 924	S. Commerce.	3-27-69	B-139955
Payment procedure		Sen. Joseph M. Montoya	12-19-68	B-165141
Stevedoring service claim for consideration as meritorious claim		Sen. Warren G. Magnuson	1-30-69	B-120263
Travel agents: Use by Government.		Rep. Burt L. Talcott	4-16-69	B-103315
Travel promotion	90th, S. 4122	S. Commerce	11- 1-68	B-142145
	91st, S. 1289	do	3-19-69	B-142145 D 105100
Vessels: Ivavai, repair III U.S. yarusVetoresVetoresVetores.	AISI, II.I. 3090	A. Flutte works	R0-07-7	081071-C
Education and relocation assistance	91st, S. 1088	S. Labor & Public Welfare	4-24-69	B-140300
Education loan supplements.	90th, S. 3477	do	9-18-68	B-140300
Loan default debt		Rep. Charles E. Bennett H. Science & Astronautics	12-19-68 3-20-60	B-165736 B-165145
Youth participation in social programs	91st, S. 2290	S. Labor & Public Welfare	6-27-69	B-167151

Appendix C-4

Prime Contractors and Subcontractors at Which Contract Audit Work Was Performed During the Fiscal Year 1969

Examination is made of selected financial aspects of the contracts. Reports are not issued on each audit.

CIVIL DEPARTMENTS AND AGENCIES

Department of the Army (Civil Functions)

Perini-Yuba Associates, Marysville, Calif.

Department of Commerce

Alaska Steamship Co., Seattle, Wash.

American Mail Lines, Seattle, Wash.

- American President Lines, San Francisco, Calif.
- First Atomic Ship Transport, Inc., Hoboken, N.J.
- Matson Navigation Co., San Francisco. Calif.

Olympic Steamship Co., Seattle, Wash.

- Pacific Far East Line, San Francisco, Calif.
- States Steamship Co., San Francisco, Calif.

Todd Shipyards Corp., Galveston, Tex.

Department of Health, Education, and Welfare

- Aetna Life Insurance Co., Hartford, Conn., and Portland, Oreg.
- Aloha Convalescent Hospital, Hayward, Calif.
- Alta Mesa Convalescent Hospital, Sylmar, Calif.
- Arcadia Convalescent Home, Arcadia, Calif.
- Associated Hospital Services, Inc. (subcontractor), Youngstown, Ohio
- Associated Hospital Service of New York (subcontractor), New York, N.Y.
- Balowen Convalescent Hospital, Van Nuys, Calif.
- Baptist Memorial Geriatric Hospital, San Angelo, Tex.
- Blue Cross Association, Chicago, Ill.
- Blue Cross of Florida, Inc. (subcontractor), Jacksonville, Fla.
- Blue Cross of Northeast Ohio (subcontractor), Cleveland, Ohio
- Blue Shield of Florida, Inc., Jacksonville, Fla.
- Broadway Convalescent Hospital, Los Angeles, Calif.
- Burbank Convalescent Hospital, Burbank, Calif.

- California Physicians' Service, San Francisco, Calif.
- Colonial Convalescent Hospital, San Jacinto, Calif.
- Cook County Hospital, Chicago, Ill.
- Crouse-Irving Hospital, Syracuse, N.Y.
- Cypress Gardens Convalescent Hospital, Riverside, Calif.
- Electronic Data Systems, Inc. (subcontractor), Dallas, Tex.
- Four Palms Convalescent Hospital 1, Inglewood, Calif.
- Four Palms Convalescent Hospital 2, Inglewood, Calif.
- Fresno County Foundation (subcontractor), Fresno, Calif.

Georgetown University, Washington, D.C.

- Georgia Hospital Service Association, Inc. (subcontractor), Columbus, Ga.
- Glen Manor Convalescent Center, Glendale, Calif.
- Group Hospital Service, Inc. (subcontractor), Dallas, Tex.
- Group Hospital Service, Inc. (subcontractor), Syracuse, N.Y.
- Group Medical and Surgical Service, Dallas, Tex,
- Hospital Service Corp. (subcontractor), Chicago, Ill.
- Hospital Service of California (subcontractor), Oakland, Calif.
- Hospital Service of Southern California (subcontractor), Los Angeles, Calif.
- Illinois Medical Service, Chicago, Ill.
- Inyo County Sanatorium, Big Pine, Calif.
- King David Convalescent Hospital, Los Angeles, Calif.
- Laskys Convalescent Hospital, Lone Pine, Calif.
- Massachusetts Hospital Service Inc. (subcontractor), Boston, Mass.
- Massachusetts Medical Service, Boston, Mass.
- Metropolitan Life Insurance Co., Utica, N.Y.
- Mutual of Omaha Insurance Co., Omaha, Nebr., and Sacramento, Calif.
- Nix Memorial Hospital, San Antonio, Tex.
- Occidental Life Insurance Co. of California, Los Angeles, Calif.
- Osage Palms Convalescent Hospital, Inglewood, Calif.

- Pan-American Life Insurance Co., New Orleans, La.
- Parkland Memorial Hospital, Dallas, Tex. St. Elizabeth's Hospital, Youngstown, Ohio
- Salem City Hospital, Salem, Ohio
- Scott and White Memorial Hospital, Temple, Tex.
- Sherman Way Convalescent Hospital, Van Nuys, Calif.
- Sherwood Convalescent Hospital, Van Nuys, Calif.
- Sunlite Convalescent Hospital, Covina, Calif.
- The Travelers Insurance Co. (subcontractor), Garden City, N.Y.
- The Travelers Insurance Co., Hartford, Conn., and its offices at Albany, N.Y.; Baton Rouge, La.; Boston, Mass.; Dallas, Tex.; Jacksonville, Fla.; New Orleans, La.; Pittsfield, Mass.; Portland, Oreg.; San Francisco, Calif.; Springfield, Mass.; and Utica, N.Y.

Tioga General Hospital, Waverly, N.Y.

University of California, Los Angeles, Calif.

Western Gear Corp., South Gate, Calif.

Department of the Interior

American Potash Institute, Atlanta, Ga.

Cotton Producers Association, Atlanta, Ga.

J. Sanders Parker, Engineer, Nashville, Tenn.

Rand Development Corp., Cleveland, Ohio Robert and Company, Engineers, Atlanta, Ga

Wendeman and Singleton, Engineers, Nashville, Tenn.

Justice Department

Arthur D. Little Inc., Cambridge, Mass.

Department of Labor

- Aladdin Corp., San Leandro, Calif.
- General and Speciality Construction Association, Berkeley, Calif.
- Lucky Stores, San Leandro, Calif.
- Management Council for Bay Area Employment Opportunity, San Francisco, Calif.
- National Alliance for Businessmen, San Francisco, Calif.
- Oakland Economic Development Council, Inc., Oakland, Calif.

Youth Pride Inc., Washington, D.C.

Department of Transportation

Avondale Shipyards Inc., New Orleans, La. Grumman Aircraft Engineering Corp., Bethpage, Long Island, N.Y.

Lockheed Aircraft Corp., Marietta, Ga.

Lockheed-California Co., Burbank, Calif.

- Massachusetts Institute of Technology, Division of Sponsored Research, Cambridge, Mass.
- United Aircraft Corp., Pratt and Whitney Division, West Palm Beach, Fla.

Agency for International Development

- Afro-American Purchasing Center, Inc., New York, N.Y.
- Air America, Inc., Saigon, Vietnam
- Air America, Inc., Taipei, Taiwan
- American Institute for Free Labor Development, Washington, D.C.
- Asian Training Center, Honolulu, Hawaii Eastern Construction Co., Inc., Manila,
- Philippines Eastern Construction Co., Inc., Saigon, Vietnam

Atomic Energy Commission

- Associated Universities, Inc., Brookhaven National Laboratory, Upton, N.Y.
- Atlantic Richfield Hanford Co., Richland, Wash.
- Battelle Memorial Institute, Pacific Northwest Laboratory, Richland, Wash.
- Bendix Corp., Kansas City Division, Kansas City, Mo.
- C. F. Braun & Co., Alhambra, Calif.
- C. F. Braun & Co., Denver, Colo.
- Douglas United Nuclear Inc., Richland, Wash.
- Dow Chemical Co., Inc., Rocky Flats, Colo. EG & G, Inc., Mercury, Nev.
- E. I. duPont de Nemours & Co., Savannah River Laboratory, Aiken, S.C.
- E. I. duPont de Nemours & Co., Savannah River Plant, Aiken, S.C.
- General Electric Co., Valley Forge, Pa.
- Goodyear Atomic Corp., Portsmouth Gaseous Diffusion Plant, Portsmouth, Ohio
- Gulf General Atomic, Gulf Oil Company, San Diego, Calif.

Isochem, Inc., Richland, Wash.

- ITT Federal Support Services, Richland, Wash.
- Litton Industries, Electronic Tube Division, San Carlos, Calif.
- Pan American World Airways, Inc., Jackass Flats, Nev.
- Public Service Co. of Colorado, Denver, Colo.
- Reynolds Electrical & Engineering Co., Inc., Mercury, Nev.
- Rust Engineering Co., The, Oak Ridge, Tenn.

Sandia Corp., Albuquerque, N. Mex.

Sandia Corp., Livermore, Calif.

Swinerton & Walberg, Co., Rocky Flats, Colo.

- Union Carbide Corp., Nuclear Division, Oak Ridge National Laboratory, Oak Ridge, Tenn.
- Union Carbide Corp., Nuclear Division, Oak Ridge Production Facilities, Oak Ridge, Tenn.
- Union Carbide Corp., Nuclear Division, Paducah Gaseous Diffusion Plant, Paducah, Ky.
- Universities Research Association, Inc., National Accelerator Laboratory, Weston, Ill.
- Universities Research Association, Inc., Washington, D.C.
- University of California, Lawrence Radiation Laboratory, Berkeley, Calif.
- University of California, Lawrence Radiation Laboratory, Livermore, Calif.
- University of California, Los Alamos Scientific Laboratory, Los Alamos, Calif.
- University of California, Los Angeles, Calif.
- University of Chicago, Argonne National Laboratory, Lemont, Ill.
- University of Chicago, National Reactor Testing Station, Idaho Falls, Idaho

University of Rochester, Rochester, N.Y.

University of Stanford, Stanford Linear Accelerator Center, Palo Alto, Calif.

Civil Service Commission

Group Hospitalization, Inc. (subcontractor), Washington, D.C.

National Aeronautics and Space Administration

Boeing Co., Kennedy Space Center, Fla.

Boeing Co., New Orleans, La.

California Institute of Technology, Jet Propulsion Laboratory, Pasadena, Calif.

- Grumman Aircraft Engineering Corp., Bethpage, Long Island, N.Y.
- McDonnell Douglas Astronautics Co., Huntington Beach, Calif.
- North American Rockwell Corp., Rocketdyne Division, Canoga Park, Calif.
- North American Rockwell Corp., Space Division, Downey, Calif.
- North American Rockwell Corp., Space Division, Seal Beach, Calif.

National Science Foundation

Associated Universities, Inc., Charlottesville, Va., and Greenbank, W. Va.

Office of Economic Opportunity

- Federal Electric Corp., Kilmer Job Corps Center, Edison, N.J.
- Hull House, VISTA Regional Training Center, Chicago, Ill.

- Packard Bell Electronics Corp., Albuquerque Job Corps Center, Albuquerque, N. Mex.
- RCA Service Co., Keystone Job Corps Center, Drums, Pa.
- University of Oklahoma, VISTA Regional Training Center, Norman, Okla.
- Westinghouse Learning Corp., Atterbury Job Corps Center, Edinbury, Ind.

MILITARY DEPARTMENTS

- AAI Corp., Cockeysville, Md.
- Acme Industries, Jackson, Mich.
- Aerojet-General Corp., Nimbus, Calif.
- Air Asia, Co., Ltd., Tainan, Taiwan
- Alaska Barge and Transport, Inc., Saigon, Vietnam
- American Electronics Laboratory, Colmar, Pa.
- American Hoist and Derrick Co., St. Paul, Minn.
- American Manufacturing Co., Fort Worth, Tex.
- American Shipbuilding Co., Lorain, Ohio
- American Welding Co. (subcontractor), Warren, Ohio
- Associated Spring Corp., Plymouth, Mich.
- Automation Industries, Inc. (subcontractor), Abilene, Tex.
- Avco Corp., Lycoming Division, Stratford, Conn.
- Avco Corp., Nashville, Tenn.
- Avco Corp., Electronics Division, Evendale, Ohio
- Avondale Shipyards, Inc., New Orleans, La.
- Baifield Industries, Inc., Carrollton, Tex.
- Baifield Industries, Inc., Dallas, Tex.
- Baifield Industries, Inc., Shreveport, La.
- Bell Helicopter Co., Fort Worth, Tex.
- Bell Telephone Laboratories, Whippany, N.J.
- Bendix Corp., Navigation and Control Division, Teterboro, N.J.
- Boeing Co., The, Vertol Division, Eddystone, Pa.
- Boeing Co., The, Wichita, Kans.
- Boeing Co., The, Aerospace Group, Kent, Wash.
- Brown, Dayton T., Inc., Bohemia, N.Y.
- Burroughs Corp., Defense Space and Special Systems Group, Downingtown, Pa.
- Burroughs Corp., Defense Space and Special Systems Group, Paoli, Pa.
- Caltex Corp., Bangkok, Thailand
- Cessna Aircraft Co., Wichita, Kans.
- Chamberlin Manufacturing Co., Burlington, N.J.
- Chromalloy American Corp., San Antonio, Tex.
- Chrysler Corp., Airtemp Division, Dayton, Ohio

- Chrysler Corp., Defense Operations Division, Warren, Mich.
- Colt's Inc., Firearms Division, West Hartford, Conn.
- Columbia University, New York, N.Y.
- Consolidated Diesel Electric Corp., Stanford, Conn.
- Construcciones Aeronautics, S. A., Madrid, Spain
- Construcciones Aeronautics, S. A., Seville, Spain
- Crescent Precision Products, Crescent Dallas Division, Dallas, Tex.
- Curtiss-Wright Corp., Caldwell, N.J.
- Cutler-Hammer, Inc., Airborne Instruments Laboratory Division, Deer Park, N.Y.
- Daimler-Benz, A. G., Boeblingen, Germany
- Dynamics Corp. of America, Reeves Instrument Division, Garden City, Long Island, N.Y.
- Eastern Tool and Manufacturing Co., Belleville, N.J.
- Equipment, Inc., Saigon, Vietnam
- Esso Corp. Bangkok, Thailand
- Fairchild-Hiller Corp., Republic Aviation Division, Farmingdale, Long Island. N.Y.
- FMC Corp., San Jose, Calif.
- General Dynamics Corp., Fort Worth, Tex.
- General Dynamics Corp., Pomona, Calif.
- General Electric Co., Armament Dept., Burlington, Vt.
- General Electric Co., Evendale, Ohio
- General Electric Co., Flight Propulsion Division, Lynn, Mass.
- General Electric Co., Ordnance Dept., Pittsfield, Mass.
- General Electric Co., Defense Electronics Division, Syracuse, N.Y.
- General Electric Co., Missile and Space Division, Valley Forge, Pa.
- General Electric Co., Missile and Space Division, Philadelphia, Pa.
- General Instrument Corp., F. W. Sickles Division, Chicopee, Mass.
- General Motors Corp., Hydra-Matic Division, Ypsilanti, Mich.
- General Motors Corp., Allison Division, Cleveland, Ohio
- Goodrich, B. F., Co., Akron, Ohio
- Goodrich, B. F., Co. (subcontractor), Troy, Ohio
- Goodyear Aerospace Corp., Akron, Ohio
- Grumman Aircraft Engineering Corp., Bethpage, Long Island, N.Y.
- Hallicrafters Co., Rolling Meadows, Ill.
- Han Jin Transportation Co., Ltd., Qui Nhon, Vietnam
- Harrington Richardson, Inc., Worcester, Mass.
- Hazeltine Corp., Little Neck, N.Y.
- Hewlett-Packard, Palo Alto, Calif.
- Holman, John F., Inc., Washington, D.C.

- Honeywell, Inc., Denver, Colo.
- Horne Bros., Inc., Newport News, Va.
- Howell Instruments, Inc., Fort Worth, Tex.
- Howmet Corp., Pomona, Calif.
- Hughes Aircraft Co., Culver City, Calif.
- Hydraulic Research and Manufacturing Co., Valencia, Calif.
- Ingalls Shipbuilding Corp., Pascagoula, Miss.
- Instrument Systems Corp., Telephonic Division, Huntington, Long Island, N.Y.
- Intercontinental Manufacturing Co., Garland, Tex.
- International Telephone and Telegraph Corp., Defense Communications Division, Nutley, N.J.
- Israel Aircraft Industries, Tel Aviv, Israel Kaiser Engineering, Oakland, Calif.
- Koch, H., and Sons, Inc. (subcontractor), Corte Madera, Calif.
- Le Tourneau, R. G., Inc., Longview, Tex.
- Libby Welding Co., Kansas City, Mo.
- Ling-Temco-Vought, Inc., Grand Prairie, Tex.
- Ling-Temco-Vought, Inc., Wilmington, Tex.
- Lockheed Aircraft Corp., Marietta, Ga.
- Lockheed-California Co., Burbank, Calif.
- Lockheed Electronics Co. (subcontractor), Los Angeles, Calif.
- Lockheed Missiles and Space Co., Sunnyvale, Calif.
- Lundy Electronics and Systems, Inc., Glen Head, Long Island, N.Y.
- Luther-Werke, Luther G.m.b.H and Co., Mainz, Germany
- Luzon Stevedoring Corp., Manila, Philippines
- Magnavox, Inc., Urbana, Ill.
- Manloading and Management Associates, Inc., Washington, D.C.
- Martin-Marietta Corp., Cape Kennedy, Fla.
- Martin-Marietta Corp., Denver, Colo.
- Martin-Marietta Corp., Orlando, Fla.
- Massachusetts Institute of Technology, Lincoln Laboratories, Lexington, Mass.
- Massachusetts Institute of Technology, Cambridge, Mass.
- Mazur, John J., Inc. (subcontractor), Westbury, Long Island, N.Y.
- McCormick, B. B., and Sons, Jacksonville, Fla.
- McDonnell-Douglas Astronautics Co., Huntington Beach, Calif.
- McDonnell-Douglas Astronautics Co. (subcontractor), Culver City, Calif.
- McDonnell-Douglas Astronautics Co. (subcontractor), Santa Monica, Calif.
- McDonnell-Douglas Corp., St. Louis, Mo.
- McDonnell-Douglas Corp., Titusville, Fla.
- Microwave Corp. (subcontractor), Palo Alto, Calif.

- Mitre Corp., Lexington, Mass.
- Modulux Corp. (subcontractor), Newark, Calif.
- Mount Sinai Hospital, New York, N.Y.
- Newport News Shipbuilding and Dry Dock Co., Newport News, Va.
- New York Shipbuilding Corp., Camden, N.J.
- Norfolk Shipbuilding and Dry Dock Corp., Norfolk, Va.
- Norris Industries, Inc., Riverbank, Calif.
- Norris Industries, Inc., Vernon, Calif.
- North American Rockwell Corp., Autonetics Division, Anaheim, Calif.
- North American Rockwell Corp., Mc-Gregor, Tex.
- Northrop Corp., Norair Division, Hawthorne, Calif.
- Ordnance Products, Inc., North East, Md.
- Oxwell Manufacturing Co., Wellington, Kans.
- Pacific Architects and Engineers, Inc., Cam Ranh Bay, Vietnam
- Pacific Architects and Engineers, Inc., Long Binh, Vietnam
- Pacific Architects and Engineers, Inc., Qui Nhon, Vietnam
- Pacific Architects and Engineers, Inc., Saigon, Vietnam
- Pacific Car and Foundry Co., Renton, Wash.
- Pacific Telephone and Telegraph Co., San Francisco, Calif.
- Page Communications Engineers, Inc., Washington, D.C.
- Parsons, Ralph M., Co., Los Angeles, Calif.
- Pesco Products, Cleveland, Ohio
- Philco-Ford Corp., Fort Washington, Pa.
- Philco-Ford Corp., Newport Beach, Calif.
- Philco-Ford Corp., Philadelphia, Pa. Philco-Ford Corp., Saigon, Vietnam
- Philco-Ford Corp. (subcontractor), Palo Alto, Calif.
- PRD Electronics, Inc. (subcontractor), Westbury, N.Y.
- Princeton University, Princeton, N.J.
- Radio Corp. of America, Burlington, Mass.
- Radio Corp. of America, Defense Electronic Products Division, Camden, N.J.
- Radio Corp. of America, Defense Elec-
- tronic Products Division, Moorestown, N.J.
- Raytheon Co., Lexington, Mass.
- Raytheon Co., Missilę Systems Division, Andover, Mass.
- Raytheon Co., Missile Systems Division, Bedford, Mass.
- Raytheon Co., Equipment Division, North Dighton, Mass.
- Raytheon Co., Equipment Division, Waltham, Mass.
- Raytheon Co., Equipment Division, Wayland, Mass.

- RMK-BRJ (joint venture), Saigon, Vietnam
- Sanders Associates, Nashua, N.H.
- Scientific Management Associates, Inc., Haddonfield, N.J.
- Scovill Manufacturing Co., Waterbury, Conn.
- Sea-Land Services, Inc., Saigon, Vietnam
- Shell Corp., Bangkok, Thailand
- Shinn Engineering, Inc. (subcontractor), Dallas, Tex.
- Singer-General Precision, Inc., Kearfott Group, Little Falls, N.J.
- Sperry Rand Corp., Salt Lake City, Utah
- Sperry Rand Corp., Sperry Gyroscope Division, Great Neck, Long Island, N.Y.
- Stanford Research Institute, Menlo Park, Calif.
- Stanford University, Palo Alto, Calif.
- Sylvania Electric Products, Inc., Mountain View, Calif.
- Sylvania Electric Products, Inc., Waltham. Mass.
- Telesignal Corp., Woodbury, N.Y.
- Texas Instruments, Inc., Dallas, Tex.
- Thiokol Chemical Corp., Brigham City, Utah
- Todd Shipyards Corp., San Pedro, Calif.
- Triangle Tool and Engineering Co. (subcontractor), Dallas, Tex.
- TRW, Inc., Redondo Beach, Calif.
- TRW, Inc. (subcontractor), Cleveland, Ohio
- Uniflite, Bellingham, Wash.
- United Aircraft Corp., Pratt & Whitney Division, Hartford, Conn.
- United Aircraft Corp., Sikorsky Division, Stratford, Conn.
- United States Steel Corp., McKeesport, Pa.
- United Technology Corp. (subcontractor), Sunnyvale, Calif.
- University of California, Berkeley, Calif.
- U. S. Plastic Molding, Inc., Wallingford, Conn.
- Varo, Inc., Garland, Tex.
- Vinnell Corp., Cam Ranh, Vietnam
- Vitro Services, Elgin Air Force Base, Fla.
- VIZ Manufacturing Co., Philadelphia, Pa.
- Watkins-Johnson, Palo Alto, Calif.
- Western Electric Co., Burlington, N.C.
- Western Electric Co., Greensboro, N.C.
- Westinghouse Electric Corp., Defense and Space Center, Baltimore, Md.
- Westinghouse Electric Corp., Sunnyvale, Calif.
- Whirlpool Corp., Ordnance Division, Evansville, Ind.
- Woods Hole Oceanographic Institute, Woods Hole, Mass.
- Zarkin Machine Co., Inc. (subcontractor), New York, N.Y.
- Zenith Radio Corp., Chicago, Ill.

Appendix C-5

Decisions and Other Legal Matters Handled During the Fiscal Year 1969

Assignment areas:	
Appropriations and miscellaneous	857
Civilian personnel	962
Contracts	, 569
Military pay and allowances	586
Transportation	620
4	, 594
Private inquiries, etc	301
Total	, 895

Legislative and legal reports furnished to committees and Members of Congress, and the Bureau of the Budget (included in the above statistics on decisions and other legal matters)

To the committees of the Congress: Legislative reports Legal matters	496 50
To Members of the Congress: Legislative reports Legal matters	3 245
To the Bureau of the Budget	794 45
 Total	839

Appendix D

TRANSPORTATION AUDIT AND CLAIMS ADJUDICATION

Appendix D-1

Bills of Lading and Transportation Requests Examined During the Fiscal Year 1969

	Number	Amount paid		overcharge ued
		Number		Amount
Audit:				
Bills of lading	6, 337, 420	\$1, 503, 985, 658	88, 010	\$15,064,643
Transportation requests	3, 224, 822	1, 039, 391, 299	12, 958	1, 096, 304
Total	9, 562, 242	2, 543, 376, 957	100, 968	16, 160, 947

Appendix D-2

Transportation Claims Received and Settled During the Fiscal Year 1969

	On hand			On hand		
Class of claims	July 1, 1968	Received	Number of claims	Amount claimed	Amount allowed	June 30, 1969
Freight	6, 488	11, 745	12, 374	\$4, 015, 501	\$2, 047, 740	5, 859
Passenger	600	1, 577	1, 528	14, 863, 700	14, 288, 975	649
Total	7, 088	13, 322	13, 902	18, 879, 201	1 16, 336, 715	6, 508

¹ Includes allowance of \$13,914,928 for Military Airlift Command movements audited before payment.

Appendix D-3

Transportation Audit and Collections, Fiscal Years 1960-69

Fiscal Year	Bills of lading and transporta-	Amount paid	Notices of issu	Total collections 1	
····	tion requests audited		Number	Amount	
1960	8,942,516	\$1, 826, 979, 997	88, 580	\$25, 814, 190	\$21, 544, 880
1961	6, 984, 818	1, 289, 995, 041	63, 630	21, 110, 735	24, 070, 443
1962	6, 740, 370	1, 185, 694, 946	78, 003	29, 392, 962	28, 159, 888
1963	7, 114, 879	1, 320, 208, 498	77, 833	13, 146, 393	15, 959, 913
1964	7, 309, 834	1, 332, 550, 920	73, 251	11, 362, 179	10, 499, 464
1965	6, 811, 821	1, 184, 661, 622	70, 199	10, 102, 405	9, 657, 360
1966	7, 555, 366	1, 474, 220, 901	86, 970	10, 694, 257	8, 494, 453
1967	8, 574, 043	1, 898, 670, 184	113, 010	14, 043, 159	12, 963, 744
1968	7, 892, 789	2, 075, 358, 128	112, 306	15, 474, 645	14, 681, 476
1969	9, 562, 242	2, 543, 376, 957	100, 968	16, 160, 947	14, 167, 126
Total	77, 488, 678	16, 131, 717, 194	864, 750	167, 301, 872	160, 198, 747

¹ Includes amounts collected in our adjudication of claims reported by other Government agencies.

Appendix D-4 Transportation Claims Settled During Fiscal Years 1960-69

Fiscal year	Number of claims	Amount claimed	Amount allowed
1960	28, 539	\$11, 599, 018	\$5, 020, 537
	29, 859	10, 106, 150	5, 349, 093
1962	26, 635	11, 149, 021	6, 695, 863
	35, 237	13, 013, 942	6, 774, 930
1964		19, 133, 508 26, 974, 966	14, 985, 277 23, 495, 481
1966	29, 413	37, 130, 274	33, 440, 430
	26, 133	86, 982, 712	83, 893, 435
	22, 829	11, 335, 870	9, 317, 118
1969 Total	13, 902 264, 179	18, 879, 201 246, 304, 662	¹ 16, 336, 715 205, 308, 879

¹ Includes allowance of \$13,914,928 for Military Airlift Command movements audited before payment.

Appendix E

GENERAL CLAIMS SETTLED DURING THE FISCAL YEAR 1969

Class of claims	On hand July 1, 1968	Received	Settled	On hand June 30, 1969
Claims against the United States.	1, 177 14, 836	19, 250 14, 511	18, 690 9, 750	1, 737 19, 597
Total general claims.	16, 013	33, 761	28, 440	21, 334

Appendix F

COLLECTIONS BY OR THROUGH THE EFFORTS OF THE GENERAL ACCOUNTING OFFICE, 1960–69

Fiscal year	General audit	Transporta- tion audit	General claims	Total collections
1960	\$14,661	\$21, 545	\$7, 233	\$43, 439
1961	8,970	24,071	4, 878	37, 919
1962	13, 826	28, 160	6, 233	48, 219
1963	8,679	15, 960	4, 528	29, 167
1964	10, 257	10, 499	6, 410	27, 166
1965	11, 222	9,657	4,070	24, 949
1966	4, 568	8, 495	4, 129	17, 192
1967	6, 828	12,963	3, 627	23, 418
1968	2,037	14, 681	2, 939	19,657
1969	3, 374	14, 167	2, 819	20, 360
Total	84, 422	160, 198	46, 866	291, 486

[000 omitted]

Appendix G

FINANCIAL SAVINGS ATTRIBUTABLE TO WORK OF THE GENERAL ACCOUNTING OFFICE, FISCAL YEAR 1969

Appendix G-1

Collections and Other Measurable Savings

[000 omitted]

	Collections	Other measurable savings	Total
DEPARTMENTS			
Army	\$933	\$18,083	\$19,016
Navy	339	36, 057	36, 396
Air Force.	166	2, 454	2,620
Defense	365	39, 844	1 40, 209
Agriculture	8	462	470
Commerce	1	193	194
Health, Education, and Welfare	891	3, 419	4,310
Housing and Urban Development	15	602	617
Interior.	8	10, 545	10, 553
Justice		1	1
Labor	8	780	788
Post Office	7	142	149
State (including AID, Peace Corps, and USIA)	31	20, 013	20,044
Transportation.	188	29, 270	29,458
Treasury	2	105	107
AGENCIES			
Atomic Energy Commission		213	213
Civil Service Commission	244	496	740
General Services Administration		950	950
National Aeronautics and Space Administration		2,284	2,284
National Science Foundation		123	123
Office of Economic Opportunity			164
Railroad Retirement Board	1		1
Selective Service System		13	13
Veterans Administration	3	824	827
Regulatory agencies	•••••	342	342
Total for departments and agencies	3, 374	167, 215	170, 589
Transportation audit	14, 167		14, 167
General claims work	2, 819		2, 819
Total	20, 360	167, 215	187, 575

¹ Includes \$1,606,000 resulting from reviews of Defense international activities.

Appendix G-2

Details of Other Measurable Savings

Details of other measurable financial savings including additional revenues attributable to the work of the General Accounting Office during the fiscal year 1969 totaling \$167,215,000 are listed below. Approximately \$65 million of the savings or additional revenues are recurring in nature and will continue in future years. The items listed consist largely of realized or potential savings in Government operations attributable to action taken or planned on findings developed in our examination of agency and contractor operations. In most instances, the potential benefits are based on estimates and for some items the actual amounts to be realized are contingent upon future actions or events.

Action taken or planned

Estimated savings

Supply Management:

Savings resulting from reducing the number and size of Coast Guard buoy tenders commensurate with expected levels of opera-	
tions—Transportation (estimated annual savings, \$2,120,000; nonrecurring, \$26,500,000)	\$28,620,000
Savings due to a reduction in stock levels at Navy supply depots in the Far East as a result of eliminating duplicate and invalid de-	φ _0, 0_ 0, 000
mand data used in determining stock needsNavy (nonrecur- ring)	12, 705, 000
Avoidance of procurement as a result of revised Department of Defense policy under which there is more extensive recapping of aircraft tires—Army, Navy, Air Force (estimated annual sav-	
ings)	10, 000, 000
in the time allowance for obtaining stock for use in Vietnam. The use of less time in obtaining stock than that used in establishing stockage objectives enables corresponding reductions in procure-	
ment funds required and appropriated—Army (nonrecurring) Savings due to cancellation of requisitions for supplies which were excess to Marine Corps needs in the Far East—Navy (nonrecur-	9, 600, 000
ring)	9, 400, 000
Savings resulting from reduction in inventories due to revision of procedures to eliminate duplication between Navy inventories and GSA inventories held for Navy use, and from reduced invest- ment, management, and warehousing costs—Navy (estimated annual savings, \$473,000; nonrecurring, \$6,500,000)	6, 973, 000
Savings resulting from funds relinquished from an amount that was earmarked for the procurement of fertilizer and insecticides, which had been over programmed, and was excess to require- ments of an aid-receiving country-Agency for International	0, 575, 000
Development (nonrecurring) Price reductions under existing contracts or proposed amendments	3, 200, 000
resulting from reviews of prices negotiated—Army, Navy, and Air Force (nonrecurring) Savings resulting from reduction by the Army in Europe of its danct level inventors for subsistence to support Air Force of	2, 059, 000
depot-level inventory for subsistence to support Air Force re- quirements—Army (nonrecurring)	2, 027, 000
Supply Management-Continued

Action taken or planned

Estimated savings

Supply Management—Continued	
Savings resulting from use of less costly rations by the Army in Europe and making overstocked "C" rations available to meet re- quirements in Southeast Asia—Army (estimated annual savings,	
\$1,400,000; nonrecurring, \$500,000)	\$1,900,000
Cancellation of plans to procure material for the Far East in excess	1, 755, 000
of needs—Army, Navy, and Air Force (nonrecurring) Procurement of packaged petroleum products will be avoided	1, 755, 000
through the use of stock previously held as prepositioned war reserves—Defense (nonrecurring)	1, 100, 000
Savings by reclaiming needed aeronautical spare parts and compo- nents from excess modification kits—Navy and Air Force (non-	_, _ , _ ,
recurring)	1, 043, 000
New procedures adopted to insure full recovery of messing and	
merchandising losses previously absorbed by the Government in	
connection with contract for logistical support at Kwajalein Mis- sile Test Site—Army (nonrecurring)	579,000
Savings by reclaiming engine parts and components from excess air-	575,000
craft engines and using them to satisfy stock requirements—Navy	
(nonrecurring)	5 59, 000
Cancellation of plans to purchase radio equipment from an Italian	
contractor and procuring the equipment from U.S. sources at	
lower prices—Defense (nonrecurring)	522, 000
Savings resulting from the deobligation of funds which were pro-	
vided for the procurement of petroleum, oil, and lubricants	
for the police department of a foreign country that no longer	
needed assistance from the U.SAgency for International	E00 000
Development (nonrecurring) Cancellation of plans to purchase equipment for armored personnel	500,000
carriers from an Italian contractor, which will be acquired	
from U.S. sources at lower prices—Defense (nonrecurring)	416,000
Savings by canceling purchase request for material identified as being unnecessary in the Navy's program for repair of electronic	110,000
items—Navy (nonrecurring)	400,000
Savings resulting from the increased use by agencies and contractors of General Services Administration formally advertised contracts	
for rental cars (estimated annual savings)	350, 000
Savings realized through use of requirements contracts for re- petitive small purchases and greater use of GSA as a supply	
source-Defense (estimated annual savings)	252, 000
Price reduction resulting from review of administration of the	
price-escalation clause in a contract for ammunition items-	216,000
Army (nonrecurring) Savings resulting from reduction in cost of acquiring a computer	210,000
for the Grand Junction Office-Atomic Energy Commission	
(nonrecurring)	148, 000
shipment and short term storage of external fuel tanks for	
F-4 aircraft—Air Force (nonrecurring)	147,000

359

Action taken or planned

Estimated savings

Supply Management-Continued

Supply Management—Continued	
Cancellation of plans to procure industrial plant equipment for use in contractor's plant—Air Force (nonrecurring) Cost reduction effected by requiring engine contractors to prepare their engine maintenance instructions in reproducible rather than final form, thus eliminating the need for aircraft contractors	\$101,000
to process such data—Army (estimated annual savings) Microfilm procurement practices revised to obtain maximum dis- counts through ordering sufficient quantities and lengths com-	100, 000
patible with needs—Treasury (estimated annual savings) Procurement of industrial plant equipment canceled after disclosure	92, 000
that similar equipment was in storage—Army (nonrecurring) Savings by canceling orders with aircraft contractor and pro- curing aerospace ground equipment at lower cost from equip-	85, 000
ment manufacturers—Defense (nonrecurring) Cancellation of work requests to prevent manufacture of unneeded	75, 000
aeronautical parts—Navy (nonrecurring) Savings by obtaining ice cream products and certain other per- ishable subsistence items through combined procurement with other installations and through existing contracts—Veterans	59, 000
Administration (estimated annual savings) Savings resulting from changing pricing practice for vendor repair of Government equipment to provide industrial pricing of all	29,000
items over \$5,000-Navy (estimated annual savings)	15,000
Payments to Government Employees and Other Individuals:	
Termination of unauthorized family separation allowance payments being made to military personnnel—Defense (estimated an- nual savings)	9, 700, 000
Savings resulting from using civil service employees for work previously performed by contractor-furnished employees— National Aeronautics and Space Administration (estimated	
annual savings) Reduction of labor costs in the contracts of two federally financed military housing projects because of adjusted wage rate deter-	2, 10 0, 000
mination—Labor (nonrecurring). Termination of variable reenlistment bonus payments to Navy and Air Force enlisted personnnel who reenlisted to serve in	7 79, 000
positions not requiring the use of their critical skills— Defense (nonrecurring) Savings in per diem payments resulting in rehabilitation of Gov-	764, 000
ernment quarters and messing facilities for prospective crew members assigned to ships under construction—Navy esti- mated annual savings)	700, 000
Savings in night differential compensation resulting from adjust- ments to the working hours of certain city delivery carriers serv- ing residential areas—Post Office Department (estimated	
annual savings) Correction of the method of computing the pay of school teachers of the Overseas Dependents' School—Army (estimated an-	128, 000
nual savings)	72,000

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Action taken or planned	Estimated savings
Payments to Government Employees and Other IndividualsCon.	
Reduction in or elimination of preferential allowances paid to s individuals employed by Atomic Energy Commission tractors (nonrecurring) Savings resulting from revision of procedures relating to work hours and compensation of couriers and escorts engage	con- \$40,000 the
shipment duties—Atomic Energy Commission (nonrecurring Savings resulting from the use by Customs employees of a rou duty type uniform instead of a full dress uniform—Trea (estimated annual savings)	g) 25,000 ugh- sury
Loans, Contributions, and Grants:	
Reduction in Government share of costs incurred under the den tion grant program resulting from changes in administra practices and regulations—Housing and Urban Developm	ntive ment
(estimated annual savings, \$434,000; nonrecurring, \$168,000 Increase in interest rates charged on storage equipment	
facility loans—Agriculture (estimated annual savings) Cancellation of the undisbursed portion of a loan because the rower failed to construct approved facilities—Commerce (1	bor-
recurring) Reduction in the amount of Federal financial participation in ployee fringe benefits and other program costs incurred b city school district—Health, Education, and Welfare (nonre	em- by a
ring) Reduction in grant for hospital construction resulting from adj ment of cost allocation between Federal and non-Federal shar	124, 000 iust-
Health, Education, and Welfare (nonrecurring) Discontinuance of use charge being made against Federal gr and contracts financing the operations of a university-ow research vessel after the vessel's acquisition cost had been f recovered—National Science Foundation (estimated annual	ants med fully sav-
ings)	11,000
Reduction in interest costs resulting from revised letter-of-cr procedures for withdrawing Government funds under he research grants—Health, Education, and Welfare (estimated	alth
nual savings) Savings in interest costs resulting from procedural improvement abling earlier deposit of postal receipts—Post Office Departm (estimated annual savings)	en- nent
Leasing and Rental Costs:	
Cancellation of leased circuits in Europe and transfer of circu from lease to Government-owned-Defense (estimated and	nual
savings, \$453,000; nonrecurring, \$374,000) Savings on intercompany leasing of automatic data process equipment by limiting the allowability of intercompany leas	sing sing
costs to normal ownership costs—Navy (nonrecurring)	783,000

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Estimated savings

Leasing and Rental Costs-Continued

Action taken or planned

Savings by including the cost of space rental in the total amount re- quired to be repaid to the U.S. Treasury from power revenues of	
the Bonneville Power Administration—Interior (estimated an- nual savings)	\$760,000
Savings resulting from exercising a purchase agreement entered into by the Air Force for a building in Colorado Springs, Colo.—	φ700,000
Air Force (nonrecurring)	527,000
Savings resulting from purchase rather than continuing to lease	,
printing and reproduction equipment by Rock Island Arsenal— Army (nonrecurring)	8,000
Reduction in laboratory space rental cost resulting from renegotia-	
tion of lease agreement—Commerce (nonrecurring)	8,000
Rental Income:	
Increased rental rates and utility charges for Government-owned quarters—Health, Education, and Welfare (estimated annual	
savings)	92, 000
Increased rental rates charged private telephone companies for pole	10,000
attachments—Transportation (estimated annual savings) Additional rental income for use of Government-owned industrial	12,000
equipment in the possession of a contractor—Air Force (esti-	
mated annual savings)	6,000
Construction, Repair, and Improvement Costs:	
Cancellation of plans to construct ammunition storage facilities	
in Europe—Army (nonrecurring)	1,900,000
Savings resulting from negotiating reduction in price proposed for	
modification to contract for construction in the Philippines-	
Navy (nonrecurring)	1,000,000
Savings through improved specifications for construction of trans-	
mission towers-Interior (estimated annual savings)	911,000
Savings through the conversion of boiler plants to enable the use of more economical fuels—Veterans Administration (estimated an-	
nual savings) Reduction in Federal participation in the cost of a frontage road	657,000
because of revised design standards—Transportation (nonrecur-	
ring)	423,000
Manpower Utilization:	,
Labor efficiency increased in the repair program for inoperable and	
overage aeronautical components at Naval Air Rework Facility, Norfolk, Va.—Navy (nonrecurring)	1 920 000
Savings resulting from consolidation of the activities of the Federal Aviation Administration's Beirut and Frankfurt groups that are	1, 230, 000
responsible for inspecting and testing navigational systems—	
Transportation (estimated annual savings)	215,000
Reduction in the use of military personnel at nonappropriated-	
fund activities at military bases—Army and Air Force (estimated	
annual savings)	99, 000

Action taken or planned Esti	mated savings
Utilization of U.SOwned Foreign Currencies:	
Savings resulting from the utilization of U.Sowned excess Ceylon rupees in lieu of dollars to finance the People to People Health Foundation, Inc.—Agency for International Development (non- recurring)	\$243,000
Savings resulting from the utilization of U.Sowned excess foreign currencies in lieu of dollars to pay salaries and other benefits to non-American employees in certain foreign countries—State (estimated annual savings)	70, 0 00
Transportation:	
 Savings resulting from the elimination of payments of port charges for shipments to aid-receiving countries—Agency for International Development (estimated annual savings) Savings in cost of transporting baggage between the United States and points in the Pacific through direct Government management of shipments, more effective use of military trans-Pacific airlift, 	16, 000, 000
and reductions in commercial transportation rates—Defense (estimated annual savings) Savings from consolidation of Government small freight shipments to obtain lower transportation rates offered by carriers on larger shipments—Defense and General Services Administration (esti-	5, 938, 000
mated annual savings) Reduction in cost of moving household goods of military personnel between the United States and Europe by more accurate com-	3, 000, 000
parison of shipping mode costs—Defense (estimated an- nual savings) Savings in commercial transportation costs resulting from use of available space on military aircraft to transport baggage or priority military cargo between the United States and Europe—Defense (estimated annual savings, \$1,282,000; non-	
Cancellation of plans to build a new cold storage warehouse in Vietnam to store perishable subsistence items—Defense	1, 694, 000
 (nonrecurring) Savings in cost of transporting routine printed matter from Japan to points in the Pacific by diverting shipments from commercial air carriers to less costly surface transportation— 	1, 200, 000
Defense (estimated annual savings) Reduction in operation costs of LOGAIR (airlift service under contract to Air Force) by substituting a stop at Whiteman Air Force Base, Mo., on an as-needed basis for a daily stop on a regularly scheduled basis—Air Force (estimated annual	650, 000
savings) Savings in administrative costs resulting from revised procedures for payment and audit of small transportation claims—Army	202, 000
(estimated annual savings)	170, 000
parcel post type items—Air Force (estimated annual savings).	97,000

363

MEASURABLE SAVINGS

Action taken or planned Estimated savings Transportation—Continued Savings by distributing ammunition shipments in sufficient quantities to meet the guaranteed minimum weight per vehicle-Army (estimated annual savings)..... \$51,000 Savings in air transportation costs resulting from the substitution of less costly truck transportation for LOGAIR service-Air Force (estimated annual savings)..... 32,000 Reduction in transportation costs by comparing the potential charges of the available air carriers-National Aeronautics and Space Administration (estimated annual savings)..... 31,000 Savings by the elimination of two passenger boats operating between Bolling Air Force Base and the Pentagon-Air Force (estimated annual savings)..... 26,000 Other Items: Reallocation of nonreimbursable flood control benefits in connection with the San Luis Unit, Central Valley Project-Interior (nonrecurring)..... 5,000,000 Estimated savings due to cancellation of plans to acquire land at Bureau of Sport Fisheries and Wildlife Migratory Waterfowl Refuges—Interior (nonrecurring)..... 3, 624, 000 Recognition of additional costs-principally overhead allocable to certification and other reimbursable services performed by the Food and Drug Administration-resulting in transfer of surplus funds from the Administration's Revolving Fund to lapsed appropriation accounts-Health, Education, and Welfare 1,934,000 Additional annual revenue resulting from increases in fees charged by the Food and Drug Administration for certification of antibiotics-Health, Education, and Welfare (estimated annual savings)..... 1, 100, 000 Elimination of annual appropriation for 1969 for Medical Education for National Defense Program—Defense (nonrecurring)... 700,000 Elimination of a 15-percent premium payment for contract air support services furnished to U.S. contractors by the Govern-567,000 ment of Vietnam-State (estimated annual savings) Additional interest income to the Government-wide Service Benefit Plan under the Federal employees' health benefits program resulting from the contractor investing program funds not immediately required to meet current obligations-Civil Service Commission (estimated annual savings)..... 400,000 Savings resulting from the Federal Communications Commission arrangement for sharing use of its computer, thereby obviating the need for lease of a computer by another agency 342,000 (nonrecurring) Savings through change in the method of financing the operations of the Office of the Government Comptroller of the Virgin Islands from Federal appropriations to revenues which otherwise would be transferable to the insular government-Interior (estimated annual savings)..... 250,000

Action taken or planned

Estimated savings

Other Items—Continued	
Reduction of management fees paid to contractors for operation of three national research centersNational Science Founda-	
tion (estimated annual savings) Savings in utility costs in West Germany as a result of obtaining	
certain tax exemptions—Air Force (estimated annual savings, \$85,000; nonrecurring, \$10,000) Savings resulting from participation of more hospital departments in the program to recover silver from x-ray and photographic	95, 000
processes—Veterans Administration (estimated annual savings) Reduction of corporate general and administrative charges to cer-	9 2, 000
tain cost-type contracts—National Aeronautics and Space Ad- ministration (nonrecurring)	
Reduction in a contractor's minimum fee as a result of using the most current cost data available before the start of nego- tiations—National Aeronautics and Space Administration	·
(nonrecurring) Savings from improved coordination in the use of office copy machines by constituent agencies of the Department of Agri-	
culture (estimated annual savings) Savings resulting from the reduction in charges allowed under a	62,000
segment of the Federal employees' group life insurance pro- gram—Civil Service Commission (estimated annual savings) Additional interest income resulting from revised method of com-	57,000
puting interest on contingency reserve funds held by an insurer under the Federal employees' group life insurance program— Civil Service Commission (estimated annual savings)	39, 000
Savings through charging the servicemen's group life insurance pro- gram with direct administrative expenses, the cost of which will be borne by covered members—Veterans Administration (esti- mated annual savings, \$7,000; nonrecurring, \$19,000)	26, 000
Savings as a result of a bulk-bid contract for roof repairs on houses acquired through foreclosure by the Veterans Administration	
(estimated annual savings) Savings through revision of administrative leave policies relative to state holidays—Selective Service System (estimated annual sav-	20, 000
ings) Annual reimbursement from non-appropriated-fund activities in- creased for utility services provided by military bases—Army and	13,000
Air Force (estimated annual savings)	12, 000
Miscellaneous (estimated annual savings)	13, 000
Total other measurable savings	167, 215, 000

Appendix G-3

Additional Financial Savings Not Fully Or Readily Measurable

Many significant financial benefits, either one-time savings or recurring savings, that are attributable to the work of the General Accounting Office are not fully or readily measurable in financial terms. These benefits result from actions that are taken or that are to be taken by the departments and agencies to eliminate unnecessary expenditures or otherwise correct deficiencies brought to light in our audit reports. A few examples of these actions identified during the fiscal year 1969 are described below.

Changes in Agency Policies, Procedures, and Practices

Redistribution of Excess Supplies from Vietnam to Activities with Requirements for the Supplies

We found significant quantities of excess supplies in Vietnam resulting from (1) inadequacies in management data, (2) errors in data processing programs, (3) unforeseeable fluctuations in consumption rates, and (4) receipt of unusable items.

In our opinion, prompt identification and redistribution of excesses was required not only because the depots in Vietnam had limited storage space but also because other military activities could probably utilize substantial quantities of this material in lieu of placing additional requirements on the supply system.

We discussed the matter of excesses with Department of Defense officials in November 1967 and suggested that there was a need to identify and redistribute these excesses to the maximum extent possible to fulfill alternate requirements. As a result, the Secretary of Defense designated the Department of the Army, as executive agent for the Department of Defense, to insure that excess materials of all services in the Pacific area would be promptly identified and made available for redistribution. The Commander in Chief, Pacific, was given the task of establishing a special agency to supervise the redistribution of such material.

In May 1968 the Pacific Utilization and Redistribution Agency (PURA) was established to screen excesses within the Pacific Command and arrange for redistribution to assure full utilization of known excesses. During the period May 1968 to April 1969, about \$98.6 million worth of excess materials were redistributed by PURA to fill alternate requirements. Operating costs of PURA for the same period amounted to about \$300,000. Making these excess supplies available to activities with requirements for them enables very significant reductions in procurement funds which would otherwise be required to obtain such supplies.

Air Force Procedures Revised to Preclude Condemnation of Unserviceable Items That Can Be Economically Repaired

During previous survey work, we found that spare parts—pumps, filters, cylinders, valves, etc.—repairable at the depot level were being scrapped at several Air Force bases. During a 6-month period in 1967, Air Force bases condemned and disposed of unserviceable parts, designated as depot repairable, valued originally at \$6.7 million. We selected 78 items from the scrap yards of five Air Force bases and found that 51 (65.4 percent) could have been repaired for amounts significantly less than replacement costs.

We issued a report to the Congress in October 1968. It included our proposal that the Air Force revise its regulations to require bases to return all items to depot level repair activities unless the bases have been advised that the items are (1) not needed in Air Force stock, (2) obviously beyond repair, or (3) authorized for disposition under Air Force technical orders.

In January 1969, Air Force instructions were revised to prohibit condemnation at field level of all items that are designated as being repairable and that have a unit cost of \$300 or more. We expect this action to result in significant recurring savings.

Redistribution and Use of Inactive Industrial Plant Equipment at Rock Island Arsenal, Illinois

We found that the Army's Rock Island Arsenal had about \$2 million worth of industrial plant equipment in preserved storage, most of which had not been used for periods ranging from 5 to 10 years. The equipment was being retained and reported to the Defense Industrial Plant Equipment Center as actively in service.

We reported our findings at the Rock Island Arsenal to the Commanding Officer of the Army Weapons Command in April 1967. We also issued a report to the Congress in May 1968, which included this matter.

We suggested that arsenals only retain inactive equipment when it is scheduled for use within the immediate future and approved by the U.S. Army Materiel Command, or when it is held as part of a mobilization package which is approved by the Assistant Secretary of Defense.

Subsequent to our review, Rock Island Arsenal performed a study of the equipment we identified and placed about \$810,000 of the equipment in active use at Rock Island Arsenal and reported about \$400,000 of equipment to the Defense Industrial Plant Equipment Center as excess, thereby making it available for redistribution.

Action Taken by Military Supply Depots to Redistribute Excess Items

Our work at various locations disclosed that certain items, managed by supply depots in the United States, were in excess stock positions at supply activities in the Far East. Although many of these items were currently being purchased, cancellation actions could not be taken by the depots.

We recommended that the supply depots review those items for which we had identified excesses to determine whether other supply activities had current need for their use.

The supply depots confirmed that the excesses did in fact exist and therefore took action to have them redistributed. As a result, supplies worth more than \$1 million which were excess to various Far East activities of the military services were made available to other activities which had current needs that the supply depots had not been able to fill.

Savings by Consolidating Small Freight Shipments

Appendix G-2 contains our estimate of measurable savings of \$3 million that will be achieved on freight shipments consolidated at only three points to obtain the advantage of lower transportation rates. The overall potential for savings by consolidating shipments at additional points is significantly greater and could amount to many millions of dollars annually.

Savings in the Cost of Transporting Routine Printed Matter from Japan to Points in the Pacific

Included under measurable savings is \$650,000 in commercial air transportation costs that will be avoided by the Department of Defense through utilization of less costly surface transportation to distribute routine printed matter. In addition to this savings, we identified space valued at \$750,000 on military aircraft that will be made available for airlifting priority military material by diverting routine printed matter from military aircraft to surface transportation. The actual savings that will result from the diversion of routine printed matter from military aircraft will depend on the type and quantity of cargo loaded in the space vacated by the printed matter and the transportation costs avoided by such action.

Savings by Routing Cargo Through the Military Port at Subic Bay in the Republic of the Philippines

In a classified report to the Congress, we identified savings of over \$500,000 a year in port handling costs which could be achieved by routing cargo to and from Clark Air Base through the military port at Subic Bay, rather than through the port of Manila. A significant reduction in the workload at the Manila port has taken place since the time of our review. The Department of Defense has indicated that some of the workload was shifted as a result of the containership program which was initiated prior to our review. Therefore, the actual savings attributable to our work cannot be determined precisely.

Payment of Dollars in Lieu of U.S.-Owned Local Currency to Certain Annuitants Residing in Yugoslavia

Our report to the Department of State in December 1968 showed that dollar benefit payments, in lieu of U.S.-owned excess foreign currency payments, were being made to certain annuitants residing in Yugoslavia. Generally annuities are paid in foreign currency; however, annuitants who wish to receive dollar payments are required by regulations to justify the need for payment in dollars.

The conditions under which annuitants may be paid dollars rather than local currency include (1) unusual situations in which U.S. citizens might find themselves in Yugoslavia, when the needs for dollar payments are substantiated and (2) meeting financial obligations in the United States, such as payment of life insurance premiums. In these cases the payees are required to submit written statements and documentary evidence of the obligations, stating the amounts, purposes, and addresses of the remittees in the United States.

As of September 1967, about \$18,700 worth of pension payments were being made in dollars each month to annuitants residing in Yugoslavia, mostly on a permanent basis. In our opinion, these dollar payments were largely unnecessary. We examined into the propriety of paying annuitants dollars rather than local currency in 17 instances. In all instances the annuitants resided in the Belgrade consulate region. We were unable to locate any records showing the basis for approving dollar payments in 11 of these cases. In the six cases where records were available, the justification for approving the dollar payments consisted of a general statement by the applicant as to why the dollars were needed, such as travel or medical purposes.

We recommended that the Department amplify existing instructions pertaining to approving requests for dollar annuity payments to recipients residing in Yugoslavia to provide guidelines as to the circumstances under which requests for dollar payments may be approved, particularly in the case of U.S. citizens. In addition, we recommended that the Department direct the Embassy to undertake a review of all cases of current dollar payments to annuitants with the view of terminating those which are not justified and that periodic followup reviews be made on dollar payments to annuitants.

Although our review was limited to Yugoslavia, we suggested that the Department may wish to consider furnishing its embassies in other excess-currency countries with amplifying instructions as in the case of Yugoslavia.

On February 4, 1969, the Department informed us that it is amplifying existing instructions to provide guidelines as to the circumstances under which dollar payments may be approved in lieu of local currency payments, and to emphasize the necessity for immediate and periodic reviews of the need for continuing dollar payments. The instructions will be furnished to American embassies in all countries in which it is the policy to pay resident U.S. Government annuitants in excess or nearexcess currency.

Deobligation of Funds for a Development Loan Project in Nigeria

Our review disclosed that a \$1.6 million Agency for International Development (AID) loan project in Nigeria, to finance the procurement of 85,000 telephone instruments and related equipment in a telecommunications expansion program, was not being implemented as planned and was not being effectively monitored by the Mission.

At the time of our review, we found that (1) only 3,100 of the 33,000 telephones which had been delivered to the telephone company had been installed, (2) one phase of the expansion program involving the installation of 10,000 telephones had been indefinitely postponed, (3) about 60 percent of the telephones currently on order had not yet been delivered, and (4) the Mission had not been monitoring this procurement and had not received required reports on the project's status.

We concluded that better monitoring of this loan was essential to assure that the equipment procured would be effectively utilized, and that the revenues anticipated from placing the telephones in service would accrue. We discussed the matter with the Mission, and were subsequently informed by AID that since efforts to speed up telephone installations had proven only partially successful, agreement had been reached with the Nigerian Government to reduce the loan coverage from 85,000 instruments to 59,000, and that negotiations were underway to amend the contract with the supplier.

On June 25, 1969, AID deobligated \$300,000 from the loan. They have also advised us that they are issuing instructions to assure that reports required under AID loan agreements are obtained.

SAVINGS NOT FULLY MEASURABLE

Savings by Use of Excess Federal Personal Property

In our report to the Congress in September 1968, we stated that the Department of Labor allowed certain Youth Opportunity Centers in California to be equipped with new furniture and equipment at a time when excess Federal furniture and equipment were available. We estimated that, if excess Federal personal property—furniture and equipment—had been made available to the State of California to furnish Youth Opportunity Centers, about \$68,000 could have been saved on purchases made during the last half of fiscal year 1965. In addition, to the extent that excess Federal personal property is available, substantial savings to the Federal Government could be possible through reduced expenditures for the replacement and purchase of additional equipment in the more than 2,000 State and local employment offices in the country and for the furnishing of equipment to new offices.

In bringing this matter to the attention of the Secretary of Labor, we suggested that the Department reexamine its legislative authority applicable to the administration of the employment security programs with a view toward establishing a policy that would provide for the use of excess Federal personal property by State employment security agencies.

Departmental officials advised us that (1) the Department did have legislative authority to make excess Federal personal property available to the State employment security agencies, (2) the Department was in the process of revising its procedures to require all State agencies, which were permitted by their State laws, to make use of such property to the extent possible, and (3) the other State agencies would be instructed to request exemptions from the provision of the State laws which precluded the utilization of the excess property. The Department anticipated that all State agencies will ultimately make use of excess Federal personal property and advised the States that the fiscal year 1970 grants appropriation request for supplies and equipment has been reduced by \$2 million in anticipation of the savings to be realized by State agency procurements through GSA supply sources.

Increased Program Effectiveness Through Improvement in Controls Over Urban Rehabilitation Activities

From the inception of the rehabilitation program in 1954 through December 31, 1967, the Department of Housing and Urban Development (HUD) approved 380 urban renewal projects involving rehabilitation of 212,849 dwelling units. The Federal grants in connection with these projects totalled over \$1.8 billion. The established goal for the rehabilitation program for fiscal years 1969 through 1971 was 130,000 dwelling units or about 43,000 units a year.

In a report to the Congress in April 1969 we pointed out that (1) in the $4\frac{1}{2}$ year period ended December 31, 1967, the rehabilitations reported as completed amounted to only 13,000 units a year and (2) our review indicated that even these reported rehabilitation accomplishments were questionable.

Our report cited certain weaknesses which have impeded the completion of projects. The weaknesses were (1) the lack of local public agency (LPA) supervisory close-out inspections of rehabilitated properties before they were classified as rehabilitated, (2) the lack of systematic reinspections of rehabilitated properties as a means of ensuring their continued maintenance, and (3) the lack of complete HUD inspctions of rehabilitated properties and evaluations of results achieved by the LPAs.

We recommended that the Secretary of HUD undertake a reassessment of the rehabilitation program. We also recommended that the Secretary take certain steps to strengthen HUD reviews and administration of rehabilitation projects.

In line with our recommendations, all HUD regional administrators were instructed (1) to require LPAs to issue a certificate of completion when a project property meets rehabilitation standards, (2) to require LPAs to carry out a program of periodic sampling and surveillance of rehabilitated properties to ensure their continued maintenance, and (3) to develop an inspection system to evaluate LPA compliance with project rehabilitation standards.

Provision for Repayment of Federal Funds

In a report to the Department of Commerce in June 1968, we commented on several of the Economic Development Administration's (EDA) technical assistance projects for which recipients had not been required to enter into repayment agreements, although the projects appeared to be similar in scope to other approved projects for which EDA had entered into repayment agreements with project recipients. EDA policy provides that repayment of technical assistance funds is to be considered when projects will benefit a private individual or business.

Subsequent to the beginning of our review, new repayment guidelines were agreed to by EDA's Office of Technical Assistance (OTA) and EDA's Office of Business Development (OBD) which require EDA to enter into repayment agreements with all recipients of Management and Operations (M&O) technical assistance, except for unusual situations to be specially handled by arrangements between OBD and OTA. We were informed that these guidelines were expected to strengthen the implementation of the agency's repayment policy and ensure its uniform application.

We noted that the new guidelines provided only for repayment of the Federal costs of M&O technical assistance projects and not for other technical assistance projects. We noted further that the provisions of the guidelines had not been established as agency procedures. Accordingly, we recommended that the provisions of the new guidelines be incorporated into the agency's formal written procedures and that the procedures also include provisions for repayment of the Federal costs for all applicable technical assistance.

In January 1969 the Director of the Office of Technical Assistance informed us that procedures had been issued in line with our recommendation.

Savings Available by Improving Administration of the Small Reclamation Projects Loan Program

In our August 1968 report to the Congress concerning the administration of the small reclamation projects loan program by the Bureau of Reclamation, we pointed out that, in our opinion, the Bureau had not established adequate procedures for administering the program, and, where procedures had been established, the Bureau has not always required their consistent application in making loans.

Generally, the portion of a loan attributable to providing water for irrigation purposes is repayable without interest; the portion attributable to providing water for domestic, municipal, and industrial purposes is repayable with interest. The legislation establishing the small reclamation projects loan program indicates that the projects constructed with loan funds are to be primarily for irrigation purposes. Our review indicated a need for the Bureau to establish procedures to ensure that loans are made for projects which are primarily for irrigation.

We found also, that (1) some loans were not required to be repaid as rapidly as was justified by the increased earnings resulting from the projects constructed with loan funds and, as a result, the delay in the return of funds to the Government in these cases will cost about \$3.2 million in interest, (2) an underrecovery of about \$3.1 million would result due to the inappropriate allocation of cost and construction advances between interest-bearing and noninterest-bearing project purposes, and (3) the Government was incurring additional interest costs of about \$515,000 because two loan recipients had been permitted an inordinate amount of time in which to begin repayment of their loans.

Our report contained several recommendations directed at eliminating similar deficiencies in the future. The Department of the Interior officials agreed that the small reclamation loan program could be improved with more positive and formal policies and procedures and subsequently advised us that procedures have been issued or action has been taken to accomplish several of our recommendations. We were also advised that other procedures and actions were being considered consistent with the remainder of our recommendations.

Improvement in Instructions Governing the Relocation of Railroad Facilities

Our report to the Congress in December 1968 disclosed that the Bureau of Reclamation could have saved about \$436,000 by providing railroad companies only those replacement facilities needed to meet the Government's obligation for equivalent replacement.

We proposed that Bureau instructions be revised to (1) require more formal descriptions of existing facilities and detailed comparisons between existing and proposed replacement facilities to determine the Government's obligation for equivalent replacements, (2) require that proposed relocation agreements be reviewed by the Chief Engineer for policy compliance and that significant concessions be approved by the Commissioner of Reclamation, (3) assure Bureau negotiators that condemnation is an available recourse action when the railroads are requesting improved replacement facilities which should not be provided, and (4) require that nominal or salvage value be considered as the basis for payment for facilities that will not be relocated.

The Department of the Interior agreed with our four suggestions and Bureau instructions have been issued which are consistent with the first three of our proposals. We expressed the belief that these instructions, if properly implemented by the Bureau will be effective in reducing the costs of future railroad relocations.

APPENDIX G-3

Savings by Reduction in Costs of Medical Treatment Provided to Disabled Federal Employees

Our report to the Congress in May 1969 revealed that the Bureau of Employees' Compensation, Department of Labor, had not made adequate use of less costly available Federal medical facilities for the treatment of disabled Federal employees. We estimated that annual savings of \$120,000 would have been possible at just one of the Bureau's 10 district offices if Federal rather than private facilities had been used for treating one common type of disablement requiring hospitalization.

In bringing this matter to the attention of the Secretary of Labor, we proposed that the Bureau use available Federal medical facilities to the maximum extent possible for the treatment of disabled Federal employees.

In January 1969, the Bureau issued instructions to the 10 district offices to remind its personnel to make every effort to use Veterans Administration and military medical facilities whenever possible. We expressed the belief that the action taken will result in substantial savings.

Policy Revised to Require Airport Sponsors to Use the Proceeds Derived from the Sales of Donated Federal Land for Specific Airport Purposes

Our report to the Congress in September 1968 showed that airport sponsors had used proceeds derived from the sales of donated Federal land to offset (1) the sponsors' share of the cost of Federal-aid airport program (FAAP) projects and (2) the cost of airport developments not eligible for Federal participation under FAAP. In some cases, funds derived from the Government (proceeds from sale of Federaldonated land and FAAP funds) were sufficient to offset substantially all of a sponsor's investment in its airport. We reported that Federal Aviation Administration (FAA) policy relative to Government surplus land donated to sponsors of public airports provided that such land could be disposed of by airport sponsors if, among other things, the sponsors agreed to apply the net proceeds from the sale of such property to the operation, maintenance, or improvement of public airports.

This policy resulted in the matching of FAAP funds with funds derived from sale of land formerly owned by the Government and we suggested that FAA establish a policy to require airport sponsors to use the proceeds derived from the sales of donated Federal land to offset costs of airport development eligible for Federal assistance before giving additional FAAP funds to the sponsors.

FAA revised its policy to eliminate the inequitable matching aspect caused by applying proceeds from the sales of donated Federal land to meet the sponsors' share of project costs and to provide greater assurance that such proceeds would be used for specific airport purposes.

Opportunity for Economies in Counseling Services Provided by the Veterans Administration

In a report to the Congress in November 1968 concerning counseling services provided to children eligible for educational benefits under the War Orphans Educational Assistance Act of 1956, we pointed to a need for the Veterans Administration (VA) to (1) obtain and consider all pertinent information relating to the

SAVINGS NOT FULLY MEASURABLE

beneficiaries' education and counseling background to determine whether referral to guidance centers for counseling was necessary and (2) encourage potential applicants attending high schools and beneficiaries who have been accepted for admission to, or are enrolled in, colleges or technical schools to utilize the counseling services available to them in their schools.

We estimated that of the \$941,000 in fees which VA paid guidance centers to counsel war orphans during fiscal year 1967, about \$376,000 was for counseling beneficiaries who were attending secondary schools that had approved counseling programs under the National Defense Education Act and about \$312,000 was for counseling beneficiaries who were in colleges or technical schools that provided counseling services to students.

As a result of our review, VA adopted new mandatory procedures to ensure that beneficiaries needing less than comprehensive counseling would not be referred to guidance centers but would be counseled by VA on the basis of greatly abbreviated interviews. In addition, VA reported that (1) it had improved its procedures for directing beneficiaries to available outside counseling services to assure that full advantage is taken of all counseling services and that no duplication of effort occurs and (2) a substantial improvement in utilization of overall resources had resulted and would continue to accrue.

Savings by Requiring Municipalities Participating in Demolition Grant Programs to Award Demolition Contracts on a Competitive Basis for Groups of Structures

Our review of demolition activities of various cities to which the Department of Housing and Urban Development (HUD) made grants amounting to two-thirds of the costs of demolition indicated that the practices followed by some cities of awarding demolition contracts for individual structures instead of groups of structures and of using city employees instead of contractors to demolish unsafe buildings may not have resulted in the lowest possible costs under the demolition grant program.

After we brought our findings in this regard to the attention of the Secretary of HUD, revised regulations were issued providing that (1) demolition contracts be awarded for groups of structures contemplated for demolition within reasonable periods and located in the same neighborhoods and (2) maximum use be made of competitive bidding in awarding demolition contracts.

Improved Management and Utilization of Laboratory Equipment

In a report to the Congress in July 1968, we pointed out that the National Bureau of Standards (NBS) and Environmental Science Services Administration (ESSA) had not established, for the Boulder Laboratories, a systematic program and adequate procedures to identify and dispose of unneeded equipment. We also found that the Boulder Laboratories, to a large extent, had not taken advantage of the benefits to be derived through the use of equipment pools and that established procedures for the control and administration of rent-free loans of equipment by the Boulder Laboratories were not followed by the property management office. On the basis of our review, we concluded that there was a need for improvement in the management of laboratory equipment at the Boulder Laboratories.

As a result of our review, walk-through inspections by NBS officials at the Boulder Laboratories during March and April 1968 resulted in the identification of 950 pieces of unused or excess equipment with an initial acquisition cost of \$730,000. During the period July through November 1968, ESSA identified property having an acquisition cost of \$273,346 as being excess to the needs of the individual laboratory to which it was assigned; and property having an acquisition cost of \$181,072 was determined to be excess to the needs of the ESSA Research Laboratories and was turned over to GSA. The Bureau planned to establish a systematic program of walk-through inspections by August 1, 1969.

As of August 1968, NBS had two division-level equipment pools in operation and consideration was being given to the establishment of a central pool. During fiscal year 1968 ten equipment loans were terminated as a result of a review of all outstanding loans.

At June 30, 1969, ESSA had equipment pools in operation in two individual laboratories and a central equipment pool containing general purpose type equipment. ESSA was planning to develop means for expanding the central pool, and/or establishing additional individual laboratory pools by July 1, 1969. All outstanding equipment loans have been reviewed and ESSA implemented improved procedures for the systematic periodic followup of equipment loans effective July 1, 1969.

Savings Through Improved Management of Automatic Data Processing Operations and Facilities

In our report to the Attorney General, Department of Justice, in April 1969, we commented on the increased use and expansion of ADP operations and facilities within the Department without the benefit of feasibility studies and the possible acquisition of separate ADP facilities by the two constituent organizations.

We recommended that the Department establish a central ADP management group responsible for directing and coordinating the development and operation of ADP facilities on a Department-wide basis.

The Department informed us, in April 1969, that central ADP authority had been assigned to its Office of Management Support for the acquisition and operation of ADP facilities for the Department, excepting only the Federal Bureau of Investigation.

Improvement in Reviews of Drawings and Specifications Prepared by Architect-Engineers Before Solicitation of Construction Bids

In a report to the Congress in September 1968 concerning review in the Veterans Administration (VA) of drawings and specifications prepared by architect-engineers (A-E), we pointed to a need for the VA to improve its scheduling and reviewing process of these documents.

Our findings indicated that for two hospital projects (1) VA had not detected numerous errors and omissions in drawings and specifications and (2) officials of one of the hospitals had recommended certain design changes after the construction work had been started. We concluded that many of the errors and omissions in the contract documents were of the type that should have been forescen before the award of the construction contracts and that VA should have given more attention to the scheduling and reviewing of these documents.

375

SAVINGS NOT FULLY MEASURABLE

APPENDIX G-3

The VA informed us that it agreed with our recommendations and that it had established standard operating procedures for scheduling and reviewing the work of A-Es. Subsequently, we were further informed that written procedures concerning reviews of drawings and specifications by hospital officials were under review by agency officials. In this regard, we noted that during the design phase of a recent hospital project, the contract drawings and specifications were furnished to hospital officials for their review.

Appendix G-4

Savings and Benefits to Others

Savings and benefits to others consist of realized or potential benefits other than those directly to the Government, which are attributable to action taken or planned on findings developed in our examination of agency and contractor operations. The more significant savings or benefits to others identified during the fiscal year are described below.

Improved Procedures for Implementing Amendatory Legislation Affecting Railroad Retirement Annuities

At least 2,500, and possibly as many as 6,300, persons had not been paid additional or increased annuities to which they were entitled under amendatory legislation enacted in 1965. These persons included 358 spouses of railroad employee annuitants who had not been paid primarily because Railroad Retirement Board notices concerning their possible entitlement to additional annuities had not been understood by the persons involved. The persons involved included some with language difficulties, some with limited education, and some with mental or physical disabilities. Other persons had not been paid because they had not requested their annuity increases or because of an inadequacy in the Board's automated operations.

After we brought the cases noted in our review to the Board's attention, steps were taken to (1) pay appropriate persons the annuities due them and (2) establish procedures for evaluating the general effectiveness of Board notices and to make timely reviews of the procedures used to implement amendatory legislation. We estimated that, during the first year following the effective dates of the amendatory legislation, the additional annuity payments to the persons noted in our review would total at least \$157,400, and possibly as much as \$273,200. The additional payments would continue to be paid during the remainder of the individuals' periods of eligibility.

Increased Student Participation in an Educational Laboratory Theatre Project in Los Angeles at No Extra Cost

In our review of the activities of the educational laboratory theatre project in Los Angeles during its initial period—April 1967 to September 1968—we found that only about 73 percent of the available seats purchased by the Los Angeles Unified School District for student viewing of plays were being used. This percentage subsequently dropped to 67. The theatre project is jointly funded by the Office of Education in the Department of Health, Education, and Welfare and the National Endowment for the Arts of the National Foundation on the Arts and the Humanities, and provided for showing four plays to students in the initial and subsequent project period.

Since the contract between the School District and the group presenting the plays required a fixed payment for each performance, regardless of the number of students attending, we inquired by letter into the possibilities for increasing the use of available seats.

SAVINGS AND BENEFITS TO OTHERS

Following our inquiry we found that about 81 percent of the available seats had been utilized for the first two plays presented in the 1968-69 school year. We estimated that about 4,300 more students would view the four plays in that school year than had viewed the four plays shown during the previous year with no increase in the fixed payments made under the contracts with the School District. The increase in seat utilization was due primarily to the addition of students from schools not previously participating. Further increases in seat utilization are planned.

Appendix H

PERSONNEL STATISTICS

Appendix H-1

Number of Employees by Division and Office June 30, 1969

Office of the Comptroller General	23
Office of the General Counsel	202
Office of Administrative Services	221
Office of Personnel Management	65
Office of Policy and Special Studies	38
Civil Division	695
Claims Division	143
Defense Division	322
Field Operations Division	1,767
International Division	153
European Branch	66
Far East Branch	75
Transportation Division	774
 Total	. 544

PERSONNEL STATISTICS

Appendix H-2 Station	
Location of Employees by Duty Con June 30, 1969 98 New Orleans, La 98 New York, N.Y	58 94 1 2
Atlanta, Ga.6New Yon, e City, L.I.Cape Kennedy, Fla.10Garden City, L.I.Huntsville, Ala.7Syracuse, N.Y.Warner Robins, Ga.94Norfolk, Va.Boston, Mass7Hartford, ConnHartford, Conn87Philadelphia, Pa.Chicago, Ill.3Pittsburgh, Pa.Rock Island, Ill.21San Francisco, Calif.St. Paul, Minn55San Francisco, Calif.Dayton, Ohio.11Seattle, Wash.Matinapolis, Ind.2Bremerton, Wash.Oak Ridge, Tenn92Portland, Oreg.Dallas, Texas3Frankfurt, Germany.Albuquerque, N. Mex4Frankfurt, Germany.Albuquerque, N. Mex4Frankfurt, Germany.Manila, Philippines.11Saigon, Vietnam.Ogden, Utah56Total Field Staff.Cleveland, Ohio.149Total Field Staff.Cleveland, Ohio.18Grand Total.Alasas City, Mo.113	62 3 1 33 56 10 42 15 18 1,902 2,642
Los Angeles, Calif	

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PERSONNEL STATISTICS

Appendix H-3

Number of Employees by Grade

	June 30, 1964	June 30, 1965	June 30, 1966	June 30, 1967	June 30, 1968	June 30, 1969
Statutory	3	3	3	3	3	:
General Schedule:						
18	4	4	4	5	5	(
17	6	7	7	9	9	14
16	22	24	25	44	47	44
15	70	68	74	93	115	139
14	233	259	282	302	317	358
13	315	340	387	439	515	561
12	523	569	569	542	612	631
11	664	613	583	581	528	50
10	43	31	33	23	13	13
9	594	580	564	526	564	58
8	207	174	154	135	115	10
7	534	539	465	468	460	549
6	87	91	105	109	111	110
5	201	207	196	231	215	228
4	332	305	291	255	269	292
3	380	336	289	305	300	269
2	72	69	64	82	56	75
1	22	24	20	20	20	18
All other	38	35	33	44	36	41
Total	4, 350	4, 278	4, 148	4, 216	4, 310	4, 54

Appendix H-4

Comparison of Federal Civilian Employment in the Executive Branch and GAO-1961 to 1969

	EXECUTIV	E BRANCH	I GAO		
As of June 30	Total per- sonnel (000 omitted)	Percent of change 1	Total Percent of change ¹		
1961 1962	2,407		4,990		
1962 1963	2, 4 85 2, 4 90	+3.24 +3.45	4, 763 4, 659	-4.55 -6.63	
1964 1965	2, 710 2, 496	+12.59 +3.70	4,350 4,278	-12.83	
1966	2, 490	+10.68	4, 278 4, 148	-14.27	
1967	2, 809	+16.70	4, 216	15. 51	
1968 1969	3, 014 3, 040	+25.22 +26.30	4, 310 4, 544	-13.63 -8.94	
1000	0,040	1 20.00	7,011	-0.54	

¹ Since 1961.

Appendix H-5

General Accounting Office Personnel Turnover Rate

1969	eparations fiscal year ¹	Turnover (per 100 employees)
1967 4, 356 1966 4, 217 1965 4, 348 1964 4, 348 1964 4, 468 1963 4, 708 1962 4, 846	602	13.3
1966 4, 217 1965 4, 348 1964 4, 468 1963 4, 708 1962 4, 846	610	13.9
1965 4, 348 1964 4, 468 1963 4, 708 1962 4, 846	543	12.7
1964 4,468 1963 4,708 1962 4,846	640	14.9
1963 4, 708 1962 4, 846	547	12.4
1962	636	13.9
	649	13.6
1961	631	12.8
	595	11.8
1960	605	11.7

¹ Excludes: (1) RIF's: 1965, 2; 1964, 20; 1963, 1; 1962, 1; 1961, 3; 1960, 6.

(2) Employees separated for military service.

Turnover (per 100 employees) = $\frac{\text{Separations (except RIF)} \times 100}{\frac{1}{2}}$ (enrollment at beginning+enrollment at end)

H-6
Appendix

Accounting and Auditing Divisions Professional Staff Separations, Reason by Number and Percent, Fiscal Years 1961 Through 1969

Fiscal year	Trans oti gover agei	Transfers to other government agencies	Public accounting and private industry	lic ing and ndustry	Retirements and deaths	ments eaths	Return to school	rn to ool	Other	ler	Total: Total: exclusive of military separations	al: ive of tary ttions	Military separations	Total: including military separations
	Number	Number Percent Number	Number	Percent	Number	Percent	Percent Number Percent Number Percent Number Percent Number	Percent	Number	Percent	Number	Percent		
1969.		53	95	34	23	ao	19	7	62	22	279	100	8	359
1968.		39	8	28	26	н	6	4	42	18	238	100	102	340
1967		49	67	28	17	7	6	4	53	12	237	100	137	374
1966		46	22	26	32	12	13	5	29	11	272	100	66	338
1965.		49	39	19	33	п	п	8	31	15	205	100	68	273
1964		56	40	19	14	2	Π	5	26	13	205	100	115	320
1963	68	52	34	20	18	10	10	9	21	12	172	100	49	221
1962	101	51	8	28	13	9	13	9	18	6	203	100	81	284
1961	- 84	49	36	21	ន	13	9	4	ន	13	172	100	32	204
Totals	906	46	202	25	189	10	100	10	281	14	1, 983	100	730	2, 713
Average number	101	01 46	52		21		11		31		230 100			

PERSONNEL STATISTICS

383

H-7	
Appendix	

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Summary of Assignments of Personnel to Congressional Committees-Fiscal Year 1969

	St	Staff assigned					Reim-	Net
Committee	Profes- sional staff	Other	Total	Salaries	Travel expenses	Total cost	bursed by com- mittee	expendi- tures by GAO
UNITED STATES SENATE Committee on Commerce Committee on Government Operations: Permanent Subcommittee on Investigations Committee on Public Works	35	1	5 H 3t H	\$662 171, 682 17, 581 9, 751	8,400 226 1.732	\$662 180, 082 17, 807 11, 483	\$9,751	\$662 180, 082 17, 807 1. 732
U.S. HOUSE OF REPRESENTATIVES								
Committee on Appropriations	00 (3	ц	93, 374	21, 643	115,017	21, 643	93, 374
Committee on Banking and Currency. Committee on Education and Labor: Special Subcommittee on Education	60 0		50	19, 785 1, 645		19, 785 1, 645		19, 785 1, 645
Committee on Government Operations	01 -		- 12	6, 508 473	86	6, 594 473		6, 594 473
Subcommittee on Intergovernmental Relations.	4 - 44		. 4	4, 388		4, 388		4, 388
Subcommittee on Foreign Operations and Government Information	61		61	12,208		12, 208		12, 208
Committee on Post Office and Civil Service	- ⁰	1	~ ~	32, 489 6, 639		32, 489 6, 639		32, 489 6, 639
Joint Committee on Atomic Energy	61		69	7, 103		7, 103		7, 103
Totals.	88	5 C	73	384, 288	32, 087	416, 375	31, 394	384, 981

PERSONNEL STATISTICS

384

Appendix I

FINANCIAL STATEMENTS OF THE U.S. GENERAL ACCOUNTING OFFICE

Appendix I-1

Statement of Assets and Liabilities, June 30, 1969

Assets:		
Funds in U.S. Treasury:		
Appropriated funds	\$3, 748, 621	
Deposit funds	591, 491	
		\$4, 340, 112
Accounts receivable:		φ 1 , 510, 112
Other Federal agencies	10, 120	
Employee's travel advances	251, 144	
Disployee's daver advances	201, 111	261, 264
Inventories of Supplies		87, 864
••	0 044 057	07,004
Furniture, fixtures, and equipment	2, 244, 057	
Less accumulated depreciation	1, 405, 754	
		83 8, 303
Prepaid expenses		11,000
Total assets	· · · • • · • · · · · · · · · ·	5, 538, 543
Liabilities:		
Accounts payable		3, 280, 208
Accrued liabilities.		34, 871
Disbursements in transit.		158, 972
Funds held for others, principally employees' tax and		150, 572
		501 401
deductions		591, 491
Liability for accrued annual leave of employees		3, 837, 429
Other liabilities	•••••	369
Total liabilities		7, 903, 341
Investment of U.S. Government (Appendix I-2)		-2, 364, 798
Total liabilities and investment	•	5, 538, 543

Note: Details in the tables of Appendix I may not add to the totals because of rounding.

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Appendix I-2

Summary Of Changes In Investment of United States Government, Fiscal Year Ended June 30, 1969

Balance, July 1, 1968 Appropriation for salaries and expenses, 1969	\$59,611,988	-\$2, 161, 273
Reimbursements	31, 480	59, 643, 468
Total	· · · • • · · · · · · · · · · · · · · ·	57, 482, 195
Operating expenses, 1969 (Appendix I–3) Unobligated balance of 1969 appropriation	59, 863, 250	
lapsed	91,842	
Adjustment of prior year obligations	-108, 099	—59, 846, 993
Balance, June 30, 1969 Composition of balances: Investment in—	••••••	—2, 364, 798
Involutione m	July 1, 1968	June 30, 1969
Inventories of supplies	\$59, 587	\$87, 864
Furniture, fixtures, and equipment Unexpended appropriation (unpaid undelivered	693, 484	838, 303
orders)	703, 264	546, 464
Deferred liability for accrued annual leave	-3, 617, 608	—3, 837, 429
Totals	-2, 161, 273	-2, 364, 798

Appendix I-3

	Total	Salaries	Employee benefits	Travel	Other
Office of the Comptroller General	\$485, 359	\$409, 835	\$28, 705	\$17, 395	\$29, 425
Office of the General Counsel	2, 760, 346	2, 453, 319	184, 491	9,220	113, 317
Office of Policy and Special Studies	820, 663	657, 230	50, 519	20, 271	92, 643
Office of Administrative Services	2, 214, 802	1, 543, 706	185, 187	9, 416	476, 493
Office of Personnel Management	745, 932	592, 673	39,672	35, 399	78, 188
Civil Division	9, 565, 319	7, 882, 610	593, 767	218, 734	870, 208
Claims Division	1, 366, 594	1, 229, 899	92, 782	1, 248	42,666
Defense Division	4, 596, 513	3, 961, 218	306, 970	141, 987	186, 338
Field Operations Division	24, 354, 464	20, 108, 846	1, 546, 596	2, 182, 447	516, 574
International Division:					
Washington, D.C	2, 228, 901	1, 818, 246	139, 884	221, 611	49, 159
European Branch	1, 348, 059	836, 876	98, 703	212, 864	199, 617
Far East Branch	1, 869, 268	1,046,407	183, 168	344, 656	295, 038
Transportation Division	7, 507, 031	6, 801, 502	508, 442	16, 512	180, 575
Total	59, 863, 250	49, 342, 365	3, 958, 884	3, 431, 758	3, 130, 24

Summary of Operating Expenses for the Fiscal Year Ended June 30, 1969

Reconciliation of accrued expenditures for year with total expenses: Accrued expenditures	\$59, 816, 5 2 5
Increase in accrued annual leave liability	219, 821
Depreciation of furniture, fixtures, and equipment	79, 182
	60, 115, 527
Deduct—	
Purchases of furniture, fixtures and equipment	- 224, 000
Increase in inventory of supplies	- 28, 277
Operating expenses	59, 863, 250

Appendix I-4

Summary of Sources and Application of Funds, Fiscal Year Ended June 30, 1969

Sources of funds:	
Appropriation for salaries and expenses, 1969	\$59,611,988
Reimbursements	31, 480
Unpaid undelivered orders at beginning of year	703, 264
Receipts for audit services	672, 376
Other receipts	11, 493
Total	61, 030, 602
Application of funds:	
Accrued expenditures	59, 816, 525
Unpaid undelivered orders at end of year	546, 464
Unobligated balance of 1969 appropriation lapsed	91, 84 2
Receipts deposited in U.S. Treasury	6 83, 87 0
Adjustment of prior year obligations	-108, 099
- Total	61, 030, 602

Appendix J

DIRECTORY OF THE UNITED STATES GENERAL ACCOUNTING OFFICE

MAIN OFFICE

U.S. General Accounting Office Building 441 G Street, N.W. Washington, D.C. 20548 Telephone number 202–386 + ext. (FTS Information Operator ext. 6095)

770-731, ext. 326

INTERNATIONAL DIVISION

EUROPEAN BRANCH

c/o U.S. Consulate General Platenstrasse 7 Frankfurt/Main, Germany

> Suboffice U.S. Embassy Shanti Path Chanakyapuri New Delhi, India

> > FAR EAST BRANCH

Room 619 1833 Kalakaua Avenue Honolulu, Hawaii 96815	546-5473
Suboffice (Manila) Sarmiento Building 6782 Ayala Avenue Makati, Philippines	88-47-31
Suboffice 124–B Truong-Minh Giang Saigon, Republic of Vietnam	Tiger 4226
FIELD OPERATIONS DIVISION	
REGIONAL OFFICES	
Atlanta	
Room 204, 161 Peachtree Street, N.E.	404-526-6872

Room 204, 161 Peachtree Street, N.E. Atlanta, Ga. 30303

Boston

Room 1903, John F. Kennedy Federal Building 617–223–6536 Government Center Boston, Mass. 02203

GAO DIRECTORY APPENDIX J Chicago Room 403, Custom House Building 312-353-6174 610 South Canal Street Chicago, Ill. 60607 St. Paul Suboffice Room 1407 612-725-7844 U.S. Post Office & Custom House St. Paul, Minn. 55101 Cincinnati 8112 Federal Office Building 513-684-2107 5th and Main Streets Cincinnati, Ohio 45202 Dayton Suboffice MCLAGA, Building 11, Room 238, Area B 513-255-4505 Wright-Patterson Air Force Base, Ohio 45433 Army Audit Staff Fort Benjamin Harrison 317-546-2870 Indianapolis, Ind. 46216 Dallas Room 500 214-749-3437 1512 Commerce Street Dallas, Tex. 75201 Denver 7014 Federal Building 303-297-4621 1961 Stout Street Denver, Colo. 80202 Air Force Audit Staff 3800 York Street 303-825-4411 Denver, Colo. 80205 Detroit Room 2006, Washington Boulevard Building 313-226-6044 234 State Street Detroit, Mich. 48226 Cleveland Suboffice Room 2933 216-522-4892 New Federal Office Building 1240 East 9th Street Cleveland, Ohio 44199 Navy Audit Staff Room 2933 216-522-4892 New Federal Office Building 1240 East 9th Street Cleveland, Ohio 44199

APPENDIX .	I
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Kansas City 1800 Federal Office Building 911 Walnut Street Kansas City, Mo. 64106	816–374–5056
St. Louis Suboffice Room 1740, 1520 Market Street St. Louis, Mo. 63103	314-622-4121
Los Angeles Room 7054, Federal Building 300 North Los Angeles Street Los Angeles, Calif. 90012	213-688-3813
New Orleans	
Room T-8040, Federal Office Building 701 Loyola Avenue New Orleans, La. 70113	504–527–6115
New York	
26 Federal Plaza, Room 4112 New York, N.Y. 10007	212-264-0730
Norjolk	
423 Federal Building 600 Granby Street Norfolk, Va. 23510	703–627–7267
Philadelphia	
502 U.S. Custom House Second and Chestnut Streets Philadelphia, Pa. 19106	215–597–4333
San Francisco	
143 Federal Office Building 50 Fulton Street San Francisco, Calif. 94102	415–556–6200
Seattle	
3086 Federal Office Building 909 First Avenue Seattle, Wash. 98104	206–583–5356
Portland Suboffice Parker Building, 2d Floor 527 E. Burnside Portland, Oreg. 97214	503–226–1474
Washington	
Penn Park Building 803 West Broad Street Falls Church, Va. 22046	703–557–8920

:

.

Index

A

Access to records: Denial of 134, 163, 308 Legislation enacted during fiscal year 1969 affecting 287, 288, 289, 290 Accounting manuals, review of: Agency for International Development 215, 323 Accounting principles and standards: Prescribed by the Comptroller General 54 Submission and review of statements of 8, 56, 58 Agricultural Stabilization and Conservation Service 84, 293 Agriculture Department, Office of Management Services 84, 294 Bonneville Power Administration 112, 299 Civil Service Commission 140, 307 Commerce, Department of 91, 295 Consumer and Marketing Service 84, 293 Defense, Department of 9, 52, 58 District of Columbia Government 141 Economic Opportunity, Office of 152 Farmers Home Administration 84, 293 Forest Service 84, 294 Justice, Department of 120, 301 Labor, Department of 122 Land Management, Bureau of 112, 299 National Aeronautics and Space Administration 147, 311 National Park Service 112, 300 National Science Foundation 151, 311 Outdoor Recreation, Bureau of 112, 299 Railroad Retirement Board 156 Small Business Administration 157, 312 Soil Conservation Service 294 Sport Fisheries and Wildlife, Bureau of 112, 301 State, Department of 210, 222, 325 Transportation, Department of 129 Treasury, Department of the 134, 305 U.S. Information Agency 227, 325 Accounting systems: Development 54, 56, 60 GAO's annual report to the Congress on 8, 52 Submission, review, and approval of 52, 57 Accounts, Bureau of 134, 305 Agency for International Development 215, 323 Air Force, Department of the 58, 322 Army, Department of the 9, 58, 319 Atomic Energy Commission 136, 307 Civil Service Commission 140, 307 Commerce, Department of 91 Defense, Department of 22, 52, 58, 318 Federal Aviation Administration 129 Forest Service 294 **General Services Administration 144**

Accounting systems-Continued Submission, review, and approval of-Continued Health, Education, and Welfare, Department of 95 House of Representatives 33 Housing and Urban Development, Department of 104 Labor, Department of 121 National Aeronautics and Space Administration 147, 311 Navy, Department of the 321 Panama Canal Zone Government 155 Post Office Department 126 Public Debt, Bureau of 134, 305 Securities and Exchange Commission 163, 311 Selective Service System 311 Small Business Administration 158 State, Department of 222, 325 Treasury, Department of the 134, 305 Veterans Administration 160 Wage and Hour and Public Contracts Division, Department of Labor 302 Accounts, Bureau of 134, 305 Agencies, assistance to 51, 242 Agency for International Development: Accounting manual, review of 215, 323 Accounting system, submission and review of 215. 323 ADP activities, study of 215 Audit reports: Digests 211, 216 List of 322 Number issued 215 Collections and other measurable savings 358, 359, 363 Contractors 347 Financial savings 369 GAO work in the Agency 215 Internal auditing 7, 63, 209, 215, 216, 322 Agency policies, procedures, and practices, changes in 366 Agricultural Research Service 83, 85, 293 Agricultural Stabilization and Conservation Service 84, 86, 293 Agriculture, Department of: Agricultural Research Service 83, 85, 293 Agricultural Stabilization and Conservation Service 84, 86, 293 Audit reports: Digests 85 List of 293, 326 Multiagency reviews 313 Number issued 83 Collections and other measurable savings 357, 361.365

Agriculture, Department of-Continued Commodity Credit Corporation 84, 86, 293 Consumer and Marketing Service 84, 293 Economic Opportunity programs 77, 81 Farmers Home Administration 38, 83, 84, 87, 293. 313 Federal Crop Insurance Corporation 88, 293 Financial management study, participation in 59 Foreign programs of 207, 220, 324, 326 Forest Service 84, 293 GAO work in the Department 21, 83 Management Services, Office of 84, 294 **Rural Electrification Administration 33** Soil Conservation Service 84, 294 Transportation charges, JFMIP study of 59, 243 Air Force, Department of the: Accounting systems, review of 58, 322 ADP equipment, acquisition and use 256 Audit reports issued. (See Defense, Department of.) List of 321 Civilian pay audits 322 Collections and other measurable savings 357, 358, 359, 360, 362, 363, 364, 365 Contract audits 322 Decisions involving 253, 256 Disbursing officers' accounts, audit of 322 Facilities and construction 185 Financial savings 66 Legislative recommendations 36 Maintenance, repair, and overhaul 194 Manpower utilization 200, 321, 322 Other audits and reviews 322 Procurement reviews 177, 179, 181 Research and development 192, 321 Supply management reviews 173, 175, 176, 322 Transportation reviews 322 Alaska Railroad, The 129 American Institute for Free Labor Development 23 Architect of the Capitol 34, 165, 314 Army Corps of Engineers (civil functions) 88, 294, 299, 300, 346 Army, Department of the: Accounting systems, submission, review, and approval 9, 58, 319 Audit reports issued. (See Defense, Department of.) List of 318 Civilian pay audits 319 Collections and other measurable savings 357, 358, 359, 360, 362, 363, 364, 365 Contract audits 27, 319 Decisions involving 252, 253, 254, 256 Disbursing officers' accounts, audit of 320 Economic Opportunity programs 153 Financial savings 366, 367 Legislative recommendations 36, 45 Maintenance, repair, and overhaul 194 Mannower utilization 319 Other audits and reviews 320 Procurement reviews 24, 177, 180, 319 Research and development 190, 191 Supply management 172, 173, 175, 176, 319 Tank-Automotive Command 20, 172, 173, 318 Transportation field, assistance in 242 Transportation reviews 319, 324 Army Tank-Automotive Command, U.S. 20, 172, 173, 318

Assistance to the agencies. (See Agencies, assistance to the.) Assistance to the Congress. (See Congress, assistance to the.) Assistant Comptroller General, public activities of 12 Atomic Energy Commission: Accounting systems, submission and review of 136.307 Audit reports: Digests 138 List of 306 Number issued 136 Collections and other measurable savings 357, 359, 361 Contractors 347 GAO work in the agency 136 Gaseous diffusion plants, transfer of to private ownership 3, 136, 139, 306 Audit reports: Digests of reports: Civil departments and agencies. (See individual agency.) Defense Department 173, 175, 180, 182, 185, 190, 193, 198, 202 International activities 211, 216, 218, 222, 225, 227, 228, 229 Organizations outside the Federal Government 166 Other civil departments and agencies 163 Transportation and traffic management reviews 237 Legislative recommendations 34 List by agency and subject: Civil departments 292 Government-wide reports 326 Independent agencies 306 International activities 322 Legislative branch 314 Military departments 315 Multiagency reviews 313 Organizations outside the Federal Government 326 Number issued: Civil 67 Defense 171 Government-wide 6 **International 208** Legislative 165 Organizations outside the Federal Government 6, 166 Transportation management reviews 236, 237 Vietnam, relating to programs and activities being conducted in 209 To Congress 17 Audit work 3, 6, 291 Civil operations and programs 67 Congressional activities 33, 165 **Congressional inquiries 327** Contracts 170, 317, 319, 320, 322 Defense operations and programs 169 International operations and programs 207 Judicial branch 166 Legislation enacted during F.Y. 1969 affecting 287 Multiagency reviews 313 Organizations outside the Federal Government 166

Audit work-Continued Other civil departments and agencies 163 Regulatory agencies 162 Transportation management reviews 236 Automatic data processing equipment: Acquisition and use 61 Agency for International Development 215 Air Force, Department of the 256 Army Tank-Automotive Command 173 Defense, Department of 317, 318 District of Columbia Government 141 Export-Import Bank of the United States 229, 325 Federal Communications Commission 162, 308 House of Representatives 33 Justice, Department of 120, 301, 375 Maritime Administration 91, 295 Navy Department of the 361 Social Security Administration 297 State, Department of 215, 222 Decisions concerning 256 Foreign Affairs Community, study on common data processing facilities for 216 Government-wide reports 326 Testimony on 27, 30 Training programs pertaining to 62 269, 271 Awards, incentive 275

B

Balance-of-payments position (U.S.) 96, 130, 208, 220, 221, 227, 239, 324, 325 Bid protests 254 Bonneville Power Administration 111. 112, 116, 299, 362 Budget, Bureau of the: Financial management in the Federal Government 9, 52, 53, 55, 59 Recommendations to 101 Reports to, legislative and legal 9, 351 Transportation charges, JFMIP study of 243 Uniform cost accounting standards study 8, 19 Budget Concepts, President's Commission on 55, 60 Bureaus. (See other part of name.) С Capitol Guide Force 165 Career development 12, 272 Census, Bureau of the 54, 295 Center for Cultural and Technical Interchange

Between East and West 223, 325 Civil Aeronautics Board 162 Civilian pay audits 318, 319, 321, 322 Civil Service Commission, U.S.: Accounting principles and standards, submission

- and review of 140, 307 Accounting systems, submission and review of
- Accounting systems, submission and review of 140, 307
- ADP training programs 62, 267. 271, 272
- Audit reports, list of 307
- Collections and other measurable savings 357, 364, 365
- Contractors 348
- Financial management in the Federal Government 9, 52, 59
- GAO work in the agency 140
- HEW, data for 100

Civil Service Commission, U.S.-Continued Legislative recommendations 46 Claims: Against the United States 246, 355 By the United States 246, 355 Legislation enacted during F.Y. 1969 affecting 289, 290 Settlements: General 11, 246, 247, 355 Transportation, 235, 353, 354 Coast and Geodetic Survey 295 Coast Guard, U.S. 129, 133, 304, 358 Collections and other measurable savings 7, 357 Civil, 67 Collections, 1960-1969 356 Collections, total, GAO 7, 357 Defense 172 Defense international activities 172 General claims 357 Measurable savings, details of 358 Transportation collections 234, 354, 357 Columbia River Federal Power System 89, 112, 294. 299 Commerce, Department of :: Accounting booklet prepared by 54 Accounting principles and standards, submission and review or 91, 295 Accounting system, submission and review of 91 Audit reports: Digests 91 List of 295 Multiagency reviews 313 Number issued 90 Census, Bureau of the 54, 295 Collections and other measurable savings 357, 361, 362 **Contractors 346** Economic Development Administration 41, 91, 92, 295, 313, 371 Environmental Science Services Administration 91, 295, 374 Coast and Geodetic Survey 295 Financial management study, participation in 59 Financial savings 371, 374 GAO work in the Department 90, 91 International activities 207 Maritime Administration 91, 92, 295 National Bureau of Standards 91, 295, 374 Transportation charges, JFMIP study of 243 Commodity Credit Corporation 84, 86, 293 Community Action Program 69, 73, 78, 292 Comptroller General, public activities of 12 Congress, assistance to the 10, 15 Assignments of staff to committees 10, 24, 384 Audits of Senate and House activities 33, 165 Hearings, testimony of GAO representatives 10, Legal and legislative matters 32, 351 Legislation, pending: Reports on 10, 32 Testimony on 27 Legislation, recommendations for 34 Reports of audits in departments and agencies 17 Systems analysis, use of in GAO 31 Congressional inquiries, reports on 327 Consumer and Marketing Service 84, 293 Consumer Protection and Health Services 296 Contract audits, reports on 317, 319, 320, 322

395

Contractors of: Civil departments and agencies 346 Military departments 348 Corps of Engineers. (See Army Corps of Engineers.)

Corregidor-Bataan Memorial Commission 307 Customs, Bureau of 133, 305, 361

D

Debt collections 11, 234, 246, 354 Decisions 9, 251, 351 Defense Contract Audit Agency 170, 179 Defense, Department of. (See also Air Force, Army, Navy, and Marine Corps.) Accounting principles and standards, submission and review of 8, 52, 58 Accounting systems, submission and review of 22, 52, 57, 318 ADP equipment, acquisition and use 61, 317, 318 Audit reports: Digests 173, 175, 180, 182, 185, 190, 193, 198, 202 List of 315 Multiagency reviews 313 Number issued 171, 291 Collections and other measurable savings 172, 357, 359, 360, 361, 363, 364 Contract audits 170, 317 **Contractors 348** Decisions 9, 252, 253 Disbursing officers' accounts, audit of 318 Facilities and construction 185 Financial savings 366, 368 GAO work in the Department 4, 169 Internal auditing 7, 63, 198, 199, 316 International activities 172, 207, 217, 323 Maintenance, repair, and overhaul, reports on 193, 194 Management control systems 201 Manpower utilization 197, 200 Military assistance program 217, 218, 323 Other programs, administration of 202, 318 Pay and allowances: Civilian 197, 318 Military 197 Procurement 170, 177, 182, 318 Research and development 190 Research grants, report on study of 18 Supply management 172, 318 Training courses 267 Transportation management reviews 237, 318 Transportation suits involving 11, 241 Uniform cost accounting standards, study of 8, 19 Defense Supply Agency 171, 177 Department. (See other part of name.) Directory of the U.S. General Accounting Office 389 Disbursing officers' accounts, reports on audit of 318, 320, 321, 322 District of Columbia Government 141, 307

Е

Economic Advisors, Council of 56 Economic Development Administration 41, 91, 92, 295, 313, 371 Economic Opportunity Council 73

Economic Opportunity, Office of: Accounting principles and standards, submission and review of 152 Audit reports: Digests 153 List of 307 Multiagency reviews 313, 314 Number issued 152 Collections and other measurable savings 357 Contractors 348 Financial management study, participation in 60 GAO work in the agency 68, 152 Hearings on 28, 29 Economic Opportunity Programs, special review of 3, 18, 31, 68 Audit reports: List of 292 Number issued 70 Congressional hearings on 28, 83 Education programs 76, 80 Health programs 75, 80 Manpower programs 74, 79 Concentrated Employment 69, 74, 79, 121 Job Corps 28, 29, 69, 74, 79, 112, 152, 153, 307 Job Opportunities in the Business Sector 74, 79.122 Neighborhood Youth Corps 69, 75, 79, 121, 123, 302Work Experience and Training 69, 75 Other programs 76, 81 Community action 69, 73 Economic Opportunity loan program 69, 77, 81, 158 Legal Services 76, 81 Migrant and Seasonal Farmworkers 69, 76, 81 Rural loan program for low-income families 69, 77 Volunteers in Service to America 69, 76, 81 Plan of GAO review 69 Summary of principal findings and recommendations 42, 70 Education, Office of 97, 296, 376 Educator-consultants 262 Electronic data processing. (See Automatic data processing.) Emergency Preparedness, Office of 154, 308 Employee Health Benefits Program, GAO 275 Employees. (See Personnel.) Employees' Compensation, Bureau of 122, 301, 373 Employment Security, Bureau of 124 Engraving and Printing, Bureau of 54, 133 Environmental Science Services Administration 91, 295, 374 Equal employment opportunity in GAO 276 European Branch 208, 389 Expenses and staffing, GAO 7

Export-Import Bank of the United States 207, 229, 325

F

Far East Branch 208, 389

Farm Credit Administration 163, 308

Farmers Home Administration 38, 83, 84, 87, 293, 313

Federal Aviation Administration 7, 63, 128, 129, 303, 362, 373

Federal Bureau of Investigation 301, 375

Federal Communications Commission 142, 146, 162, 308, 364 Federal Crop Insurance Corporation 83, 293 Federal Deposit Insurance Corporation 46, 47, 163, 308 Federal Highway Administration 37, 64, 128, 130, 304 Federal Home Loan Bank Board 164, 309 Federal home loan banks 164, 309, 313 Federal Housing Administration 39, 104, 297 Federal Maritime Commission 162 Federal National Mortgage Association 108, 288, 208 Federal Power Commission 162, 163, 309 Federal Prison Industries, Inc. 21, 42, 120, 301 Federal Railroad Administration 304 Federal Savings and Loan Insurance Corporation 164.309 Federal Supply Service 144, 309 Federal Trade Commission 162 Federal Water Pollution Control Administration 25, 28, 112, 300 Field offices, GAO 208, 286, 389 Financial disclosure statements (Senate Rule 44) 17 Financial management in the Federal Government: Congressional interest in 8, 52 GAO assistance to agencies for improvement in 53 Hearings on 30 Joint Financial Management Improvement Program 59 Reports on: Agriculture, Department of 324 Post Office Department 126 State, Department of 210 Transportation, Department of 128 U.S. Information Agency 227, 325 Financial savings resulting from the work of GAO 6, 366, 377 Financial statements of GAO 385, 386, 387, 388 Fish and Wildlife Service, U.S. 301 Food and Agricultural Organization 20 Food and Drug Administration 85, 364 Food for Peace 220, 324 Foreign assistance programs 210 Foreign currency, U.S.-owned 134, 208, 220, 226, 227. 324. 368 Forest Service 84, 293 Functions and organization of GAO 283 G

General Accounting Office: Appropriations, legislation enacted during F.Y. 1969 affecting 287 Directory of 389 Expenses and staffing 7 Financial statements of 385, 386, 387, 388 Findings and recommendations for improving Government operations, report on 18, 326 Functions and organization 283 Chart 285 Map of regional offices 286 Laws relating to work and jurisdiction of, compilation of 258 Newsletter 17

General Services Administration: Accounting system, approval of 144 Administration, Office of 142 Audit reports: Digests 144 List of 309 **Multiagency reviews 313** Number issued 142 Collections and other measurable savings 357. 359, 363 **Decisions involving 256** Federal Supply Service 144, 309 Financial management study, participation in 60 GAO work in the agency 142, 237 Legislation enacted during F.Y. 1969 affecting 289, 290 Property Management and Disposal Service 146.309 Public Buildings Service 145, 309 Transportation charges, JFMIP study of 59, 243 Transportation and Communications Service 145, 310 Transportation management review 240 **General Supply Fund 42 Geological Survey 112** Gorgas Memorial Institute of Tropical and Preventive Medicine 166, 326 Government National Mortgage Association 105,

- 107, 288, 313 Government Printing Office 54, 165, 290, 314
- Government Services, Inc. 166, 326
- Government-wide reports 326

н

Health, Education, and Welfare, Department of: Accounting system, submission and review of 95 Audit reports: Digests 95 List of 295 Multiagency reviews 313, 314 Number issued 94 Collections and other measurable savings 357, 361, 362, 364 Consumer Protection and Health Services 296 Contractors 346 Decisions 252 Economic Opportunity Programs 68, 70, 80, 94, 153 Education, Office of 97, 296, 377 Financial management study, participation in 60 Food and Drug Administration 85, 364 GAO work in the Department 93 Health Services and Mental Health Administration 296 Internal auditing 7, 63, 97 Legislation enacted during F.Y. 1969 affecting 290 Medicaid 25, 93, 95 Medicare 25, 93, 94, 95, 101, 297 National Institute of Mental Health 310 National Institutes of Health 5, 98, 296 Public Health Service 85, 98 Secretary, Office of the 96 Social and Rehabilitation Service 100, 297 Social Security Administration 100, 297 Transportation charges, JFMIP study of 59, 243 Health Services and Mental Health Administration 296

House of Representatives, U.S. 22, 33, 165, 314

- Housing and Urban Development, Department of: Accounting system development, GAO assistance in 104
 - Assistant Secretary for Metropolitan Development, Office of 298
 - Audio reports:

Digests 104

List of 297

Multiagency reviews 313

- Number issued 103
- Collections and other measurable savings 357, 361 Federal Housing Administration 39, 103, 104, 297 Federal National Mortgage Association 108, 288, 298
- Financial management study, participation in 60 Financial savings 370, 374
- GAO work in the Department 103
- Government National Mortgage Association 105, 107, 288, 313
- Housing Assistance Administration 108, 298
- Legislation enacted during F.Y. 1969 affecting 287
- Legislative recommendations 39

Renewal Assistance Administration 109, 298 Housing Assistance Administration 108,298

I

Immigration and Naturalization Service 120, 301 Indian Affairs, Bureau of 111, 112, 113, 299 Interior, Department of the: Accounting principles and standards, submission and review of 112 Audit reports: Digests 112 List of 299 Number issued 111 Bonneville Power Administration 111, 112, 116, 299, 362 Columbia River Federal Power System 89, 112, 294, 299 Collections and other measurable savings 357, 362, 364, 365 **Contractors 347** Decisions involving 253 Federal Water Pollution Control Administration 25, 28, 112, 300 Financial savings 371, 372 GAO work in the Department 111 **Geological Survey 112** Indian Affairs, Bureau of 111, 112, 113, 299 Land Management, Bureau of 84, 112, 299 Legislation enacted during F.Y. 1969 affecting 287, 289 Mines, Bureau of 299 National Park Service 112, 300 Outdoor Recreation, Bureau of 112, 299 Reclamation, Bureau of 111, 114, 116, 300, 371, 372 Southwestern Power Administration 118, 300 Southwestern Federal Power System 118, 294, 300 Territories, Office of 117, 300

- U.S. Fish and Wildlife Service 301
- Sport Fisheries and Wildlife, Bureau of 111, 112, 116, 301, 364

Internal auditing 7, 63 Agency for International Development 7, 63, 209, 215, 216, 322 Customs, Bureau of 305 Defense, Department of 7, 63, 199, 316 Federal Highway Administration 64 Federal Aviation Administration 7, 63, 129, 303 Government-wide study on 326 Health, Education, and Welfare, Department of 7.63.97 **Internal Revenue Service 133** National Science Foundation 64, 151, 311 Post Office Department 303 Railroad Retirement Board 64, 156 State, Department of 64, 209, 222 Status of, in Government agencies 63, 64 Treasury, Department of the 64, 134 U.S. Information Agency 7, 63, 209, 228, 325 Veterans Administration 64, 160 Internal Revenue Service 38, 43, 64, 133, 134, 135, 305 International activities 4, 207, 322 ADP capacity, common, for Foreign Affairs Community 216 Agency for International Development. (See alphabetical listing.) Agriculture, Department of, foreign programs 207, 220, 326 Audit reports: Digests 211, 216, 218, 222, 223, 225, 226, 227, 228, 229 List of 322 Number issued 208 Center for Cultural Interchange Between East and West 223, 325 Commerce, Department of 207 Defense international activities 172, 207, 217 Export-Import Bank of the United States 207, 229,.325 Food for Peace 220, 324 Foreign assistance programs 210 GAO work in 4, 207 Interagency reviews 220, 324 Internal audit and financial management 209 International organizations, U.S. financial participation in 223 Military assistance programs 217, 218, 323 Other international activities 323 Peace Ccrps 207, 216, 226, 325 Post Office Department 207 State, Department of 207, 209, 215, 226, 325 Treasury, Department of the 207 U.S. Arms Control and Disarmament Agency 216 U.S. Information Agency 63, 207, 209, 216, 227, 325 International organizations, U.S. financial par-

ticipation in 223 Interstate Commerce Commission 162, 241

J

- Jobs Corps 28, 29, 69, 74, 79, 112, 152, 153, 307
- Joint Financial Management Improvement Program 9, 55, 59, 243
- Judicial branch audits 166

Justice, Department of: Accounting principles and standards, submission and review of 120, 301 ADP activities 120, 301, 375 Assistance to, in transportation suits 11, 233, 241 Attorney General, Office of the 301 Audit reports: Digests 120 List of 301 Number issued 118 Claims reported to for collection 241, 247 Collections and other measurable savings 357 Contractors 347 Decisions involving 252 Federal Bureau of Investigation 301, 375 Financial savings 375 GAO work in the Department 118 Immigration and Naturalization Service 120, 301 Management Support, Office of 375 Prisons, Bureau of 301 Federal Prison Industries, Inc. 21, 42, 120, 301

L

Labor, Department of: Accounting principles and standards, submission and review of 122 Accounting system, submission and review of 121 Audit reports: Digests 122 List of 301 Multiagency reviews 313, 314 Number issued 121 Collections and other measurable savings 357 360 Contractors 347 Economic Opportunity programs 68, 70, 79, 121 Employees' Compensation, Bureau of 122, 301, 373 Employment Security, Bureau of 124 Financial management study, participation in 60 Financial savings 370, 373 GAO work in the Department 68, 70, 120 HEW, data for 100 Legislative recommendations 35 Manpower Administration 120, 123, 302 Neighborhood Youth Corps 69, 75, 121, 123, 302 Secretary, Office of the 301 Solicitor, Office of the 125, 302 Transportation data furnished to 242 Wage and Hour and Public Contracts Division 302 Work-Training Programs, Bureau of 123 Youth Pride, Inc. 22, 302 Land Management, Bureau of 84, 112, 299 Legal services 9, 251 Assistance in the field of transportation 242 Assistance to agencies 251 Assistance to Congress 32 Congressional inquiries, reports on 327 Decisions and other legal matters handled during F.Y. 1969 9, 254, 258, 351 Legislation, pending 27, 31 Reference assistance 258 Legislation enacted during F.Y. 1969 relating to the work of GAO 287

Legislation, pending 27, 31 Legislation, recommendations for 34 Legislative branch audits 165, 314

M

Manpower Administration 120, 123, 302 Manpower, utilization of 197, 200 Marine Corps 358 Maritime Administration 91, 92, 295 Measurable savings. (See Collections and other measurable savings.) Medicaid 25, 93, 95 Medicare 25, 93, 94, 95, 101, 297 Military Airlift Command 235 Military assistance program 217, 218, 323 Military Sea Transportation Service 233, 234, 239 Military Traffic Management and Terminal Service 242 Mines, Bureau of 299 Mint. Bureau of 299

Multiagency activities 313

Ν

National Aeronautics and Space Administration: Accounting principles and standards, submission and review of 147, 311 Accounting system, submission and review of 147, 311 Audit reports: Digests 147 List of 310 Number issued 146 Collections and other measurable savings 357, 360. 364. 365 Contractors 348 Decisions involving 257 GAO work in the agency 147 National Bureau of Standards 91, 295, 374 National Foundation on the Arts and the Humanities 377 National Institute of Mental Health 309 National Institutes of Health 5, 98, 296 National Mediation Board 311 National Park Service 112, 300 National Science Foundation 64, 151, 311, 348, 357, 361, 365 National Transportation Safety Board 253 Navy, Department of the: Accounting system, submission and review of 320 Audit reports issued. (See Defense, Department of.) List of 320 Civilian pay audits 321 Collections and other measurable savings 357, 358, 359, 360, 362 Contract audits 320 Disbursing officers' accounts, audit of 321 Maintenance, repair, and overhaul 193, 196 Military pay and allowances 199 Oceanographic institutions, draft report of GAO review on, submitted to 151 Other audits and reviews 321 Procurement reviews 179, 320 Supply management 24, 176, 177, 320 Neighborhood Youth Corps 69, 75, 121, 123, 302

North Atlantic Treaty Organization 218

399

0

Offices. (See other part of name.) Organization and functions of GAO 283, 285 Organization of American States 225, 226, 325 Organizations outside the Federal Government 166, 326 Outdoor Recreation, Bureau of 112, 299

audoor Recreation, Bureau of 112, 2

P

Pan American Union 226 Panama Canal Company and Canal Zone Government 154, 311 Pay and allowances: Civil 197, 198, 199, 299, 300, 318 Military 197, 199, 253 Pay, waiver of claims for erroneous payment of 248, 257, 290 Peace Corps 207, 216, 226, 325 Personnel: Development 264 Equal employment opportunity 276 Health benefits program 275 **Incentive awards program 275** Management program 261, 273 Professional development and recognition 272 Recruiting, training, and staff development 261 Security clearance program 277 Statistics: Accounting and auditing staff in relation to total employment 265 Assignments to congressional committees 384 Comparison of Federal employment in the executive branch and GAO 382 GAO personnel turnover rate 382 Length of service 265 Number of employees: By division and office 379 By duty station 380 By grade 381 Professional staff separations 383 Planning-Programming-Budgeting System 28, 31, 60 Post Office Department: Accounting system, submission and review of 126 Audit reports: Digests 127 List of 302 Number issued 126 Collections and other measurable savings 357, 360. 361 Finance and Administration, Bureau of 127 GAO work in the Department 22, 126 Internal audit activities 303 International activities of 207 Traffic management 237 Poverty programs. (See Economic Opportunity Programs.) PPB. (See Planning-Programming-Budgeting System.) President's Commission on Budget Concepts 55, 60 Prisons, Bureau of 301 Procurement regulations, GAO review of proposed amendments to 255 Procurement reviews, 170, 177, 182, 318, 319, 320 Property Management and Disposal Service 146. 309

Public Buildings Service 145, 309

Public Debt, Bureau of 134, 305 Public Health Service 85, 98

R

Railroad Retirement Board 64, 100, 155, 311, 357, 377 Reclamation, Bureau of 111, 113, 300, 371, 372 Records, access to. (See Access to records.) Recruiting and staff development 261 Professional staff 263 Technical staff 264 Regional offices 286, 389 Regulatory agencies 162, 357 Renewal Assistance Administration 109, 298 Reports: Audit. (See Audit reports.) Legislative and legal 9, 351 On congressional inquiries 327 On pending legislation 10 **Recommendations for legislation 34** Requested by committees or individual Members 21 Statistical summaries of 291, 351 To officers of the Senate and House of Representatives 33 Research grants, study of 18, 326 **Rural Electrification Administration 33** S

SaintLawrence Seaway Development Corporation 132.304 Savings resulting from work of GAO. (See also Collections.) 358, 366, 377 Securities and Exchange Commission 162, 163, 311 Security clearance program 277 Selective Service System 253, 311, 357, 365 Senate, U.S. 33, 165, 315 Small Business Administration: Accounting principles and standards, submission and review of 157, 312 Accounting system, submission and review of 158 Audit reports: Digests 158 List of 312 Number issued 157 Economic Opportunity programs 77, 157, 158, 312 GAO work in the agency 157 Social and Rehabilitation Service 100, 297 Social Security Administration 100, 297 Soil Conservation Service 84, 294 Southeast Asia, reports on 208, 209, 217, 218, 236, 238 Southwestern Federal Power System 118, 294, 300 Southwestern Power Administration 116, 118, 300 Sport Fisheries and Wildlife, Bureau of 111, 112, 116, 301, 364 Staff development. (See Recruiting and staff development.) State, Department of: Accounting principles and standards, submission and review of 210, 222, 325 Accounting system, submission and review of 222, 325 ADP activities, reports on 215, 222 Audit reports: Digests 222 List of 325

Number issued 221

400

State, Department of --Continued Collections and other measurable savings 357, 363, 364
Financial savings 368
GAO work in the Department 207, 221
Internal audit activities 64, 209, 222
International activities 207, 215, 221, 225, 226, 325
Traffic and transportation activities 242
Subcontractors.)
Subcontractors.)
Subversive Activities Control Board 312
Supply management reviews 172, 218, 319, 320, 322
Systems analysis 31

т

Tennessee Valley Authority 164, 312 Territories, Office of 117, 300 Tort claims, authority for GAO to settle 47 Training and career development 12, 261, 264, 272 Given through agency or non-Government facilities 267, 271 Given through GAO facilities 266, 268 Transportation activities 10, 233 Agencies, GAO assistance to 242 Audits and claims 234, 235, 353, 354 Collections 234, 354, 357 Justice, Department of, GAO assistance to 11, 233. 241 Management reviews: Digests 237 Number issued 236, 237 Transportation and Communications Service 145, 310 Transportation charges, JFMIP study of 9, 59, 243 Transportation, Department of: Accounting principles and standards, submission and review of 129 Audit reports: Digests 129 List of 303 Multiagency reviews 314 Number issued 128 Coast Guard, U.S. 129, 133, 304, 358 Collections and other measurable saving 357, 358, 362 **Contractors 347** Federal Aviation Administration 7, 63, 128, 129, 303, 362, 373 Federal Highway Administration 37, 64, 128, 130, 304 Federal Railroad Administration 304 GAO work in the Department 128 St. Lawrence Seaway Development Corporation 132.304 Transportation reviews 318, 319, 322 Treasury, Department of the: Accounting booklet prepared by 54 Accounting principles and standards, submission and review of 134, 305 Accounting system, submission and review of 134, 305 Accounts, Bureau of 134, 305 Audit reports: Digests 135

Treasury, Department of the-Continued

Audit report—Continued

List of 305

- Multiagency reviews 313
- Number issued 133
- Collections and other measurable savings 357, 360, 361
- Customs, Bureau of 133, 305, 361
- Engraving and Printing, Bureau of 54, 133
- Financial management in the Federal Government 9, 52, 55, 59, 60
- GAO work in the Department 133
- Internal audit activities 64, 134
- Internal Revenue Service 38, 43, 64, 133, 134, 135, 305
- International activities 207
- Legislative recommendations 35
- Mint, Bureau of the 133, 305
- Public Debt, Bureau of 134, 305
- President's Commission on Budget Concepts 55, 60
- Secretary, Office of the 134, 305
- Transportation charges, JFMIP study of 59, 243
- Treasurer of the United States, Office of the 133, 134, 135, 306

U

- Uniform cost accounting standards 8, 19
- United Nations Children's Fund 20, 225
- U.S. Arms Control and Disarmament Agency 216
- U.S. Coast Guard (See Coast Guard, U.S.)
- U.S. Courts 166
- U.S. House of Representatives 22,33, 165, 314
- U.S. Information Agency 7, 63, 207, 209, 216, 227, 325
- U.S. Senate 33, 165, 315

۷

Veterans Administration:

Accounting system, submission and review of 160 Audit reports:

- Digests 160
- List of 312
- Number issued 159
- Collections and other measurable savings 357,
- 360, 362, 365
- Financial savings 373, 375 GAO work in the agency 5, 159
- Internal audit activities 64
- Legislative recommendations 35
- Veterans Canteen Service 162
- Vietnam, reviews of U.S. activities in 4, 20, 208, 209, 217, 218, 221, 323, 324, 358, 363, 364, 366
- Virgin Islands 111, 117, 289, 300, 364

W

Wages and Hour and Public Contracts Division 302 Water resources development projects 89, 115, 300 White House Office, The 307 Work-Training Programs, Bureau of 123 World Bank 223 World Health Organization 4, 20, 225, 325

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