

**FINANCIAL SAVINGS AND OTHER BENEFITS
ATTRIBUTABLE TO THE WORK OF THE
U.S. GENERAL ACCOUNTING OFFICE
FISCAL YEAR 1978**

**U.S. GENERAL ACCOUNTING OFFICE
JANUARY 1979**

Following our recommendation, the Air Force and Army made collections of about \$33 million for transportation and material costs from foreign countries which were previously omitted in billings to these countries. Other major collections comprised recoveries by the General Services Administration for contract overpricing and the Veterans Administration for benefits inappropriately given to hospitalized veterans with nonservice connected disabilities, and the Department of Health, Education, and Welfare for Medicaid overpayments.

FINANCIAL SAVINGS AND OTHER BENEFITS

The full effect of GAO's activities on financial savings and improvements in the operations and effectiveness of Government programs and activities cannot be measured. For instance, the increase in governmental effectiveness from actions taken on our recommendations cannot be stated in dollars and cents.

When actions taken by the Congress or an agency lead to measurable savings, we record them. Table 1 (next page) summarizes the \$2.5 billion in collections and other measurable savings attributable to our work which we identified during the year. Of the \$2.5 billion listed, about \$1.700 million represent one-time savings, while the benefits of the other \$800 million will extend into future years as well.

This chapter also describes savings not fully or readily measurable and other benefits from GAO activities.

Collections

Collections attributable to our activities totaled \$47.1 million. Of this, \$10.3 million represented our recovery of debts that Government agencies had been unable to collect.

Other Measurable Financial Savings

Other measurable savings consist largely of actual or potential savings from actions taken or planned by the Congress and Federal agencies. In most instances, the potential benefits are estimated, and for some items the eventual amounts have yet to be determined.

<i>Action taken or planned</i>	<i>Estimated Savings</i>
Ammunition:	
Reduction in Army appropriations request for ammunition and the production base support—Army (nonrecurring)	85,800,000
Reduction in Army appropriations request for initial production facilities—Army (nonrecurring)	18,100,000
Automatic Data Processing:	
Postponement of installation of computers—Treasury (nonrecurring)	14,800,000
Cancellation of the procurement of an IBM 370 system for installation at Ship Parts Control Center, Mechanicsburg, Pa.—Navy (nonrecurring)	4,635,000
Purchase rather than lease additional automated data processing equipment for inventory control points—Navy (nonrecurring)	3,500,000
Cancellation of request for a larger computer system—Treasury (nonrecurring)	1,000,000
Savings resulting from purchasing ADP equipment—Commerce (nonrecurring)	241,000
Communications:	
Cancellation of a contract to modify seven Department of Defense automated voice network (AUTOVON) switches—Defense (nonrecurring)	73,900,000

Table 8
Collections and Other Measurable Savings Attributable to the
Work of the General Accounting Office
Fiscal Year 1978

(000 omitted)

	Other measurable savings			Total
	Collections	Congressional action involved	Agency action involved	
DEPARTMENTS				
Agency for International Development	—	—	\$33,211	\$33,211
Agriculture	—	\$108,000	4,010	112,010
Air Force	\$567	9,000	273,275	282,842
Army	32,996	34,200	242,878	310,074
Commerce	—	44,000	5,541	49,541
Defense	683	231,700	178,636	410,019
Defense Logistics Agency	—	7,500	39	7,539
District of Columbia Government	—	—	536	536
Energy	—	—	70	70
Environmental Protection Agency	—	—	73,600	73,600
General Services Administration	105	—	157,626	157,731
Government Printing Office	—	—	300	300
Health, Education, and Welfare	1,987	40,000	28,960	70,947
Interior	—	22,577	5,933	28,510
International Communication Agency	—	—	14,000	14,000
Justice	—	—	6,700	6,700
Labor	92	—	9	101
National Aeronautics and Space Administration	9	3,000	75,400	78,409
Navy (and Marine Corps)	—	4,500	474,561	479,061
Postal Service	—	—	525	525
State	—	—	15,022	15,022
Transportation	—	7,800	480	8,280
Treasury	—	66,000	14,800	80,800
Veterans Administration	343	1,500	1,418	3,261
Government-wide	—	—	268,588	268,588
	36,782	579,777	1,875,118	2,491,677
General Claims Work	10,353	—	—	10,353
Total	\$47,135	\$579,777	\$1,875,118	\$2,502,030

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Termination of maritime satellite programs	
—Commerce (nonrecurring)	5,300,000
—companies for use of Department of Defense cable facilities—Defense (estimated annual savings)	400,000
Increased use of FTS by military installations—General Services Administration (estimated annual savings)	300,000
Establishment of more efficient and economical communications services—Defense (estimated annual savings)	223,000

Community Development and Housing:

Reduction of onbase family housing units—Defense (nonrecurring)	20,500,000
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Contracting Policies and Procedures:

Waste treatment facilities constructed at lower costs by establishing a value analysis program—Environmental Protection Agency (nonrecurring)	73,600,000
Reduction in appropriations for aircraft maintenance contracts—Air Force (nonrecurring)	4,000,000
Cancellation of contract provisions providing for contractor incentive fees—Air Force (nonrecurring)	907,000
Reduction in contract price resulting from defective cost or pricing data—Air Force (nonrecurring)	415,000
Recovery of development costs in sale of F-16 aircraft to European nations—Air Force (nonrecurring)	290,000
Reduction in contract price resulting from disclosure of defective contract pricing—Navy (nonrecurring)	247,000
Reduction in contract price resulting from defective subcontract pricing data—Navy (nonrecurring)	209,000
Reduction in contract prices resulting from downward adjustments in overhead billing rates—Defense (nonrecurring)	123,000
Reduction in contract price resulting from defective cost or pricing data—Navy (nonrecurring)	90,000
Reduction in contract price based on data supplied to contracting officer—Defense Logistics Agency (nonrecurring)	39,000

Distribution Management:

Cost avoidance by obtaining lower rates on DOD shipments of household goods over-	
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<i>Action taken or planned</i>	<i>Estimated savings</i>
seas—Defense (estimated annual savings)	34,000,000
Establishing a system for greater visibility and utilization of shipboard supplies—Navy (nonrecurring)	15,800,000

Employment and Training:

Recovery for ineligible participants in the CETA program in two counties in New York State—Labor (nonrecurring)	9,000
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Energy Generation:

Changes made in operation of the Hoover Powerplant which increased the kilowatt-hours generated by about 7 percent and displaced the consumption of 379,487 barrels of imported oil—Interior (estimated annual savings)	5,933,000
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Facilities:

Reduction in funding for the construction of a new Denver Mint—Treasury (nonrecurring)	65,000,000
Deferrment and reduction in funds requested in fiscal year 1978 for construction projects—Navy (nonrecurring)	4,500,000

Financial Management:

Improvements in supply fund operation made possible—General Services Administration (nonrecurring)	157,000,000
Change in accounting procedures to preclude the crediting of prior years' reimbursements to augment current year appropriations will reduce funding levels for appropriations—Defense (estimated annual savings)	94,000,000
Equipment not needed at some NASA activities was redistributed to others needing the equipment thus avoiding new equipment purchases—NASA (nonrecurring)	75,100,000
Implementation of improvements to management and budgetary controls over free assets—Defense (nonrecurring)	31,000,000
Savings in subsidy costs for servicing from renegotiating repayment terms of two concessional loans—AID (nonrecurring)	18,200,000
Interest cost savings to the Treasury as a result of accelerated deposit of loan collections by the Farmers Home Administration—Agriculture (\$2,530,000 estimated annual savings; \$1,180,000 nonrecurring)	1,010,000
Interest cost savings to Treasury resulting from elimination of foreign currency accounts maintained at overseas banking organizations—Army (estimated annual savings)	954,000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Interest cost savings to Treasury resulting from reduction of average Federal cash balances in contractor commercial bank accounts—Energy (estimated annual savings)	70,000
Interest cost savings to Treasury resulting from reduction in U.S. cash maintained at overseas banking organization—Army (estimated annual savings)	25,000
Foreign Affairs:	
Savings from congressional reduction of Sahel Development Program appropriations—AID (nonrecurring)	15,000,000
Savings resulted from discontinuing the housing supplement allowance paid to unqualified employees of the U.S. Mission to the United Nations—State (estimated annual savings)	22,000
Foreign Military Sales	
Revision of cost factors for military and civilian retirement and benefits for U.S. Government personnel working on foreign military sales will result in additional recoveries—Defense (estimated annual savings)	69,000,000
New requirements effective October 1, 1978, will reduce purchases from foreign governments of unneeded unserviceable equipment as well as reduce related repair and incidental costs—Air Force (\$36,400,000 estimated annual savings; \$9,800,000 nonrecurring)	46,200,000
Reduction of unneeded equipment buy-backs from foreign governments—Air Force (nonrecurring)	32,800,000
System correction to identify and rebill the cost of Government-furnished material sold to foreign governments—Air Force (nonrecurring)	7,000,000
Revised costing procedures for repaired items sold to foreign governments—Air Force (\$1,068,000 estimated annual savings; \$89,000 nonrecurring)	1,157,000
Correction of billings to foreign governments to reflect replacement costs for spare parts support for weapon systems purchased from the U.S.—Air Force (nonrecurring)	683,000
Billing for port handling charges—Army (nonrecurring)	252,000
Systems correction to identify contractor assistance costs will allow additional billings to foreign governments—Air Force (nonrecurring)	91,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Correction of billings to foreign governments to reflect actual procurement costs for jet engine test stands—Air Force (nonrecurring)	75,000
Correction of billings to foreign governments to reflect full replacement cost of stock fund articles sold—Air Force (nonrecurring)	72,000
Correction of billing to a foreign government to reflect actual procurement cost—Air Force (nonrecurring)	62,000
Identification of reimbursable expenses not reported by DOD activities to the Security Assistance Accounting Center for reimbursement from Foreign Military Sales—Defense (nonrecurring)	13,000
Health Facilities Construction:	
Renovation of existing health facilities at less cost of constructing new facilities—HEW (nonrecurring)	23,200,000
Cancellation of unnecessary research animal breeding facility—HEW (nonrecurring)	238,000
Loans, Contributions, and Grants:	
Termination of grants and reprogrammed grant funds—Justice (nonrecurring)	800,000
Maintenance:	
Improved productivity of Air Force maintenance depots—Air Force (nonrecurring)	44,000,000
Reduction of maintenance facility requirements—Navy (nonrecurring)	2,900,000
Cost avoidance from interservicing of Army altimeters—Army (nonrecurring)	77,000
Management:	
Implementation of improvements to production controls—Government Printing Office (estimated annual savings)	300,000
Manpower Requirements:	
Reduction in military staffing level of Pacific Fleet Command—Navy (estimated annual savings)	680,000
Correction made in formula for determining personnel requirements resulted in reduction in manpower authorization—Air Force (estimated annual savings)	267,000
Manpower Utilization:	
Reduction of training staffs at service schools and increasing classroom training time of students—Army (\$28 million), Navy (\$15 million), Air Force (\$71 million) (estimated annual savings)	114,000,000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Manpower reductions due to change in inspection points—Defense Logistics Agency (estimated annual savings)	7,500,000
Reduction in recruit training from 11 to 9 weeks by eliminating nonrelated activities such as mess duty and maintenance work—Marine Corps (estimated annual savings)	6,700,000
Termination of the Federal Bureau of Investigation's efforts to routinely apprehend all military deserters since most of them are subsequently discharged as unfit for service—Justice (estimated annual savings)	5,900,000
Converting military auditor positions to civilian in the Air Force Audit Agency—Air Force (estimated annual savings)	2,140,000

Matériel Management:

Deletion of nonessential items from budget request for war reserve matériel—Air Force (nonrecurring)	10,340,000
Reduction of production support and equipment replacement—Army (nonrecurring)	6,800,000
Reduction for contractual services for ship support improvement project—Navy (nonrecurring)	5,000,000
Reduction in appropriation for military services' supply activities—Army (nonrecurring)	1,300,000
Deletion from budget submission of the cost of spare parts to support F-106 for combat operations—Air Force (nonrecurring)	1,016,000
Cancellations of orders that were excess to GSA requirements—General Services Administrations (nonrecurring)	326,000

Medicaid:

Cancelled Medicaid contracts with four pre-paid health plans—Health, Education and Welfare (nonrecurring)	55,000
Two health districts in New York State stopped billing Medicaid for spend-down of medical expenses incurred medically needy persons—Health, Education and Welfare (estimated annual savings)	4,000,000

Medicare:

Greater use made of less costly home dialysis for treatment of chronic kidney failure—Health, Education and Welfare (estimated annual savings)	10,000,000
Eliminate improper reimbursements for routine foot care by podiatrists—Health, Education and Welfare (estimated annual savings)	180,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
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Payments to Government Employees and Other Individuals:

Expansion in scope of the Federal survey of private sector white-collar employee compensation to provide broader representation resulted in a lower percentage increase in annual pay raises of Government employees—Government-wide (estimated annual savings)	200,000,000
Costs of foreign national employees of U.S. Armed Forces in Japan reduced by negotiating the assumption of certain pay and benefit items by the Japanese Government—Defense (estimated annual savings)	35,000,000
Revision of DOD regulations to conform to amended legal provisions resulted in increased offset of social security payments against annuities paid to survivors of retired military personnel—Defense (estimated annual savings)	447,000

Revenues:

Increase in revenues received for providing consular services to both U.S. citizens and foreign nationals—State (estimated annual savings)	15,000,000
Rental of space excess to operations needs—Postal Service (estimated annual savings)	525,000

Social Security:

Supplemental security income payments reduced for black lung benefits paid to same beneficiaries—Health, Education and Welfare (estimated annual savings)	30,000
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Supply Management:

Reduction in procurement and repair requirements for aviation repairable parts through improved methods for establishing and maintaining optimum stock levels on board carriers—Navy (nonrecurring)	114,800,000
Reprogramming of funds to meet the Army's higher priorities needs for ammunition production—Army (nonrecurring)	110,100,000
Reduction in personnel and inventory of school supplies and improvement of supply management practices—District of Columbia (\$150,000 estimated annual savings; \$386,000 nonrecurring)	536,000
Army troop support and Aviation Readiness Command reduced an unneeded overhaul program for AH-1G tailbooms from 35 to 4—Army (nonrecurring)	230,000

FINANCIAL SAVINGS AND OTHER BENEFITS

<i>Action taken or planned</i>	<i>Estimated savings</i>
Savings from changing from high price model of typewriter to less costly one—AID (nonrecurring)	11,000
Transportation:	
Reduction of appropriation request—Defense (nonrecurring)	9,000,000
Funding reduced for the second-career training program for air traffic controllers—Transportation (nonrecurring)	7,800,000
Reduction in the number of motor vehicles used by the U.S. Forces in Korea to support administrative operations—Defense (nonrecurring)	4,500,000
Military services consolidated procurement on mainland Japan; and industrial gas production and civilian personnel and family housing in Okinawa, Japan—Defense (\$4,700,000 estimated annual savings; \$130,000 nonrecurring)	5,130,000
Reduction in funding for short-takeoff and landing technology program—NASA (nonrecurring)	3,000,000
Seat Spacing on Military Airlift Command's trans-atlantic charter flights has been reduced from 38 inches to 34 inches, thus increasing passenger capacity and reducing the number of flights required—Air Force (estimated annual savings)	2,100,000
Reduction in dedicated manpower authorized solely to support distinguished visitors' lounges at 19 passenger terminals operated by the Military Airlift Command—Defense (estimated annual savings)	900,000
The Alaska Railroad increased the rental rates on its land—Transportation (estimated annual savings)	475,000
The Saint Lawrence Seaway Development Corporation established a policy of depositing funds in minority banks within the constraints of good cash management, resulting in increased interest earnings—Transportation (\$3,000 estimated annual savings; \$2,000 nonrecurring)	5,000
Veterans Health Care:	
Reduction in appropriation to eliminate funding for low priority medical facilities—Veterans Administration (nonrecurring) ..	1,500,000
Reduction of indirect costs on VA health manpower training grant awarded to University of North Dakota—Veterans Administration (nonrecurring)	816,000

<i>Action taken or planned</i>	<i>Estimated savings</i>
Collection of state disability insurance hospitalization benefits for nonservice connected disabilities treated in VA hospitals—Veterans Administration (nonrecurring) ..	500,000
Implementation of proper billing procedures to ensure collection for laboratory services rendered—Veterans Administration (estimated annual savings)	102,000
Vocational Rehabilitation	
Cancellation of cooperative agreements involving third-party funds between the Indiana Rehabilitation Agency and 33 Indiana school corporations—Health, Education and Welfare (nonrecurring)	957,000
Voting Rights:	
Denial of funding for voting rights survey—Commerce (nonrecurring)	44,000,000
Weapons Systems:	
Substitution of improved towed array sonar system—Navy (nonrecurring)	305,000,000
Deletion of requirement for a hard structured munitions warhead—Air Force (nonrecurring)	63,000,000
Reduction in appropriation for ground laser locator designator—Army (nonrecurring) .	14,500,000
Reduction in appropriations requested for the improved tactical bombing program—Defense (nonrecurring)	5,200,000
Elimination of funding for full-scale integration of the IIR guidance system—Air Force (nonrecurring)	5,000,000
Other Items:	
Federal wheat deficiency payments made at lower rate—Agriculture (nonrecurring) ...	108,000,000
Government contributions to Federal Employees Group Life Insurance program reduced by revising the actuarial formula for determining premiums required to maintain a fiscally sound program—Government-wide (estimated annual savings) ...	68,588,000
Appropriations ceiling for the southern Nevada water project was reduced—Interior (nonrecurring)	22,577,000
Departments of State and Defense concluded a labor cost-sharing agreement with Japan for Japanese national employees of U.S. Forces in Japan—Defense (estimated annual savings)	26,000,000
Reduction in costs of operating Radio Free	

<i>Action taken or planned</i>	<i>Estimated savings</i>
Europe and Radio Liberty through consolidation of functions and clarification of responsibilities—International Communication (estimated annual savings) . . .	14,000,000

Additional Financial Savings Not Fully or Readily Measurable

Many important one-time or recurring financial savings result from our work, but the resultant savings cannot be fully or readily measured.

Action to Prevent Payments to Housing Subsidies Which Exceed the Legal Limitations

The section 8 leasing program administered by the Department of Housing and Urban Development (HUD) provides financial assistance to supplement the rents paid by lower income families. HUD annually establishes, by market area, fair market rents for various apartment unit sizes and structure types to induce developers to build or rent projects.

In a June 16, 1977, report to Congressman Robert S. Walker (CED-77-84) we pointed out that HUD had approved 32 rental assistance contracts in eastern Pennsylvania in which rents set might exceed the fair market rent limitation established by Federal law if the contract's contingency fee provisions were fully exercised. The contingency fee is an estimate of the financing costs to be incurred and may differ from actual financing costs when permanent financing is arranged.

This occurred because HUD Philadelphia area office officials were not aware that contingency fees were subject to the limitation. If the full amount of the contingency fees were paid, rent subsidy payments would exceed the limitation by \$2 million over the 40 year contract periods for just 2 of the 32 contracts. In this report, we also pointed out that there was a lack of documentation to support fair market rent determinations made for Lancaster, Pennsylvania.

Because there were indications that these problems existed in other HUD field offices, we recommended that HUD (1) notify the field offices to include contingency fees in determining whether the fair market rent limitation would be exceeded and (2) revise its regulations to clearly require that adequate documentation be maintained in support of fair market rent determinations.

HUD agreed with our recommendations and notified its field offices that contingency fees must be considered whether or not the fair market rent limitation has been exceeded and took steps to revise its instructions to require fair market rent documentation.

Reduced Federal Deficiency Payments on Certain Grain Sorghum and Barley Acreage

Farm legislation in effect for crop years 1974 through 1977 directed or authorized the Secretary of Agriculture to make deficiency payments to producers of certain crops, including grain sorghum and barley, based on a farm's allotted acreage for each crop whether or not the crops were grown on that acreage. The deficiency payments were to be made for any year in which a target price set in accordance with the law exceeded the higher of either the price-support loan rate or the average market price during the first 5 months of the crop marketing year.

In a May 24, 1977, report to the Congress (CED-77-77), we recommended that the Congress adopt legislation that would preclude deficiency payments for crops not grown. The Food and Agriculture Act of 1977, approved in September 1977, limited deficiency payments beginning with 1978 crops to planted acreage only. For 1977 crops the act continued deficiency payments based on allotted acreage; however, as we recommended, it provided that for those crops, including grain sorghum and barley, for which it raised 1977 target prices above those established under the previous law, any deficiency payment on unplanted allotment acreage would be based on the old, rather than the new, target prices.

The Department of Agriculture paid about \$228 million in deficiency payments to grain sorghum and barley farmers on their planted allotment acreage in 1977. However, because the price-support loan rates and average prices for these crops were higher than their old target prices, no deficiency payments were made on the unplanted allotment acreage. It was not feasible for us to estimate the savings resulting from requiring use of the old target prices. Such an estimate would have required computing the amounts that thousands of farmers would have received on their unplanted acreage. It also would have required analyzing all their program payments because the law limited the total amount of all payments (except disaster payments) at \$20,000 for each farmer annually under one or more of the annual programs established for wheat, feed grains, and cotton. However, if the new law's target prices had applied and if there was no payment limitation, the payments on unplanted grain sorghum and barley allotment acreage could have amounted to about \$275 million.

Adjusted EPA Mileage Estimates Would Result in More Consumers Buying Fuel-Efficient Cars

The Motor Vehicle Information and Cost Savings Act requires EPA to determine the gas mileage of new cars and to publish the results. In our report "Convincing the Public to Buy the More Fuel-Efficient Cars: An Urgent National Need," issued August 10, 1977, we discussed the credibility of EPA gas mileage estimates and concluded that the estimated mileages were higher than most consumer experience in everyday driving, because of the many ranges of variables which are not controllable in laboratory testing.

On September 19, 1977, the EPA Administrator released the fuel economy data for 1978 model year cars and announced that EPA was initiating a study of the fuel economy impacts of variables such as road, traffic, and weather conditions, and of differences in driving habits and maintenance practices. He also announced that in its 1979 mileage guides, EPA would adjust the published mileage data to account for these variables and thereby reflect the mileage likely to be experienced by the majority of drivers under all driving conditions.

EPA developed for each 1979 model car a single, miles-per-gallon rating which reflects the amount of fuel that road tests and studies indicated were needed to drive the car under usual road conditions. EPA also redesigned the mileage labels placed on each car, provided additional explanations in the guides regarding the information therein, implemented a program to ensure that the guides are available at dealers' showrooms, and publicized the program by means of spot announcements on television.

EPA's actions should result in buyers having more confidence in the EPA estimates and in using them in deciding to buy more fuel-efficient cars.

Reducing Risk of Storing Oil In Salt Caverns

The Energy Policy and Conservation Act requires that the Department of Energy (DOE) create a strategic petroleum reserve to provide protection against future disruptions in U.S. energy supplies. DOE is committed to having 500 million barrels of crude oil in storage by 1980 and thus far has been storing the oil in salt caverns located in the Gulf Coast area.

In a January 1978 report to the Secretary of Energy on "Need to Minimize Risks of Using Salt Caverns for the Strategic Petroleum Reserve" (EMD-78-25, January 9, 1978), we stated that DOE is permitting the chemical companies who formerly operated the caverns to

continue brine production at two of the storage sites. However, if a cavern is operated in excess of its maximum operating pressure, it could fracture causing it to be unsuitable for storage. For each cavern rendered unsuitable for storage, DOE would have to find a suitable replacement cavern or construct a new one. Either situation, particularly the latter, would result in program delays and additional costs.

We recommended that DOE institute a formal system for controlling the brining operations to assure that brine production does not exceed safe rates of production. Subsequently, DOE installed pressure recording devices at the caverns at one of the sites to continuously monitor and record operating pressures during brining. DOE plans to install devices at the other site in the near future. This will help minimize the risk of storing oil in these caverns, which could be damaged by continued brining operations.

Savings Through Full Use of Fast Payback Funds

The Air Force's Management Engineering Agency operated a fast payback capital investment program to purchase off-the-shelf equipment that would recover investment costs within 2 years. This program was funded with \$6.5 million in fiscal year 1977. Funds for each investment project were provided based on the estimated costs, and excess funds were to be returned to the program for future use.

We found that because the Air Force had not instituted followup procedures, excess funds were not being returned. Consequently, until action was taken as a result of our examinations, the Air Force was missing other opportunities for savings through full use of the fast payback funds.

Proposed Funding for District of Columbia Elementary School

The District of Columbia Public Schools included in its budget requests to the Congress proposed funding to construct an elementary school as a replacement for two schools. The need for this school has changed since work on the project started and to proceed with the construction would be contrary to the Board of Education's policy of replacing a school only when a sizeable seat shortage exists in the area served by the school.

Prior to the appropriation hearings, we briefed the staff, Subcommittee on District of Columbia, Senate Committee on Appropriations, on the questionable need to build the school. We advised the Subcommittee staff that the construction of the school was not justi-

fied or needed. We provided the staff data for use during the fiscal year 1976 hearings which showed that in school year 1974-75 there were about 1,000 excess seats in the planning area served by the replacement school. If the school were built, and considering other construction in the area, the excess seating capacity would increase to about 1,500 spaces.

The Congress deleted the funding of the proposed school from the fiscal year 1976 budget and again from the fiscal year 1978 budget submission because of data we submitted.

Federal Bureau of Investigation Develops New Resource Management and Information System

During our review of the Federal Bureau of Investigation (FBI) investigative results and accomplishments, the Comptroller General and FBI Director met to discuss our interim findings—that the FBI lacked information necessary to effectively manage its investigative resources, and that its information on investigative results was misleading. Because these findings confirmed the FBI's own doubts about its management information systems, the FBI Director established a task force which worked closely with us during the remainder of our review to develop a new management information system.

The new system, described in our report issued February 15, 1978, was implemented in October 1977. If properly implemented, the new system should provide the FBI (1) a better basis for identifying priority investigative areas and cases, thus providing a better basis for resource allocation, (2) more comprehensive, valid, and integrated data for making management decisions and (3) detailed criteria for measuring investigative results and assuring their validity.

Improved Verification of Applications For Basic Education Grants

In a report to the Congress (HRD-77-91, Sept. 21, 1977) we stated that the Office of Education had not established adequate controls to assure that information supplied by applicants for basic educational opportunity grants was accurate. We pointed out that as much as \$24.3 million may have been awarded to ineligible students.

HEW has initiated a pre-award verification procedure in the Basic Educational Opportunity Grant Program. HEW acknowledged that the new procedures were largely the result of our report and estimated that it had been paying from \$100 to \$150 million annually to students who were ineligible or who were overpaid.

Improved Management of Processing Hospital Supplies

We had reported that the Veterans Administration system for centrally managing hospital procurement and supply operations could be more cost-effective if more information was available regarding local procurements by individual hospitals. We pointed out that VA's Supply Service (1) lacked information about local hospital purchases, (2) lacked data regarding items centrally processed, and (3) permitted unnecessarily high inventory levels for items stored in depots.

As we recommended, VA has developed a computerized system to identify supply items for centralized management, revalidated the inventory levels needed to support hospitals, and established central office responsibility for monitoring VA hospitals' use of mandatory sources of supply. These actions should result in substantial cost reductions.

More Equitable Procedures to Settle Accounts for International Mail Services

The Universal Postal Union—composed of the United States and 156 other countries—makes the rules for exchanging mail between countries and sets charges for services performed. Differences between the market exchange rates of the countries' currencies and their exchange rates set under the Union's monetary standard, the gold franc, were causing problems in settling international postal accounts. The United States was incurring losses because as a creditor, it always settled in dollars, while some countries to which the United States was indebted exercised their option to request payment in the currency that would give them the most favorable return.

In our report (ID-77-38, Aug. 30, 1977), we recommended that the Postal Service participate in international attempts to establish a more realistic monetary standard, such as the special drawing right (SDR) unit issued by the International Monetary Fund, for settling charges and settling international mail accounts.

In October 1977 the Postal Service stated that in keeping with GAO's recommendation, the Service had reached agreement with three countries on the use of the SDR in settling accounts, is negotiating with two countries for its use, and intends to increasingly use the SDR in settling international postal accounts.

Using SDR is an equitable way to settle accounts because currency exchange rates based on SDR values are close to or the same as market exchange rates. The United States will largely avoid losses since the value of settlement amounts will be substantially equal regardless of the currency used to settle the debt.

Excess Item Management

During a survey of excess item management by the U.S. Army in Europe, we learned that the Army had special projects at corps and division levels, to retain and eventually use repair parts and other items that were in excess of established stock levels. The intent was to avoid disposing of material which would have to be purchased later from wholesale supply sources. However, the U.S. Army in Europe had not implemented uniform criteria for the retention of this material, and as a result large and duplicative inventories were being retained; had not made an economic analysis to determine if the projects were justified; and there were no plans to provide higher commands with visibility over these inventories.

We reported our findings to the Commander in Chief, U.S. Army, in Europe and recommended that uniform retention criteria be adopted and excess quantities of materials be redistributed to those with a current need for the items.

U.S. Army in Europe reported to us that uniform criteria have been implemented and excess item projects have been brought in line with the criteria, resulting in a reduction in excess item inventory levels. This reduction of excess inventory was achieved through redistribution to satisfy current needs of other units and through transfer to property disposal office. At the latter organizations such property is subject to reuse through regular screening procedure. We could not determine the total value of redistribution or reuse, because U.S. Army in Europe does not require reporting on these transactions.

Forms Facsimile Handbook

The Standard and Optional Forms Facsimile Handbook is a valuable tool which allows forms managers to review requests for new forms against available standard or optional forms. Using standard and optional forms results in significant savings in forms design, printing, and distribution by curtailing the development of new forms. Standard and optional forms are available through GSA's supply system and are used instead of agency developed forms.

During an inquiry of Federal forms management we found that the Standard and Optional Forms Facsimile Handbook had not been updated in over 3 years although the number of standard and optional forms increased by about 40 percent. Unaware of new standard or optional forms, agencies develop their own forms without reference to available forms. The outdated condition of the forms facsimile handbook contributed to an increase in the number of different agency-developed forms and increased costs.

The estimated number of different Federal forms doubled from 360,000 to over 700,000 from 1969 to 1972. Although current estimates are not available, forms proliferation is known to be a continuous problem. The annual cost to manage Government forms is an estimated \$2 billion.

In October 1976 we advised the Administrator, GSA, that while the Standard and Optional Forms Program is the National Archives and Records Service's (NARS) responsibility, the handbook, an essential tool to the program, was the responsibility of the GSA Region 3 Federal Supply Service. Thus, an essential tool to the forms program was outside the control of the program manager which probably contributed significantly to the delinquency of a new handbook. We suggested transferring the handbook responsibility to NARS. In November 1976 the handbook responsibility was transferred. In March 1977 NARS announced the handbook availability through subscriptions handled by the Government Printing Office. The subscription includes 3 years of quarterly updates.

An up-to-date handbook should improve the effectiveness of agencies' form management programs and significantly reduce costs associated with developing different agency forms where existing standard or optional forms exist.

Optimum Use of Federal Real Property

We reviewed the background, circumstances and status of a use agreement between the Department of the Navy and the Interior concerning land located at Sachuest Point, Rhode Island.

The use agreement was entered into because the Navy wanted to continue using an existing beach club located on land controlled by the Department of the Interior (DOI) and DOI wanted 102 acres of Navy land for a wildlife refuge. The General Services Administration (GSA) stated that it would declare the agreement illegal when the 102 acres of Navy property was reported excess. DOI told Navy that the continued use of the beach club depended on DOI receiving the property.

The Navy stated that if it could not use the beach club it would be required to build a recreation facility in the area at an estimated cost of \$750,000.

In our report we recommended that DOI permit the Navy to continue using the beach club facility and that the Navy complete the screening process for the 102 acres of land and if not needed to report it as excess to GSA.

In their replies to our report the DOI said that the agreement assured the Navy's continued use of the beach club and the Navy stated that the property had

been screened through DOD and was being reported to GSA as excess. Because of these actions, (1) the Navy will not have to request funds for a new recreational facility, (2) Navy property no longer needed by the Navy will be made available to satisfy requirements of other Federal agencies, or (3) if not needed by any Federal agency, Navy property will either be made available for continued public benefit through a State or local agency or will be sold, bringing money into the U.S. Treasury.

Improved Procedures for Approving Royalty Payments Included in Negotiated Contracts

We performed a review of the procedures followed for approving patent royalty charges included in Air Force contracts awarded by the Air Force Logistics Command. Our review of patent royalty files indicated a general lack of documentation necessary to determine the propriety of royalties approved, and in several instances, questionable approvals were made.

We recommended that procurement and legal review activities establish procedures to assure that necessary documentation is obtained, reviewed, and maintained to support royalty approval actions. The Air Force agreed to implement our recommendations.

Uninformed Procurement Decisions for Commercial Products Are Costly

On October 26, 1977, we reported to the Congress that the Defense Logistics Agency, General Services Administration, and, to a lesser extent, the Veterans Administration do not consider all costs when deciding how to procure common commercial items. For this reason these agencies have chosen to procure, stock, and distribute goods themselves rather than to buy them commercially. However, often it is more economical to use commercial distribution channels to supply products directly to users. These agencies have agreed to take action to develop and use full cost data in making effective procurement decisions.

Revision of Defense Policy for Developing Software Testing

In a report to the Congress we recommended that the Secretary of Defense should take action to improve the test and evaluation of weapon system software programs. We reported that software needs to be thoroughly tested during development so that discrepancies are

identified and corrected before the systems are released to the military users. Early detection of errors may prevent development schedule slippage and reduce system life cycle costs.

The Department of Defense agreed with our findings and revised its policy to provide for adequate testing of computer software before its release for operational use.

Other Benefits

Some actions taken in response to our recommendations result in benefits other than financial savings. If the Congress enacts recommended legislation or if new agency regulations or procedures are adopted, day-to-day operations at Federal, State, and local levels may improve. Sometimes the actions directly enhance the well-being of individual citizens.

Actions Taken to Improve Health and Safety in Metal and Nonmetallic Mines

As requested by the Senate Committee on Human Resources, we issued a report to the Congress (CED-77-103, July 26, 1977) on the effectiveness of the Department of the Interior's administration of the Federal Metal and Metallic Mine Safety Act. We reported that limited progress had been made in the safety record of mines covered by the act since its passage in 1966.

On November 9, 1977, the Congress enacted the Federal Mine Safety and Health Amendments Act of 1977 (P.L. 95-164). An advance summary of our report was used extensively in the Senate floor debate of this legislation. In line with our recommendations to the Congress, the act (1) authorizes penalties, including closure orders, in case where mine operators repeatedly violate the same standards and (2) specifically authorizes noncoal research and sets appropriate funding levels. The act also contains numerous provisions consistent with the intent of our recommendations to the Secretary of the Interior for (1) improving the completeness and accuracy of accident, injury, and illness information; (2) expediting the promulgation of mandatory standards (regulations); (3) making training for miners more effective in reducing accidents and injuries; and (4) evaluating advisory standards and upgrading them to mandatory status as appropriate.

In response to our report, the Department and its Mining Enforcement and Safety Administration (MESA) took the following actions: (1) revised the criteria for injuries that mine operators must report; (2) established criteria for accidents which should be investigated; (3) assigned additional staff to the standards

promulgation process and began evaluating and, where appropriate, upgrading advisory standards to mandatory status; (4) placed greater emphasis on enforcement of health and training standards during inspections; (5) commended analyzing data in the Management Control System to assess its enforcement activities; (6) started action toward issuing mandatory standards requiring mine operators to provide accident prevention training to all their employees; (7) initiated formal procedures between the Bureau of Mines and MESA for coordinating technology transfer matters and established a joint Bureau-MESA task force to formulate implementing procedures; (8) increased funding of the Bureau's noncoal health and safety research program; (9) established a formal training program for MESA personnel in the techniques and procedures for conducting special accident prevention studies; and (10) implemented new criteria for selecting mining operations to be included in the special Program in Accident Reduction.

The newly enacted legislation and the Department's actions should make metal and nonmetallic mines safer and healthier places of employment.

Actions Taken to Improve Motor Carrier Safety

On May 16, 1977, we reported to the Congress that the Federal Highway Administration's (FHWA's) Bureau of Motor Carrier Safety had not (1) effectively addressed congressional concern for safety problems, (2) monitored and enforced Federal motor carrier safety requirements, or (3) coordinated its work with related State agencies. Inadequate reporting and record-keeping practices prevented the Bureau from accurately determining the number of carriers under its jurisdiction.

In response to our recommendations, the Department of Transportation and FHWA:

- Established a task force to develop an information system to facilitate analysis of carriers' safety records and help investigators select carriers most in need of safety surveys.
- Commenced a complete revision of its procedures for enforcing Federal motor carrier safety regulations.
- Implemented training to improve quality of legal casework and reduce processing time.
- Issued guidelines on civil and criminal case review by regional counsels.
- Started—by selective areas—an enforcement campaign on commercial motor carriers violating Federal hours of operation rules. As a result, trucking companies discontinued some runs which re-

quired drivers to exceed maximum driving hours.

- Surveyed all States to identify those which (1) develop motor carrier safety data and (2) routinely provide State data to the Bureau. Survey results were used to encourage more States to share information with the Bureau.
- Assigned special emphasis to increasing roadside vehicle/driver inspections.

These actions should increase the effectiveness of the motor carrier safety program and improve the safety level of carriers' operations.

Fairer and More Consistent Treatment of Homeowner Claims

At the request of Congressman Ralph H. Metcalfe, we reviewed the activities of the Chicago area office of the Department of Housing and Urban Development (HUD) concerning its operation of the section 518(b) program. This program was designed to correct or compensate owners of existing homes purchased with federally insured mortgages in which there were serious defects at the time of insurance commitment.

In testimony before the Subcommittee on Manpower and Housing, House Committee on Government Operations, on April 15, 1977, and in a report to the Congress dated July 27, 1977, entitled "Need for Fairer Treatment of Homeowners' Claims for Defects in Existing Insured Homes" (CED-77-97), we concluded that Chicago homeowners had been treated unfairly and inconsistently under the program. Lack of clearly defined criteria for evaluating the acceptability of homeowner claims for assistance resulted in inconsistent HUD determinations that frequently were reversed when homeowners appealed the decisions. Also, Chicago homeowners were not fully reimbursed for defects, as prescribed by HUD regulations.

We recommended that HUD revise the guidance provided to its inspectors for determining whether defects existed at the time of insurance commitment to recognize the inappropriateness of relying (1) solely on a fixed time limit without giving due regard to the other factors of each case and (2) on the original FHA appraisal. We also recommended that the HUD Chicago area office reevaluate all claims it had rejected on the basis of inappropriate criteria and all claims paid for compliance with prescribed reimbursement procedures.

On July 11, 1977, HUD advised its field offices of the deficiencies in using a pre-set time criterion and the original appraisal in processing homeowners' claims. In a letter dated January 16, 1978, the Secretary of HUD

told the Senate Committee on Governmental Affairs and the House Committee on Government Operations that homeowners' claims were now being fully reimbursed, and that the Department was negotiating with the American Institute of Architects for an independent third party review of rejected claims.

In Chicago, subsequent to our review, HUD reevaluated 2,912 homeowners' claims to assure that reimbursements had been made in accordance with prescribed HUD regulations. As a result, 397 Chicago homeowners were reimbursed additional amounts totaling \$169,436.

Improved Accounting and Financial Reporting

Accurate accounting is necessary to control Government assets and to present fairly the financial position of the Government. The Department of Labor, the Department of the Treasury, and the General Services Administration materially misstated accounts receivable, thus precluding a fair presentation of these agencies' financial position at September 30, 1976.

In separate reports to these agencies, we recommended specific improvement. The agencies responded to our reports and stated that our recommendations to ensure more accurate accounting for and reporting of accounts receivable were implemented.

Improving Internal Audit

In our report on the Army Audit Agency we recommended that the Agency be placed at a higher level in the Army, not be restricted in the areas it was allowed to audit, make more effective use of its auditors, improve its report followup system, and appoint a civilian to head the agency.

The Army agreed and has or is in the process of complying with the recommendations which should significantly improve the operations of the Army Audit Agency.

Improvements in Defense Department Procedures to Evaluate and Select Energy Conservation Projects

In our review of the Defense Department's Energy Conservation Investment Program (ECIP) we found that proper economic analyses, consistent with the Office of Management and Budget (OMB) Circular A-94, were not being used to evaluate and select projects and that sometimes projects were funded that saved very

little energy. In addition, Government-owned, contractor-operated (GOCO) facilities were excluded from the program.

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Based on our findings the Department then issued revised guidelines for ECIP which called for economic analyses for large projects and project prioritization based on energy saving effectiveness.

In our report to the Secretary of Defense (EMD-78-15, January 18, 1978) we acknowledged the above improvements but pointed out that they did not go far enough. We recommended that an economic analysis consistent with OMB Circular A-94 be done for all projects and that GOCO facilities be included in ECIP.

Subsequent to our report, the Department again modified ECIP's guidelines to require economic analyses for all projects. And, in line with our recommendation to include GOCO facilities in the program, the Department established the Energy Conservation and Management (ECAM) program as a counterpart to ECIP to fund energy conservation retrofit projects at GOCO facilities.

Strengthened Security Requirements for Nuclear Material Facilities

At the request of Congressman Timothy E. Wirth, we evaluated the status of actions by the Department of Energy (DOE), formerly the Energy Research and Development Administration (ERDA), to correct physical security deficiencies noted at the agency's special nuclear material facilities. While we found a general improvement in the physical security at the facilities visited, we noted that certain security requirements were vague and led to misinterpretation and inconsistent protection criteria. Consequently, we recommended that these requirements be strengthened to better assure consistent and adequate protective measures. On November 29, 1977, DOE responded to our recommendations and advised the House Committee on Government Operations that it (1) had issued a management directive to strengthen and clarify security requirements over the placement of nuclear material detectors and (2) was drafting for publication new physical security requirements for protecting less than strategic quantities of bomb-grade plutonium and highly enriched uranium. These actions should lead to added protection of these dangerous nuclear materials against theft and sabotage.

Improvements in the Department of Energy's Compliance Effort

As a result of our investigation and inquiries by Senator James J. McIntyre's staff, the Department of Energy expedited its compliance efforts and issued an order requiring a New England fuel oil firm to pay back to customers approximately \$4.7 million plus interest for overcharges in residual fuel oil sales.

In our report (EMD-77-71, Nov. 7, 1977), we pointed out several factors contributing to the delay in the resolution of compliance cases and made recommendations for improvement. The Department of Energy agreed with our recommendations and stated that it would continue considering our recommendations in the reorganization of its Office of Enforcement. Actions taken included

- establishing goals to simplify and clarify existing regulations,
- formalizing procedures to expedite the resolution of outstanding regulatory issues, and
- improving case processing procedures by increasing legal support on cases and streamlining internal reporting procedures.

Upgrading Internal Audit

We reported to the Congress (FOD-78-15, Oct. 25, 1977) that the Federal Home Loan Bank Board's internal audit organizational structure was not designed to insure maximum independence. We stated that because of organizational placement, the auditors assigned to internal reviews were in the tenuous position of reviewing and reporting on the activities and deficiencies of higher management within their own organizational structure. We also pointed out that the Board had advocated audit organizational independence for its other activities but not for its own organization and its present structure was not in line with the general Federal Government trend of making internal audit functions independent of the organizations being audited.

We recommend that the Chairman of the Board revise his internal audit organization so that maximum independence could be obtained.

On January 11, 1978, the Chairman of the Federal Home Loan Bank Board signed Order No. 400 which transferred all financial and internal audit and related personnel from their previous organizational structure

(Office of Management Systems and Administrative) to an Internal Review staff which is established in the Office of the Chairman.

The organizational change will make Internal Review more independent and, therefore, more effective.

Federal Bureau of Investigation Makes Information on Individuals More Accessible

Since the enactment of the Privacy Act of 1974, Federal agencies have been required to report in the Federal Register all their systems of records on individuals. The Federal Bureau of Investigation (FBI) reported 12 systems of record, with its main system being the Central Records System.

The publication in the Federal Register is required so (1) the public is informed of Government recordkeeping practices about individuals and (2) individuals are able to make reasonably informed decisions concerning the likelihood of the existence of records about themselves.

The FBI's Central Records System contains all investigative, personnel, applicant, administrative, and general files. In addition to the general index maintained at headquarters and at each field office and foreign liaison office, various indexes are used to facilitate the way investigations are handled. Primarily these indexes include index cards, photo albums, computer tapes, and computer printouts.

The notice in the Federal Register for the FBI's Central Records System itemized and explained several categories of individuals the system has records on. The notice did not list or mention by name specific indexes which the FBI uses in managing and conducting its day-to-day operations. We concluded that as long as the individuals and information contained in an index was retrievable through a published system of records, it was not necessary for the FBI to consider each index as a separate system of records that must be individually published as such in the Federal Register. However, 63 of the 239 indexes we identified as being maintained by FBI headquarters or field offices for investigative purposes were not fully retrievable through a published system of records.

Subsequent to our analysis, the FBI expanded its notice considerably in the Federal Register. Because of this expanded notice, the public is much more aware of what categories of people the FBI keeps records on and requesters are more assured that all the information the FBI has on them would be retrievable.

Procedures to Improve Telephone Assistance to Taxpayers

Our survey of the Internal Revenue Service (IRS) Taxpayer Service Telephone Assistance Program showed that when taxpayers' questions were referred to a technical backup person, they would receive correct answers to their questions about 79 percent of the time. We informed the IRS of our findings because it considers telephone referrals to be a critical factor in providing quality service to taxpayers.

On March 22, 1978, the Commissioner of Internal Revenue testified before the Subcommittee on Commerce, Consumer and Monetary Affairs, House Committee on Government Operations. He stated that the IRS would establish a mandatory review to identify error rates for referral assistants on a separate basis. The Assistant Commissioner for Accounts, Collection and Taxpayer Service sent a memorandum to all IRS regional commissioners emphasizing the importance of reviewing the quality of answers given by referral personnel. In addition, IRS has made changes in its Taxpayer Service Quality Review Handbook. The upgrading of the standards for the Taxpayer Service Telephone Assistance Program will help assure taxpayers they are receiving the correct answers to their more difficult questions.

Government-wide Procurement Policy To Prevent "Wage Busting"

In a report dated February 28, 1978 (HRD-78-49), we recommended that the Administrator for Federal Procurement Policy, the Office of Management and Budget, establish a Government-wide policy to discourage wage busting of professional employees working on Federal service contracts and require Federal agencies to include appropriate implementing language in their procurement regulations and service contracts.

As a result of our recommendations, the Office of Federal Procurement Policy (OFPP), issued Policy Letter Number 78-2, "Preventing 'Wage Busting' for Professionals: Procedures for Evaluating Contractor Proposals for Service Contracts," which stated that it is the declared policy of the Federal Government that all service employees, including professional employees, employed by contractors providing services to the U.S. Government, be fairly and properly compensated. The policy letter said Federal procurement procedures shall be developed to assure equitable compensation for all

such employees. The letter also provides appropriate language for inclusion in all future solicitations whenever professional employees are expected to be needed to perform the services. The new policy, effective April 1, 1978, is to be implemented through regulatory guidance issued under both the Defense Acquisition Regulation and Federal Procurement Regulations.

Also as a result of our recommendations, the Department of Defense (DOD) advised us in June 1978 that the Air Force has been directed to develop guidance for DOD activities to discourage wage busting of professional service employees. In addition, the National Aeronautics and Space Administration in July 1978, amended its procurement regulation to include procedures to implement the requirements in OFPP Policy Letter Number 78-2.

Improve Nutrition Program for the Elderly

In our report to the Secretary of HEW on our review of the nutrition program for the elderly (HRD-78-58, February 23, 1978) we identified a number of areas where program administration and effectiveness could be improved. We discussed our report with officials of the Administration on Aging (AOA) in December 1977. We were informed that as a result of our report, AOA was undertaking a new initiative nationwide to improve administration of elderly nutrition program. Actions taken by AOA and the U.S. Department of Agriculture will increase the number of meals available to older persons by 12 percent or a total of 17 million additional meals by March 1979.

Greater Outreach Efforts by the Social Security Administration

We recommended in April 1977 that the Social Security Administration identify those individuals who were denied benefits because of excess personal resources and advise them they may now be eligible for Supplemental Security Income benefits because of a change in the law on home ownership. We also recommended that similar outreach efforts be made in the future when legislative changes are made that effect previously denied applicants.

In January 1978, we were advised that Social Security will contact about 50,000 to 70,000 individuals previously denied benefits because of excess resources. We were also advised that similar outreach efforts will be made in the future when warranted.

Improved Control of U.S. Antarctic Research Program Logistic Support Costs

In our report to the Chairman, Senate Committee on Foreign Relations, (ID-77-59, December 30, 1977) we reported that although the National Science Foundation is reimbursing the Navy for all major U.S. Antarctic Research Program costs, costs are still being borne by the Navy. We recommended that the Secretary of Defense identify the logistic support for the program that is borne by the Department of Defense, establish procedures to accumulate or estimate costs, and that the Secretary and the Director of the National Science Foundation improve coordination of logistic support finances.

On February 6, 1978, the Department of Defense National Science Foundation memorandum of agreement was amended to provide for the National Science Foundation to reimburse the Navy for total cost of providing subsistence to Foundation-sponsored civilian personnel in Antarctica effective October 1, 1978. In addition, on January 12, 1978, the Comptroller of the Navy requested the Navy Auditor General to identify any remaining cost for logistic support of the program still being borne by the Department of Defense.

Strengthening Congressional Oversight of Foreign Assistance

The U.S. sells military equipment and supplies to certain African nations because these nations perceive military threats and also to balance growing Soviet influence and maintain specific interests.

Notwithstanding U.S. rationale for such sales, our review disclosed that Congress has not been adequately informed about some key aspects of foreign military sales programs in Africa. For example, executive branch notifications on proposed sales do not clearly describe the nature and extent of U.S. equipment transfers and manpower commitments. Also, Congress has not always been advised of long-range plans.

We recommended to the Secretaries of State and Defense (ID-7761, April 4, 1978) that congressional notifications about proposed sales of military equipment and services by the executive branch be more comprehensive including, "U.S. military survey team results and actions the U.S. Government will undertake to carry out the teams' recommendations."

Our recommendation and the State Department's response expressing their agreement were used by the Subcommittee on International Security and Scientific Affairs, House Committee on International Relations, to support their justification for an amendment to the

Foreign Assistance legislation for fiscal year 1979. In September 1978, Sec. 26, Chapter 2 of the Arms Export Control Act was amended to include ". . . (b) as part of the quarterly report required by section 36(a) of this act, the President shall include a list of all defense equipment surveys authorized during the preceding calendar quarter, specifying the country with respect to which the survey was or will be conducted, the purpose of the survey, and the number of United States Government personnel who participated or will participate in the survey. (c) Upon a request of the Chairman of the Committee on the International Relations of the House of Representatives or the Chairman of the Committee on Foreign Relations of the Senate, the President shall grant that Committee access to defense requirement survey conducted by United States Government personnel."

Improvements Made in Department of Agriculture's Upward Mobility Program

Responding to the recommendations in our March 1977 report, the Department of Agriculture initiated various actions to improve its upward mobility program. Skills surveys are being conducted to identify underutilized employees. Extensive changes have been made in the College Study Program including requiring participants to follow courses of study consistent with designated occupational areas, and the preparation of individual career development plans by all participants. In addition, application of the job element approach in the participant selection process has been limited to the specific position concerned. These actions, and others, should result in a more effective program.

Federal Upward Mobility Program Made More Effective

The Civil Service Commission has implemented a comprehensive action plan which should increase the effectiveness of the Federal upward mobility program. The plan, responding to the recommendations in our March 1977 report, provides for guidance to departments and agencies stressing the importance of work force assessments and detailing the techniques to be used in conducting skills surveys in support of training agreements; identifies information needed by the agencies to evaluate the effectiveness of their training agreements; ensures that the Commission's annual onsite personnel management and Equal Employment Opportunity evaluations include an analysis of the results of agencies' upward mobility program implemen-

tation; and develops controls to ensure that program costs are reported accurately and completely.

Contractor Noncompliance Action

We reviewed the Government Printing Office's (GPO's) Central Office Printing Procurement Division and found GPO could exercise better management control to provide more timely service at lower costs. In our report to Congress ("Substantial Improvements Needed in the Government Printing Office's Service to Federal Departments and Agencies," LCD-75-437, Dec. 29, 1975), we said that customer agencies had complained about the excessive time it took for GPO to procure printing services. One of our recommendations was that GPO should establish a consistent approach for handling those instances when the printers do not comply with the contract terms.

GPO has implemented our recommendation and improved reporting on contractor noncompliance. Compliance with scheduled delivery is now determined and verified by GPO. Compliance with quality is reported on an exception basis by the customer agency using GPO furnished "flashcards." Further, GPO has developed a "quality-by-attributes" system which reduces the judgmental aspects of determining compliance with quality requirements.

Sanctions against contractors such as cure notices, show cause letters, and declarations of nonresponsibility are now taken in the same sequence against all noncomplying contractors.

GPO reports show that this approach to contractor noncompliance has resulted in a steady reduction in the delinquent delivery rate from 17 percent at the time of our review to less than 8 percent in October 1977.

Small Arms Maintenance Facilities

Our letter report to the Secretary of Defense (LCD-76-426, Mar. 31, 1976), pointed out that the Services small arms maintenance facilities were significantly underutilized. We also told the Secretary of Defense that a number of items were being repaired by more than one Service and that only 11 percent of the \$5.5 million depot maintenance workload was accomplished through interservicing. We concluded that savings would be realized by performing this maintenance at fewer locations because this would permit increased utilization of equipment and facilities and possible spare parts and personnel reductions.

Our letter report was given to the Department of Defense Joint Logistics Commanders' Small Arms Work Group, and we were informed that the Group had identified an additional \$1.6 million of the small arms workload which will be accomplished by interservice support agreements.

Management of Cash Balances

In our June 1976 report ("Department of Defense Stock Funds' Declining Financial Position," LCD-76-433), we reported that the Department of Defense (DOD) stock funds, cash and working capital balances had deteriorated because of inflation and management problems within the stock funds. An example of the management problems within the stock funds was the absence of any cash flow analyses so that as a result the cash problems became critical before management became aware of them.

To resolve the cash problems, DOD asked the Congress for an appropriation to fund a 15-percent surcharge on sales to stock fund customers. As part of the request, DOD said that a surcharge of 15 percent of sales would provide the cash necessary to bring working capital up to needed levels. Our review disclosed, however, that the Office of the Secretary of Defense officials did not make a satisfactory analysis of requirements and could not adequately support the amount of the request. One aspect of this was the need to analyze the cash requirements of each of the five service stock funds which we found had different cash needs.

We recommended several improvements in DOD's cash management and among those was a recommendation to tailor stock fund cash balances to the requirements of individual stock funds.

DOD agreed with our recommendations and as a part of the budget guidance, gave the services detailed guidance for analyzing cash requirements. As a result, cash management was improved to the extent that at the end of fiscal year 1977 actual cash on hand was within 3 percent of the budgeted amount.

Improved Procedures Concerning Noncompetitive Procurement

Formal advertising and negotiation are the basic methods by which the Government procures supplies and services. By law, agencies should formally advertise for bids whenever possible. The Congress has historically required that Government purchases of goods and services be accomplished using full and free competition to the maximum extent practicable.

We examined contracts negotiated by five agencies and found that many noncompetitively negotiated procurements were unjustified. In a September 15, 1977, report we recommended that the Congress require all Federal agencies to provide annual statistics on supplies and services procured through noncompetitive contracts, information on actions taken to increase competitive procurements, and that the agencies prepare written justifications for all noncompetitive procurements over \$10,000.

In January 1978, the Office of Federal Procurement Policy indicated that the General Services Administration is to amend the Federal Procurement Regulation to include a requirement for approval at a level above the contracting officer prior to entering into noncompetitive procurements over \$10,000. It further stated that a Federal Procurement Data System, to be operational later in 1978, would provide timely procurement management data on a Government-wide basis, including the extent of competition.

We believe that the new regulations and statistics will help limit the use of noncompetitive procurements to the exceptional cases where it is appropriate.

Improvement of Joint United States/ Colombia Foot-and-Mouth Program

In an August 1977 letter report to the Secretary of Agriculture we furnished our observations and conclusions that the joint United States-Colombian foot-and-mouth disease (FMD) control and eradication program has not been effective. We recommended the development of an overall plan to eliminate the threat of FMD spreading northward via the Pan American Highway system.

Our review proved timely and appropriate since Department of Agriculture and State Department officials used our report to strengthen their position during negotiations with Colombian Government officials when specific steps were outlined to correct program deficiencies.

Improved Controls for Managing Research Equipment at Federal Labs

In a report to the Congress in December 1975 we recommended that the Administrator of the General Services Administration (GSA) issue guidance to agencies to ensure better laboratory and research equipment use. This guidance should require that each agency:

- Establish teams of top management and scientific personnel to make laboratory walk-throughs.
- Establish laboratory equipment pools or give the head of the agency written reasons why such pools are not needed.
- Prepare an annual report for the agency head on the use and effectiveness of the pooling of equipment.
- Make periodic independent reviews of walk-through practices and equipment pool operations, to determine their effectiveness.

On July 5, 1978, GSA amended its Federal Property Management Regulations to strengthen controls for use by agencies in managing research equipment in Federal laboratories. These controls are intended to further promote the use of already-owned equipment instead of the procurement of similar new equipment.

Use of Software Tools and Techniques to Improve the Performance of Computers

At Facilities Systems Office (FASCO), Port Hueneme, California, and the Marine Corps Automated Services Center, Camp Pendleton, California, we worked with personnel from these installations to improve the performance of two production application computer programs through the use of software tools and techniques. This resulted in freed computer resources and possible reduced production run costs associated with these programs.