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**REPORT TO THE  
HOUSE AND SENATE COMMITTEES  
ON APPROPRIATIONS**



**BY THE COMPTROLLER GENERAL  
OF THE UNITED STATES**

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**Summaries Of Conclusions And  
Recommendations On The Operations  
Of Civil Departments And Agencies**

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

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Chairman, Senate Appropriations Committee  
Chairman, House Appropriations Committee

This is our annual report of summaries of GAO conclusions and recommendations resulting from our audits and other review work in Federal civil departments and agencies which we believe will be of interest to your Committees in their review of budget requests for fiscal year 1979. Our reports have previously brought these matters to the attention of the Congress and departmental officials. We have not included suggested questions to be asked in appropriation hearings; however, we will suggest specific questions on the items summarized if you desire.

A report of conclusions and recommendations concerning the Department of Defense is being submitted separately.

We are sending copies of this report to the Federal civil departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriation hearings.

*Lucas A. Steinhilber*  
Comptroller General  
of the United States

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ABBREVIATIONS

ACIR      Advisory Commission on Intergovernmental Relations  
ADP      Automatic Data Processing  
AFDC      Aid to Families with Dependent Children  
AID      Agency for International Development  
Amtrak    National Railroad Passenger Corporation  
ARS      Agricultural Research Service  
CBO      Congressional Budget Office  
COEMIS    Corps of Engineers Management Information System

CSC      Civil Service Commission  
DFR      Department of Finance and Revenue  
DOD      Department of Defense  
DOT      Department of Transportation  
EEOC      Equal Employment Opportunity Commission  
EDA      Economic Development Administration  
EPA      Environmental Protection Agency  
ERDA      Energy Research and Development Administration  
FAA      Federal Aviation Administration  
FAO      Food and Agriculture Organization  
FDA      Food and Drug Administration  
FEA      Federal Energy Administration  
FEGLI     Federal Employees Group Life Insurance  
FFTF     Fast Flux Test Facility  
GAO      General Accounting Office  
GPO      Government Printing Office

GSA General Services Administration  
HEW Department of Health, Education, and Welfare  
HUD Department of Housing and Urban Development  
IRS Internal Revenue Service  
LMFBR Liquid Metal Fast Breeder Reactor  
MESA Mining Enforcement and Safety Administration  
NASA National Aeronautics and Space Administration  
NIAAA National Institute on Alcohol Abuse and Alcoholism  
NIOSH National Institute for Occupational Safety and Health  
NRC Nuclear Regulatory Commission  
OCS Outer Continental Shelf  
OE Office of Education  
OMB Office of Management and Budget  
OSHA Occupational Safety and Health Administration  
PHS Public Health Service  
R&D Research and Development  
RD&D Research, Development and Demonstration  
SAR Selected Acquisitions Reports  
SBA Small Business Administration  
SDA Source Data Automation  
SSA Social Security Administration  
SSI Supplemental Security Income  
STS Space Transportation System  
TAS Tax Administration System  
TVA Tennessee Valley Authority  
UMTA Urban Mass Transportation Administration



UN United Nations  
USRA United States Railway Association  
VA Veterans Administration

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MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

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MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

An organized approach to improve  
procurement practices

This report follows up on a recommendation of the House Government Operations Committee and the Commission on Government Procurement that a continuing program of research be used to create better procurement practices and to design and test the best ways to carry out new policies.

A number of large Government agencies, such as Defense, Energy, Transportation, Space, and General Services, rely on procurement to accomplish their primary missions. About \$70 billion a year and some 60,000 Federal workers are involved. Efforts to solve problems in the past on an ad hoc basis have resulted in a complex patchwork of laws, methods, regulations, procedures, and administrative requirements. Basic redirections are beginning to take shape as a result of numerous congressional hearings, studies by commissions, and a continuing overview by the Office of Federal Procurement Policy.

Except for a few recent Department of Defense efforts, no program of organized research into procurement activities exists today--either on a Government-wide basis or within any executive department. GAO's report depicts the present posture of procurement research in the Federal Government. Specific uses of such research are discussed and an organized approach to a Government-wide program is illustrated, including:

- Basic prerequisites for operating the program,
- Roles of participants: The Federal agencies, the Federal Procurement Institute, and the Office of Federal Procurement Policy.
- Operating approaches to screening research needs, selecting projects, conducting the research itself, and evaluating results.

GAO recommended that the Office of Management and Budget (OMB) establish a strong program for procurement research with active participation by the major agencies. The major

agencies would use the program to:

- Cope with procurement problems peculiar to their agency operations as they arise.
- Design the best ways of giving effect to new policies.
- Evaluate experiences, achieve innovative improvements, develop training materials, and participate in Government-wide research.

(PSAD -77-128, Sept. 30, 1977.)

Appropriations

All Federal agencies--defense and civil.

Appropriation Committee issues

1. Status of Government-wide program in each agency having major procurement activities.
2. Agency use of research done by other agencies.
3. Extent of agency coordination with the Office of Federal Procurement Policy and the Federal Procurement Institute.

MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

Computer auditing in the executive departments:  
Not enough is being done

GAO reported to the Congress that there is a continuing and growing need for auditor involvement in a number of phases of computer-based information system development and operation in Federal agencies. The growth of Federal automatic data processing (ADP) costs to well over \$10 billion annually and the pervasive impact of the computer on the accomplishment of agency missions, mandate that management be assured--through the internal audit process--that such systems are performing efficiently, economically, and effectively.

However, many audit organizations have avoided contact with the computer, and the report was issued to inform the Congress on the levels of internal audit involvement as well as to stimulate greater Federal internal audit activity in the computer area. The report suggests that, in the appropriations hearings for each agency, inquiry be made of the extent of internal audit involvement in evaluating utilization of ADP resources. Agencies commenting on the report agreed with its conclusions and recommendations. (FGMSD-77-82, Sept. 28, 1977.)

Appropriations

Various appropriations that include funds for internal audits.

Appropriation Committee issues

The Committees should ascertain whether agency requests indicate appropriate internal audit attention is being devoted to this area, as exemplified by past work, present assignments, and future plans for audit work, together with a plan for developing and maintaining the requisite level of technical proficiency on the part of agency audit staffs.

MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

Discussion and illustration of  
a new budgeting concept

There has been growing concern in and outside the Congress about the way the Federal budget is currently presented, the limitations it imposes on congressional review, and the lack of control over Federal programs. The common complaint with the present system is that the Congress gets a great mass of detail but not a coherent picture of what the money is for and why it is needed. Federal programs get underway and are locked into pre-determined solutions long before Congress becomes aware of them or whether they are needed.

In a report to the Congress, GAO discussed a new concept called mission budgeting that has been proposed to alleviate these problems. GAO converted fiscal year 1978 budgets in the energy, defense, and space fields to illustrate how the new concept works.

Mission budgeting does not take away from the Congress the kinds of detail information it presently receives. Rather, it restructures the information so that budget activities are linked to needs and basic mission responsibilities of the agency. Budget activities would thus be organized by mission and purposes of the agency and the needs they serve. Activities would be funded not by the type of work involved, but, instead, by what they are intended to accomplish.

Mission budgeting offers significant possibilities for improving the budgetary process because it opens up congressional review to the policy aspects, priorities, and assumptions underlying spending decisions. It also strengthens congressional control over Federal programs by funding, at the outset of a new program, a need instead of a program solution. This permits Congress to assess the need and priority for a new program before the program acquires momentum and to fund the creation and exploration of the most promising solutions, as well as test demonstrations, before the Government gets locked prematurely into the largely uncontrollable cost of any one solution. Additional advantages seen for the new budget concept are:

- Clarifying mission responsibilities of the Federal agencies and keeping them relevant to national policies and needs.
- Achieving public accountability on the basis of end results, that is, in terms of the level of mission performance funded by the Congress.
- Having one budget system oriented to both executive and congressional needs.
- Providing a structural foundation to (1) coordinate or reorganize Government agencies and functions according to major end purposes and (2) implement "zero-base" budgeting and pending "sunset" legislation.

GAO recommended to Congress that it begin to experiment with this new concept by testing its usefulness on a small scale. (PSAD- July 1977.)

#### Appropriations

All Federal agencies--def and civil.

#### Appropriations Committee issues

Develop an approach to an experiment of the new budget concept on a small scale. The experiment is to:

- Select one or more agencies or mission areas for experimentation.
- Arrange with agency for presentation.
- Form a small committee task force with the Congressional Budget Office (CBO) staff support to:
  1. Meet with agency.
  2. Evaluate results.
- Approve in advance:
  1. The experimental mission structure.
  2. Mission budget outline.
- After committee budget review, convert back to traditional presentation for regular authorization/appropriation.



MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

Federally assisted areawide planning:  
Need to simplify policies and practices

To promote the efficient use of billions of dollars for Federal programs--developing highways, constructing community facilities, conserving natural resources, educating children, cleaning the air, purifying water, etc.--the Federal Government requires State and local governments and other organizations to prepare plans. These plans range from architectural designs to development of geographic areas. GAO reported on the latter type of planning, commonly called areawide planning.

Title IV of the Intergovernmental Cooperation Act of 1968 recognized the abundance and interrelated nature of federally assisted planning programs and the need to coordinate them. In particular, the act required that individual Federal planning programs be coordinated with and made part of comprehensive local and areawide development planning. The Office of Management and Budget, in part IV of its Circular A-95, sought to implement the act's requirement.

OMB encouraged the use of a single areawide organization to plan or coordinate planning. However, this idea was not effective, chiefly because:

- Programs were initiated haphazardly over a period of years to satisfy particular needs or demands, not by an interrelated system or approach. Each program built its own constituency which made it difficult for State and local governments to mesh the programs into a coordinated planning effort.
- Federal and State agencies often ignored the designated planning agency and standard planning areas; instead, they set up separate planning groups for different geographic areas.
- Federal programs had varying requirements which impeded coordinated planning and made the use of one planning agency difficult.

GAO recommended that the Congress establish a national

policy on areawide planning and reduce the number of planning programs. Recommendations were also made for improving OMB's circular dealing with areawide planning.

OMB generally agreed with our findings and conclusions and concurred in our recommendations. It took no position on the need for a national areawide planning policy and suggested consolidating related implementation programs for which planning is undertaken.

In March 1977 legislation calling for a national policy on areawide planning was introduced in both the Senate and House. In July 1977, the President issued a memorandum for the heads of executive departments and agencies calling for a zero-based review of all Federal plan requirements for domestic assistance. (GGD-77-24, Mar. 28, 1977.)

#### Appropriations

Various agency appropriations.

#### Appropriation Committee issues

1. A reduction in the number of planning programs is needed to achieve better planning and to fix planning responsibility. Enactment of a national policy on areawide planning would reduce the number of planning organizations.

2. Federal agencies need to include the basic planning elements in their planning programs for domestic assistance so that meaningful planning can take place.

MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST  
FEDERAL DEPARTMENTS AND AGENCIES

Many accounting systems still  
unapproved by the Comptroller General

GAO reported to the Congress that only 52 percent of the accounting system designs of executive branch agencies had been approved as conforming to principles and standards prescribed by the Comptroller General on September 30, 1976. Under section 113 of the Accounting and Auditing Act of 1950 (31 U.S.C. 66a), the head of each executive agency is responsible for establishing and maintaining accounting systems that conform to principles and standards prescribed by the Comptroller General. Section 112 of the act (31 U.S.C. 66) requires the Comptroller General to approve agency accounting systems when deemed adequate and in conformity.

Some Federal agencies have worked hard to establish good accounting systems to be approved by the Comptroller General. These include the Departments of Labor, the Treasury, Commerce, and Transportation, which have all or most of their accounting systems approved. The Department of Agriculture is also pursuing a commendable program of accounting systems development, although its completion is several years away.

Until recently, the Department of Defense had made little progress in obtaining approval of its systems. However, in the last 4 years, 54 systems have been approved. Most of this remarkable progress has been in the Navy and the Air Force, with the Army and some of the Defense agencies making less progress.

Three departments--Interior; Health, Education and Welfare; and State--have progressed so little that GAO is concerned whether they will have approved accounting systems in the near future. GAO approved a departmental system for the Department of Housing and Urban Development, but it has not completed the designs of its subsystems.

It is very important that agencies have approved systems in operation because such systems can produce the type of financial information that agency officials and the Congress need to make financial decisions. The problems that can occur when good accounting systems do not exist

received considerable attention in the past year. The financial plight of New York City and the contribution of poor accounting practices to that situation is well known. Poor practices in unapproved accounting systems of the Department of the Army and the District of Columbia Government were also reported to the Congress by GAO during the past year. In the Army case, over \$200 million in funds was overobligated. In the District's case, the accounting was so unreliable that an outside certified public accounting firm called it "misleading, out-of-date and inaccurate." A good accounting system can prevent these kinds of problems.

GAO's report on Federal agency accounting recommended that, when examining budget requests and agency use of funds, the Office of Management and Budget and the Congress should make sure that the executive departments and agencies were devoting sufficient resources to qualify their accounting systems for approval by the Comptroller General. (FGMSD-77-21, Aug. 24, 1977.)

#### Appropriations

Salaries and expenses (civil departments and agencies).

#### Appropriation Committee issues

In appropriating funds for agencies having unapproved accounting systems, the Committees should be certain that funds are included for qualifying the systems for approval by the Comptroller General.

MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

Most agencies' programs to assist employees with alcohol-related problems still ineffective

While no one knows precisely how many Federal employees have alcohol-related problems, most experts generally agree that alcoholism is a major problem. GAO's review of the progress made by Federal agencies to assist employees with drinking problems showed that many improvements were needed before these efforts could be considered effective.

GAO's review showed that most programs had succeeded in getting few persons into treatment; the organizational placement of many programs in agency personnel departments may discourage use; program coordinators were appointed, with little or no consideration for their qualifications or interests, who spent little time on alcoholism programs; and attitudes of management toward an agency's alcoholism program varied significantly with some top officials not being very supportive of any effort to assist alcohol abusers.

GAO recommended that:

- The Civil Service Commission (CSC) conduct or sponsor studies to more accurately determine the extent of alcohol-related employee problems.
- Agency and department heads give strong consideration to establishing broad-based employee assistance programs as opposed to programs that serve only alcohol abusers. If program location is considered a problem, managers should consider removing programs from personnel departments or taking other actions to alleviate employee concerns about program location.
- CSC encourage more active consultation with employee unions in developing alcoholism programs.
- CSC develop better guidelines for the type of training alcoholism coordinators should have.
- Agency and departments (1) take more care in selecting coordinators, (2) arrange for appropriate training of coordinators, and (3) make sure that coordinators have enough time and resources to do

their job.

--Agencies and departments do more to educate supervisors and non-supervisors about alcoholism programs.

--CSC and the Office of Management and Budget develop cooperative programs serving more than one agency where practicable.

--CSC put more emphasis on monitoring agencies' programs.

If department and agency heads do not develop effective programs after a reasonable period of time, GAO recommended that the Congress explore legislation giving CSC more authority to require agencies to do so.

Both CSC and OMB agreed that improvements were necessary if programs were to become effective. (HRD-77-75, Sept. 7, 1977.)

#### Appropriations

No specific appropriation.

#### Appropriation Committee issues

In a report entitled "Substantial Cost Savings from Establishment of Alcoholism Program for Federal Employees" (B-164031(2), Sept. 28, 1970.) GAO stated that for a yearly investment of \$5 per employee, or about \$15 million, the Government could save between \$135 and \$280 million. However, no funds were specifically appropriated for this program. Considering the general lack of resources in many agency alcoholism programs and the cost effectiveness of such an investment, the Appropriations Committees should consider additional funding for Federal alcoholism programs.

MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

Need to better control Federal  
white-collar job classifications

In 1974 the Government paid \$18 billion in salaries to 1.3 million employees under the General Schedule, its chief category of white-collar workers. In order that these employees may receive equal pay for equal work, the Government classifies General Schedule positions according to duties, responsibilities, and qualifications.

GAO reviewed the Civil Service Commission's administration of the Federal classification program and selected agencies' administration of their position classification responsibilities. Weak controls and pressures exerted on job classifications had resulted in overgraded Federal positions which increase costs and adversely affect employee morale and productivity.

In a report to the Congress, GAO concluded that top Federal management must make a commitment to improve job classifications and to organize the workload of Federal departments and agencies more economically. This attitude must permeate all Government echelons. GAO recommended that the President issue a directive to the heads of Federal agencies, emphasizing the importance of position management and classification and the need to develop at all management levels a special, informed interest in economically structuring work and properly classifying positions. Agency heads should:

- Establish adequate, effective position management and classification systems,
- Have managers periodically attend training programs on position management and classification,
- Evaluate managers on how well they carry out their classification responsibilities, and
- Provide adequate numbers of trained classifiers.

In addition, CSC should:

- Keep pressure on agencies to establish their own

personnel management evaluation systems, assess the adequacy of such systems, and require improvement where necessary.

- Monitor the effectiveness of actions being taken to improve CSC's own evaluations of agencies' classifications. Effective evaluations should include identifying overgrading, determining the underlying causes of classification errors, taking firm stands on issues, making prompt followup on agency corrective actions, and, when necessary, certifying positions or revoking classification authority.
- Implement the plan to update classification standards and follow it with a timely and well-controlled review cycle to ensure that standards are kept current.

(FPCD-75-173, Dec. 4, 1975.)

On May 27, 1976, the President issued a memorandum calling upon agency and department heads to reexamine their position management and classification systems to ensure effective operations and full compliance with applicable laws and regulations. Agency heads were instructed to report to CSC actions taken and the results of those actions. At the same time, CSC would vigorously evaluate agency classification performance and bring about corrective action.

#### Appropriations

Requests for funds for salaries and expenses from all departments and agencies having employees paid under the General Schedule.

#### Appropriation Committee issues

1. Departments and agencies should establish effective position management and classification systems, train and evaluate managers in classification, provide adequate numbers of trained classifiers, and have adequate personnel management evaluation systems.
2. CSC should keep pressure on agencies to ensure effective personnel management evaluations, make sure that actions taken to improve CSC's own evaluations are effective, and update classification standards.



MATTERS AFFECTING THE APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

Need to recognize and fund  
Federal retirement costs

The cost and liabilities of Federal retirement programs are much greater than recognized by current costing and funding procedures. Usually, little or no consideration is given to the effect of future general pay increases and annuity adjustments on ultimate benefit payments, resulting in a considerable understatement of benefit costs accruing each year. For example, unrecognized costs in 1976 for the civil service retirement system amounted to about \$7 billion. In some programs, such as the uniformed services retirement system, none of the currently accruing cost is recognized or funded.

When retirement costs are understated, the costs of Government operations and agency programs are also understated. One side effect is full retirement costs are not allocated to agency operations which results in an unrecognized subsidy to Government organizations whose programs are required by law to be self-supporting.

GAO recommended that the Congress enact legislation requiring that the full cost of Federal retirement systems be recognized and funded and that the difference between currently accruing costs and employee contributions be charged to agency operations. Because most Federal retirement funds are required by law to be invested in Federal securities, full funding would not eliminate the need for future taxing and borrowing to meet benefit payments as they become due. However, full funding would enhance cost recognition and budgetary discipline as well as promote sounder fiscal and legislative decisionmaking.

Some of the agencies responsible for administering Federal retirement programs agreed with GAO that the full cost of retirement benefits should be recognized. The Department of Defense did not comment on the report, and others had no comments on GAO's recommendations. Self-supporting agencies, whose retirement contributions would be higher if costing and funding techniques recognized general pay increases and annuity adjustments, generally agreed that the costs of their operations were being understated. However, some believed the Congress should

appropriate funds to pay the higher costs rather than increase charges to the users of the agencies' services. (FPCD-77-48, Aug. 3, 1977.)

Appropriations

All department and agency requests for funds relating to Federal retirement systems and direct Government appropriations to retirement trust funds.

Appropriation Committee issues

In the interest of sound fiscal and legislative decisionmaking, the full cost of accruing retirement benefits should be recognized, funded, and reflected in agency budgets.

MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

Need to reduce funding uncertainties  
associated with Federal assistance programs

GAO reported to the Congress that State and local governments have substantial problems identifying, obtaining, and using Federal assistance. Because of funding uncertainties, available assistance is often learned of too late or offered under time constraints which sometimes prevent State and local governments from taking advantage of it.

Delays in notifications and allocations of funds to State and local governments and other grantees can also lead to poor planning, program delays, and waste in the administration of Federal assistance programs. Such delays can also adversely affect Federal agencies' ability to plan and implement programs.

GAO recommended that the Congress, to relieve the time pressure on its deliberations and to eliminate funding uncertainties resulting from delays in the passage of authorization and appropriation bills, consider greater use of (1) advance funding and (2) authorizations and appropriations covering more than 1 fiscal year. GAO added that, because these measures tend to restrict budget flexibility and the Congress' ability to respond to changing national priorities and economic conditions, they should be considered primarily for those Federal programs and activities, including grants-in-aid to State and local governments, for which firm planning before the beginning of the appropriation year is a major factor in successful execution. (GGD-75-75, Aug. 19, 1975.)

Appropriations

Various agency appropriations.

Appropriation Committee issues

The use of advance funding and authorizations and appropriations covering more than 1 fiscal year should be considered case by case, weighing their restrictive effect on the flexibility of Federal fiscal policy against

recipients' need for greater certainty about future funding levels of Federal assistance.

MATTERS AFFECTING APPROPRIATIONS OF ALL OR MOST

FEDERAL DEPARTMENTS AND AGENCIES

Opportunities for reducing  
office copier costs in  
multi-agency Federal buildings

Agencies in multi-agency Federal buildings generally obtain office copiers independently of other building occupants. As a result, copier costs are increased and copiers are not efficiently utilized. General Services Administration (GSA) figures show that costs for acquiring office copiers and related supplies have increased from \$38 million in 1964 to \$139 million in 1974.

GAO reported to the Administrator of General Services that centralized management of office copiers in multi-agency Federal buildings could result in reduced costs by identifying copier needs for an entire building and determining the most economic and efficient method of fulfilling these needs. GAO recommended that GSA initiate a test program for centralized management of copiers in one or more multi-agency Federal buildings and include copiers in its program for providing common services in such buildings.

In August 1977 GSA advised GAO that their studies in two multi-agency Federal buildings indicate that central management of copiers would not achieve any economies in those buildings. Although we have not evaluated the GSA studies, we noted that in one instance the GSA alternative for providing central copier service differs significantly from the approach GAO proposed. The GSA alternative proposed three staffed copy centers for the 10-story Federal building, a duplicator in the sub-basement, and retaining agency-owned copiers. GAO proposed self-service copiers on each floor and a centrally located self-service duplicator. The GSA alternative adds to costs by staffing copy centers and increasing the travel time for agency personnel to reach the centers. Therefore, GAO continues to believe that centralized copier management in multi-agency Federal buildings can reduce costs. (LCD-76-109, Mar. 9, 1976.)

Appropriations

Working Capital Fund, Federal Supply Service (General Services Administration); operations and maintenance appropriations for the Department of Defense, including the Army,

Navy and Air Force; and operating expenses of civil departments and agencies.

Appropriation Committee issues

The Federal Supply Service Working Capital Fund, which is reimbursed by agencies for printing and duplicating services, will be used by GSA for its test program for centralizing copier services. Additional spending for copier leases or purchases and related supplies and services will be reflected in this fund. If the test is successful and results in a GSA program for centralized copier services, then agencies' funding requests for copier supplies and leases or purchases of copiers should decrease significantly.

DEPARTMENT OF AGRICULTURE

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DEPARTMENT OF AGRICULTURE

AGRICULTURAL MARKETING SERVICE

Department of Agriculture should be  
authorized to charge for cotton  
classing and tobacco grading services

The users of the Department of Agriculture's commodity grading services, except for cotton and tobacco producers, have to pay all or at least a substantial part of the cost of these services. In fiscal year 1976, free cotton and tobacco grading services cost American taxpayers \$11.2 million. The reasons for placing these services on a free basis in the 1930s no longer apply.

GAO recommended that the Congress amend the Cotton Statistics and Estimates Act and the Tobacco Inspection Act to authorize the Secretary of Agriculture to charge for cotton classing and tobacco grading services.

The Department of Agriculture did not take a position on GAO's recommendation. (CED-77-105, Aug. 2, 1977.)

Appropriations

Agricultural Marketing Service, market services (general and special funds).

Appropriation Committee issues

Continued Federal funding of cotton classing and tobacco grading services is inconsistent with the Government's general policy of charging fees for special services and with the Department's practice of charging for grading other commodities.



DEPARTMENT OF AGRICULTURE

AGRICULTURAL RESEARCH SERVICE

Needs and opportunities for  
improving the management of  
agricultural research

The Agricultural Research Service (ARS), the largest research organization in the Federal-State agricultural research system, conducts basic, applied, and developmental research in the fields of livestock; crops; pest control; soil, water, and air resources; environmental quality; domestic and export marketing; use of agricultural products; food and nutrition; consumer services; rural and international development; and agriculturally related health hazards, including food safety. Its research is categorized under 75 national and special research projects.

ARS employs about 8,500 people, including about 2,700 scientists, to carry out its research programs at about 145 locations in 47 States and the District of Columbia. It also has two overseas offices.

In a report to the Chairman, Joint Economic Committee, GAO pointed out that ARS could improve its research through better planning, project selection, and review of ongoing work.

GAO recommended that the Secretary of Agriculture have ARS:

- Identify and document the relative priorities of each national research project and of each problem and need within the project areas and assemble the information needed for effective implementation of its long-range plans.
- Better document research proposals to facilitate critical assessments of their scientific and technical merits.
- Develop agencywide criteria for reviewing project proposals.
- Make its technical advisors an integral part of the project approval process.

- Require researchers to certify that the research proposals have been coordinated with ongoing and completed research projects.
- Require researchers to document and disseminate negative research findings.
- Develop agency-wide peer review procedures for assessing the scientific and technical merits of all research.
- Document all important findings, conclusions, and recommendations resulting from informal reviews of individual research projects.
- Redesign the work reporting unit reports and plans to permit an assessment of the technical aspects of active research projects.
- Require technical advisors to review the work reporting unit reports and plans to assess the merits of ongoing work and to identify research that should be scheduled for onsite review.

The Department of Agriculture substantially concurred in the recommendations and outlined actions ARS was taking to implement them. (CED-77-121, Aug. 23, 1977.)

#### Appropriation

Department of Agriculture, Agricultural Research Service.

#### Appropriation Committee issues

Improving the management of research should provide the Congress better assurance that high-quality research is being conducted and that limited public dollars are being used wisely.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Food stamp receipts--  
Who's watching the money?

GAO reported to the Congress that misuses and mishandling of over \$34 million in food stamp receipts went undetected for extended periods because neither the Department of Agriculture's Food and Nutrition Service nor the States were effectively monitoring the agents which sold food stamps. Known major weaknesses in the monitoring system at both the Federal and State levels were allowed to continue for years without adequate efforts to correct them. Reported deposits were not verified, agents' depositing patterns were not monitored, and there was no followup when agents failed to submit required reports. The Service's computer-produced management reports, designed to identify problem agents, were not usable because they lacked data on the problems.

Service officials emphasized to GAO their belief that responsibility for administering the food stamp program, including accountability for cash and coupons, properly rested with the States and that the Service's proposed changes to the food stamp accountability system reflected this assignment of responsibilities. GAO believed that the Service should maintain a major, active role in agent accountability monitoring in a partnership arrangement with the States, rather than a role primarily involving oversight of State operations. GAO recommended several specific actions to help improve agent operations and accountability in the program.

The Food and Agriculture Act of 1977, approved in September 1977, eliminated the food stamp purchase requirement by providing that coupons would be distributed without charge to recipients. Therefore some of GAO's recommendations no longer apply. However, other steps GAO recommended will still be necessary because the food coupons themselves-- which are almost like cash--will still have to be accounted for and this accountability will have to be monitored. (CED-77-76, June 15, 1977.)

Appropriation

Department of Agriculture, Food and Nutrition Service,

food stamp program.

Appropriation Committee issues

Before approving a possible request for funds to implement any proposed change in the food stamp program's depositing or monitoring systems, particularly the telecommunications system the Food and Nutrition Service has proposed, the Committee should evaluate the adequacy of the Service's support for the administrative advantages and disadvantages and the economic benefits and costs associated with the proposed system change.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Impact of Federal commodity  
donations on the school lunch  
program

In a report to the Chairman, House Committee on Education and Labor, GAO discussed the responsiveness of the Federal commodity distribution program to the needs of the school lunch program. GAO concluded that, while purchase and distribution of commodities for the school lunch program by the Department of Agriculture went a long way toward meeting the needs of the school districts, improvements were needed to make the program more effective and responsive to such needs. The report also provided information and suggested corrective measures regarding plate waste--food not eaten by students--in the school lunch program.

GAO recommended, among other things, that the Secretary of Agriculture undertake greater promotion of nutrition education in school health programs to help reduce plate waste. In April 1977 letters to the House Committee on Government Operations and the Senate Committee on Governmental Affairs, the Department of Agriculture indicated it would continue to use monies authorized by section 6 of the National School Lunch Act to promote nutrition education.

The 1977 amendments to the child nutrition acts added a section which authorized appropriations for the States for fiscal years 1978 through 1980 for child nutrition education at a rate of 50 cents per enrolled child, with no State receiving less than \$75,000. Also, the Department requested and received from the Congress, for fiscal year 1978, \$1 million for nutrition education research and demonstration projects. (CED-77-32, Jan. 31, 1977.)

Appropriation

Department of Agriculture, Food and Nutrition Service, child nutrition programs.

Appropriation Committee issues

Additional appropriations will be required if, as GAO recommended and the 1977 amendments to the Child Nutrition Acts authorize, the Department undertakes greater promotion of nutrition education as a voluntary part of school health programs.

## DEPARTMENT OF AGRICULTURE

### FOOD AND NUTRITION SERVICE

#### Legislative authority needed for demonstration projects testing various food stamp recipient identification requirements

In reports to the Chairmen, House Committee on Agriculture and Senate Committee on Agriculture, Nutrition, and Forestry, GAO presented a chronology of congressional and administration actions related to (1) increased identification requirements for food stamp recipients and (2) authorization of demonstration projects to test various means for improving food stamp program administration, including additional recipient identification requirements. Based on this chronology and a legal analysis of the Food Stamp Act, GAO concluded that legislative enactment of clear food stamp demonstration project authority was needed if the Congress wanted the Secretary of Agriculture to make testing of new food stamp recipient identification procedures mandatory in one or more project areas prior to their possible implementation nationwide. (CED-77-53 and CED-77-54, Apr. 1, 1977.)

#### Appropriation

Department of Agriculture, Food and Nutrition Service, food stamp program.

#### Appropriation Committee issues

The Food and Agriculture Act of 1977, approved in September 1977, provided clear legislative authority covering demonstration projects for testing various food stamp recipient identification requirements. Additional funds may be required to plan, implement, and evaluate such tests. If improved identification methods are proven in the pilot tests and subsequently implemented programwide, program integrity might be improved with a resultant decrease in costs.

DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

Summer feeding program--  
How to feed the children  
and stop program abuses

In a report to the Chairman, House Committee on Education and Labor, GAO discussed changes needed to eliminate or minimize the extent of abuses and to improve operations of the summer food service program for children in future years. In December 1976 GAO briefed the Department of Agriculture on the report's proposals for administrative changes and several of GAO's recommendations were incorporated in final regulations issued March 1, 1977. GAO recommended additional administrative changes, however, covering sponsor and site selection and termination, contracting procedures, State staffing and monitoring, sponsor recordkeeping, and advances of funds.

Many of these changes would not be necessary if only schools and public agencies were permitted to be program sponsors. GAO therefore recommended that the program's authorizing legislation be revised to allow only schools and public agencies as sponsors. Also recommended were legislative changes dealing with administrative funds for States and sponsors, restrictive definitions of eligible children, and stringent controls over the number of food services allowed each day. (CED-77-59, Apr. 15, 1977.)

Appropriation

Department of Agriculture, Food and Nutrition Service, child nutrition program.

Appropriation Committee issues

1. In the 1977 amendments to the national school lunch and child nutrition acts, the Congress adopted a new reimbursement formula for State administrative costs to encourage the States to run the programs. However, the formula, which still bases reimbursement on program costs, will not encourage efficient program operations.

2. The 1977 amendments provide for sponsor administrative cost reimbursements based on program-related budgets

approved by the States and require the Secretary to make a study of administrative costs and thereafter to prescribe maximum allowable levels for administrative payments. More funds may be required for maximum sponsor administrative cost reimbursements.

3. The 1977 amendments also adopted the recommendations on limiting reimbursement for meals served to children in camps and on controlling the number of meal services allowed each day. When implemented, these provisions should help decrease program costs and food waste.



DEPARTMENT OF AGRICULTURE

FOOD AND NUTRITION SERVICE

The food stamp program--Overissued  
benefits not recovered and fraud  
not punished

GAO reported to the Congress that the Federal Government was losing over half a billion dollars annually because of overissued food stamp benefits caused by errors, misrepresentations, and suspected recipient fraud and by local food stamp officers' errors. GAO calculated that, for every \$100 of the more than \$5 billion in annual food stamp benefits issued nationally, overissuances accounted for about \$12; only about 12 cents of the \$12 had been recovered. The eight local project areas GAO reviewed were doing little to identify and recover the value of overissuances, and neither the Food and Nutrition Service nor the States had effective systems for monitoring and evaluating local offices' claim and collection activities.

At five of the eight projects GAO reviewed, about half of the dollar value of claims established for food stamp overissuances were classified as involving suspected fraud by recipients, but very few recipients were prosecuted or otherwise penalized. The courts are already clogged with more serious criminal cases, and most prosecutors are reluctant to prosecute suspected recipient fraud cases. Also, GAO concluded that better financial incentives were needed for State and local projects to devote more effort to identifying and recovering overissuances and punishing recipient fraud.

GAO specifically recommended that, to maintain some semblance of integrity in the food stamp program:

- The Congress should authorize the Secretary of Agriculture to allow the States to keep some portion of the money recovered from recipients of overissued benefits and to increase from 50 percent to 75 percent the Federal share of the administrative costs associated with processing suspected fraud cases.
- The Congress should authorize the Department of Agriculture, in consultation with the Department of Justice, to handle most suspected recipient

fraud cases administratively rather than referring them for criminal prosecution.

--The Department of Agriculture should take a number of administrative steps to make sure that States adequately identify and recover overissued food stamp benefits and punish people who commit food stamp fraud. (CED-77-112, July 18, 1977, and CED-77-112A, Aug. 31, 1977.)

The Food and Agriculture Act of 1977, approved in September 1977, authorizes the Secretary to pay the States not less than 75 percent of the administrative costs associated with investigating and prosecuting fraud. It also empowers the Secretary to settle and adjust claims arising from fraudulent and nonfraudulent overissuances to recipients and authorizes the Secretary to delegate such powers to State agencies.

#### Appropriation

Department of Agriculture, Food and Nutrition Service, Food Stamp Program.

#### Appropriation Committee issues

Implementation of the provisions of the 1977 act should increase both recoveries of overissued benefits and punishment of recipient fraud and should deter recipients' committing fraud in the future. The increase in recoveries and reduction in fraud should result in lower overall program costs if the provisions are implemented and if the Food and Nutrition Service and the States implement effective systems for monitoring and evaluating local offices' claim and collection activities.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Forest Service efforts to  
change timber sale method

The primary timber sale method used in the Forest Service's western regions has been log measurement. Under this method a purchaser agrees to pay for logs on the basis of a Forest Service or scaling bureau estimate of the marketable volume of wood in logs that have been cut. In recent years, the Service has been trying to increase its western regions' use of the tree measurement method of selling timber. Under this method the purchaser agrees to pay a specific amount for the timber in a sale area on the basis of a Forest Service estimate of the marketable volume of wood in the trees before they are cut down. Because of industry opposition to this method, the Service has attempted, through test sales, to obtain data to compare the two methods.

In a report to Senator Pete V. Domenici, GAO pointed out that, because the Service had not provided special funds and adequate guidelines and procedures for conducting test sales, (1) there had been inconsistencies among the regions in carrying out the test sales and (2) the relative accuracy and cost of the two methods had not been determined. The Service issued revised guidelines and procedures in March 1975 but had not established a test-sale program completion date or plans for special funding. Until the program is completed, the Service will not be able to provide well-documented evidence to settle the questions of effectiveness and costs of the two methods.

GAO recommended that the Service:

- Set dates for completing test sales.
- Provide its regions with the funds needed to conduct adequate and timely test sales.
- Evaluate and report the results of such sales to appropriate congressional committees.

Forest Service officials advised GAO in August 1977 that no additional funds had been allocated to its regions for test sales. (RED-75-396, July 16, 1975.)

Appropriation

Department of Agriculture, Forest Service, forest protection and utilization.

Appropriation Committee issues

The Service needs to give its regions funds to conduct adequate and timely test sales to provide data sufficient to compare the accuracy and costs of the two sales methods.

DEPARTMENT OF AGRICULTURE

FOREST SERVICE

Need to direct cooperative forestry programs toward increasing softwood sawtimber supplies

GAO reported to the Chairman, Subcommittee on Conservation and Natural Resources, House Committee on Government Operations, that the effectiveness of the Cooperative Forest Management and Forestry Incentives Programs in increasing the supply of softwood sawtimber could be increased by modifying planning, fund allocation, and reporting procedures. GAO recommended that the Forest Service and the Agricultural Stabilization and Conservation Service:

- Establish specific annual goals for increasing the supply of softwood sawtimber on private, non-industrial forest land.
- Evaluate the effectiveness of the programs in accomplishing their goals.
- Report the results to the Congress.
- Base fund allocations on contributions toward meeting previously established goals and the capability to meet current goals.

Forest Service officials told GAO they generally agreed with the recommendations. (RED-75-258, Oct. 8, 1974.)

Forest Service officials advised GAO in August 1977 that they were drafting a report on their evaluations of regional field data that had been collected on the programs' effectiveness. They planned to submit the final report to the Congress by January 1978.

Appropriation

Department of Agriculture, Forest Service, forest protection and utilization.

Appropriation Committee issues

The Forest Service's evaluations of the results of meeting specific program objectives should provide a better basis for considering budget requests.

DEPARTMENT OF AGRICULTURE

SOIL CONSERVATION SERVICE  
AGRICULTURAL STABILIZATION  
AND CONSERVATION SERVICE

To protect tomorrow's food supply,  
soil conservation needs priority  
attention

The Department of Agriculture administers technical and financial assistance programs--costing several hundred million dollars annually--designed to help farmers control erosion and preserve topsoil. GAO reported to the Congress that these programs had not been as effective as they could have been in establishing enduring soil conservation practices and reducing erosion to tolerable levels.

GAO recommended that the Soil Conservation Service realign its priorities, aggressively seek out and offer needed assistance to farmers who have critical erosion problems, and provide the necessary followup assistance. GAO recommended that the Agricultural Stabilization and Conservation Service redirect its program to give funding emphasis and priority to critically needed conservation practices which farmers ordinarily would not undertake without Federal cost-sharing assistance. GAO also recommended that the Department better coordinate its agencies' programs to provide consistent advice and assistance to farmers on soil conservation needs and concerns.

Department officials agreed with GAO's recommendations and said they would carry them out within the limits of manpower, budgetary resources, and institutional arrangements. Department officials advised GAO in June 1977 of a number of specific actions being taken or planned to implement the recommendations. They said, however, that the actions would have greater impact if they were buttressed with appropriate legislative changes to update and clarify the goals and objectives of the Agricultural Conservation Program. GAO had recommended that the Congress clarify the program's legislation concerning the types of conservation practices that should be funded. (CED-77-30, Feb. 14, 1977.)

The Food and Agriculture Act of 1977 amended the Agricultural Conservation Program's authorizing legislation to place more emphasis on the funding of enduring conservation and environmental enhancement practices.

Appropriations

Department of Agriculture, Agricultural Stabilization and Conservation Service, Agricultural Conservation Program; Soil Conservation Service, Conservation Operations Program and Great Plains Conservation Program.

Appropriation Committee issues

To assure that the intent of the 1977 change in the Agricultural Conservation Program's authorizing legislation is properly carried out, the Committees should specifically limit or prohibit Federal spending for less needed conservation practices currently authorized.

DEPARTMENT OF COMMERCE

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DEPARTMENT OF COMMERCE

ECONOMIC DEVELOPMENT ADMINISTRATION

Changes proposed for the funding of  
public works projects would expedite  
economic development and job  
opportunities

GAO reported to the Congress that between fiscal years 1966 and 1975 the Economic Development Administrator (EDA) had approved grants of \$1.4 billion to construct 2,800 public works and developmental projects. These projects authorized by title I of the Public Works and Economic Development Act of 1966, were to assist chronically depressed areas suffering from high structural unemployment. Although construction should have started within 1 year after a project was approved, we reported that

- start of construction on 54 percent of the approved projects had been delayed more than a year,
- 20 projects approved more than 5 years earlier were not yet under construction, and
- millions of dollars remained obligated to delayed projects while others had not been approved for lack of funds.

The underlying reason for project delays was EDA's policy of approving projects based on preliminary engineering and financial plans. The law provided for a single grant to assist communities with project costs. To prevent poor communities from incurring the high costs of designing projects without the assurance of Federal participation, EDA had followed a practice of approving projects based on preliminary plans that were usually not well defined.

Problems arise before beginning construction as a result of approving ill-defined projects. For example, communities cannot raise the local share of project costs; project costs increase beyond available funds; or the preliminary design is found to be infeasible. Inadequate local funds also cause design delays when grantees cannot meet preconstruction expenses.

GAO recommended that the Congress amend title I of the Public Works and Economic Development Act to permit EDA to fund projects on a two-step basis as follows:

--Preconstruction grants to assist in developing final plans and specifications and readying projects for bid advertisement.

--Construction grants to assist in building projects that are designed and meet EDA criteria.

To permit implementation of a two-step grant system, GAO also recommended that future public works appropriations be available for obligation for 2 fiscal years. This would provide needed continuity by allowing EDA, at the time it approves a grant for the design of a project, to also set funds aside for its construction. EDA could then carry these funds forward into the next fiscal year. It would also provide the flexibility to reuse funds set aside for the construction of projects when unreasonable delays are experienced during design. These proposed legislative changes are comparable to those prescribed by Public Law 92-500 to deal with similar problems experienced under the Environmental Protection Agency's grant program for constructing waste treatment facilities. EDA agreed with GAO's findings, conclusions, and recommendations. (CED-77-86, July 7, 1977.)

#### Appropriation

Grants for Public Works and Development Facilities,  
Economic Development Administration (Department of Commerce).

#### Appropriation Committee issues

The appropriation of funds for public works projects to cover 2 fiscal years would expedite economic development, provide additional job opportunities, and permit reuse of funds in cases where delays are experienced during project design.

DEPARTMENT OF COMMERCE .

MARITIME ADMINISTRATION

Maritime Administration's Federal Ship  
Financing Program--Administrative  
Improvement needed

The Federal Ship Financing Program, which was established pursuant to title XI of the Merchant Marine Act of 1936, provides for a full Government faith and credit guarantee of debt obligations issued by citizen shipowners for the purpose of financing or refinancing U.S.-flag vessels. Title XI applicants pay an investigation fee for the initial guarantee approval and an annual guarantee fee, payable in advance. Fees are deposited into a revolving fund which is used to pay program costs and losses due to defaults.

In response to a request from the Chairman, House Committee on Government Operations, GAO reported that:

1. Interest income to the revolving fund had been reduced because of late guarantee fee collections.
2. Title XI guarantee applicants had incurred excess costs due to the Administration's long application processing time.
3. The Administration did not have a followup system to assure compliance with the title XI requirement that vessel owners and operators continue to be U.S. citizens throughout the life of the mortgage guarantee.
4. The Administration had been unable to exercise the full intent of its guarantee authority because its \$7 billion authorized guarantee ceiling was less than the total demand for title XI guarantees.

GAO recommended that the Secretary of Commerce direct the Administration to:

1. Assess a penalty on companies when their payments are overdue.
2. Shorten its inordinately long application process.

3. Take appropriate actions to comply with the citizenship verification requirements of title XI.

GAO also recommended that the Secretary of Commerce inform the Congress that the authorized \$7 billion ceiling was inadequate to cover all guarantee demands and, therefore, the Administration had placed restrictions on applications for refinancing guarantees. Further, the Secretary should recommend to the Congress a legislative ceiling for title XI guarantees compatible with both industry and Federal maritime policy needs. (CED-77-68, May 16, 1977.) Report transmitted to the Secretary of Commerce on August 15, 1977.

#### Appropriations

No yearly appropriations. Salaries and other operating expenses paid from title XI revolving fund.

#### Appropriation Committee issues

1. Actions needed to shorten application processing time and to assure compliance with title XI citizenship requirements may include increasing staff and ADP resources.

2. Maritime may need additional funds if the \$7 billion guarantee ceiling is increased and the additional resources are authorized.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Duplicative responsibilities for routine  
weather briefings for pilots

Both the National Weather Service and the Federal Aviation Administration provide preflight weather briefings to general aviation pilots. Such briefings cover weather at both departure and arrival airports, as well as along the connecting route. Since 1975 the Federal Aviation Administration has had responsibility for providing routine weather briefings to domestic aviation pilots and now provides about 90 percent of such briefings. The National Weather Service offices spend about 14 percent of their time on pilot weather briefings and related matters, at an annual cost of about \$3.3 million.

In our report to the Secretary of Commerce, we questioned the need for both the Federal Aviation Administration and the National Weather Service to provide pilots weather briefings. We noted that the Federal Aviation Administration was automating its briefing network and that its officials had informed us that, when their automated system was completed, they could absorb most of the National Weather Service's pilot briefing workload without additional staff. We recommended that the Secretary of Commerce reevaluate, in cooperation and consultation with the Federal Aviation Administration, the need for maintaining duplicative weather briefing services for general aviation pilots and give consideration to reducing the Service's role in such briefings.

In an August 1, 1977, letter, the Secretary agreed that the Weather Service's role in providing pilots weather briefings should be reevaluated. He also said that the Department planned to thoroughly review its weather programs over the next year and would take our comments into account. (CED-77-41, Mar. 9, 1977.)

Appropriations

Department of Commerce, Science and Technology,  
National Oceanic and Atmospheric Administration, Operations  
Research and Facilities.

Appropriation Committee issues

The Weather Service's resources could be redirected to more productive functions, such as radio and community preparedness programs, if duplicative pilot weather briefings were discontinued.

DEPARTMENT OF COMMERCE

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Questionable need for local weather  
forecasts in certain areas

Of the 209 local National Weather Service offices, 170 prepare and issue local weather forecasts for their immediate areas. These forecasts are adaptations of zone weather forecasts which are prepared by National Weather Service forecast offices, essentially one per State. By definition, a zone is an area with sufficient meteorological similarity so that one forecast for that area can be used as the local forecast for any community within the zone.

In our report to the Secretary of Commerce, we pointed out that, except in the Western Region of the country, the routine refinement of zone forecasts into local forecasts seldom differed significantly from the related zone forecasts. We recommended that the Secretary reevaluate the need for Weather Service offices to routinely provide local forecasts in the Eastern, Central, and Southern Regions and that he discontinue this practice where no clearly useful purpose is served by such forecasts. If this practice were discontinued, about \$2 million in staff resources could be redirected to more productive functions.

In an August 1, 1977, letter, the Secretary advised us that it was general Department policy to encourage Weather Service offices to accept the zone forecasts prepared by the Weather Service forecast offices unless there was a real need for changes to be made. The Secretary also said that, as part of the Department's planned review of its weather programs over the next year, attention will be focused on the issues identified by GAO. (CED-77-41, Mar. 9, 1977.)

Appropriations

Department of Commerce, Science and Technology, National Oceanic and Atmospheric Administration, Operations Research and Facilities.

Appropriation Committee issues

The Weather Service resources could be redirected to more productive functions, such as radio and community preparedness programs, if the preparation of unnecessary local forecasts were discontinued.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

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DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

AGENCYWIDE

Fundamental improvements needed for  
timely promulgation of health  
program regulations

GAO found that some Department of Health, Education, and Welfare (HEW) programs operate for years without required regulations. Although the results cannot be precisely documented, tardiness in publishing regulations negatively affects programs administered by the Department.

GAO also found that HEW's policies and procedures do not require compliance with the Office of Management and Budget (OMB) Circular No. A-85, which prescribes a process for promoting early consultation on regulations between Federal agencies and departments and State and local governments through the Advisory Commission on Intergovernmental Relations (ACIR). Although procedures for implementing the process are set forth in the HEW General Administration manual, HEW officials responsible for the regulations either were not aware of the OMB circular or did not adhere to HEW's procedures for referral to the ACIR.

To expedite the publication of health regulations, and to increase State and local government involvement and participation in the development of regulations, GAO made various recommendations to HEW, OMB, and the Congress. (HRD-77-23, Feb. 4, 1977.)

In May 1977, HEW reported that it was developing revised internal procedures and was using the GAO report as a guide in making the revisions. In the Washington Post of September 13, 1977, the Secretary of HEW announced a new program to streamline the agency's health program regulations.

Appropriations

HEW (agencywide).

Appropriation Committee issues

1. The Secretary of HEW should (a) take effective measures to avoid delays in promulgating regulations and

(b) clarify the Department's policy and procedures for forwarding regulations to ACIR, obtaining comments from State and local government associations, and resolving differences of opinion.

2. The Director, OMB, should reform and strengthen the ACIR process to provide for State and local advice and comment on proposed Federal rules, regulations, standards, procedures, and guidelines.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

FOOD AND DRUG ADMINISTRATION

Food and Drug Administration's  
program for regulating imported  
products needs improving

The Food and Drug Administration (FDA), with the assistance of the U.S. Customs Service, is responsible for making sure that about \$24 billion worth of foods, drugs, biological products, medical devices, radiation-emitting electronic products, and cosmetics imported each year are in compliance with Federal laws and regulations before being sold in the United States.

GAO reported that the lack of adequate information on products entering the United States limits the effectiveness of FDA's efforts to regulate those products and that without such data the agency cannot (1) determine how effective its import surveillance is, (2) assess the extent to which violative imports are entering, and (3) assure that all imported products are inspected periodically. GAO also reported that importers have marketed violative products in the United States.

HEW stated that FDA has proposed in its fiscal year 1979 plan to develop an information system on imported products which will include most of the specifications GAO recommended. HEW questioned, however, whether some of GAO's recommendations provided the most appropriate solutions to the problems. (HRD-77-72, July 5, 1977.)

Appropriations

Agriculture, FDA, Environmental and Consumer Protection.

Appropriation Committee issues

FDA needs to establish a system to provide comprehensive information on specific imported products. The system should set up a way to guarantee that all imported products are periodically inspected and that various imported products are assessed for quality. FDA also needs to develop uniform criteria for district offices to follow in recommending the penalty that should be imposed when importers violate U.S. Customs redelivery bonds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

FOOD AND DRUG ADMINISTRATION

Need to establish safety and effectiveness of antibiotics used in animal feeds

The Food and Drug Administration is responsible for regulating antibiotics used in animal feeds to promote growth and prevent or control disease. FDA regulations require that the agency withdraw its approval to market an animal drug if experience or new scientific data shows that the drug is unsafe or has not been proven effective under its approved conditions of use.

GAO reported that FDA has permitted the continued use of low levels of several antibiotics, including penicillin and tetracyclines, in animal feeds even though the safety and effectiveness of such use has not been established. HEW agreed with our recommendation that FDA promptly determine the safety and effectiveness of antibiotics used in animal feeds and withdraw approval of any antibiotic not shown to be safe and effective and said that the FDA Commissioner had announced the agency's decision to restrict the use of penicillin, tetracyclines, and sulfaquinoxaline in animal feeds.

In addition, FDA has made questionable use of its National Advisory Food and Drug Committee to help review the benefits and risks of using antibiotics in animal feeds. FDA sought the advice of this broad policy advisory committee on the use of antibiotics in animal feeds although the issue, in GAO's opinion, concerned regulation, not policy. Committee members did not have sufficient expertise to review the complex regulatory issue, and one committee member voted on the continued use of antibiotics in animal feeds although he had a definite interest in such use.

HEW advised GAO that the actions of the committee member did not constitute a conflict of interest and that FDA believed the committee was used properly because it was addressing a broad policy issue--one not involving a particular matter as defined in conflict-of-interest regulations. GAO, however, believes that the appropriateness of subjects reviewed by FDA advisory committees is determined not by HEW's conflict-of-interest regulations but by its regulations concerning the use of advisory committees. (HRD-77-81, June 27, 1977.)

Appropriations

Agriculture, FDA, Environmental and Consumer Protection.

Appropriation Committee issues

FDA needs to promptly determine the safety and effectiveness of antibiotics used in animal feed and withdraw approval of any antibiotic not shown to be safe and effective as approved. FDA also needs to guarantee that policy advisory committees are used to review only broad policy matters in accordance with agency regulations.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

FOOD AND DRUG ADMINISTRATION

Radiation exposure  
from diagnostic X-rays  
could be reduced

The Food and Drug Administration is responsible for administering the Radiation Control for Health and Safety Act of 1968 which provides for a program to protect the public health and safety from electronic product radiation. FDA has issued performance regulations for diagnostic X-ray equipment, implemented a program to insure compliance with those regulations, and developed and conducted educational programs to improve operator techniques in the use of X-ray equipment.

GAO reported that the agency's program could be strengthened by establishment of a uniform nationwide operator credentialing program, full implementation of compliance programs designed to insure the safety of diagnostic X-ray equipment, and issuance of guidance on who should be given diagnostic X-rays and when such X-rays are justified.

FDA officials told us that their responsibilities for regulating radiologic health have increased in recent years but resources necessary to effectively carry out these responsibilities have not. (HRD-77-22, Nov. 24, 1976.)

Appropriations

Agriculture, FDA, Environmental and Consumer Protection.

Appropriation Committee issues

FDA needs to consider allocating additional resources to expedite the review of manufacturers' diagnostic X-ray equipment reports and the inspection of manufacturers and to develop and publish additional policy statements regarding diagnostic X-ray examinations. HEW needs to work more vigorously to help develop and implement an operator credentialing program.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

FOOD AND DRUG ADMINISTRATION

Stronger measures needed to ensure  
that medical diathermy devices  
are safe and effective

The Food and Drug Administration is responsible for regulating medical diathermy devices which are used for treating many types of muscle and tendon pain.

Although the agency is responsible for ensuring that all medical diathermy devices marketed in interstate commerce are safe and effective for their intended use and are properly labeled, it has not implemented an effective regulatory program to carry out this responsibility. FDA has not established safety and performance standards for diathermy devices or carried out an adequate surveillance and enforcement program to ensure that these devices comply with Federal requirements.

The Department of Health, Education, and Welfare advised us that the Federal Food, Drug, and Cosmetic Act, as amended by the Medical Device Amendments of 1976 (Public Law 94-295) provides FDA with the needed authority to assure that the public is protected from unsafe and ineffective medical devices. According to HEW, the implementation of the amendments will provide appropriate regulations for medical diathermy devices. GAO believes, however, that the additional authority will not measurably improve regulation of diathermy devices unless FDA develops an effective regulatory program for these devices. (HRD-76-153, Sept. 2, 1976.)

Appropriations

Agriculture, FDA, Environmental and Consumer Protection.

Appropriation Committee issues

FDA needs to establish an effective program to ensure that medical diathermy devices meet its requirements.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Investigation of Medicare and Medicaid  
fraud and abuse needs improvement

At the request of the Chairman, Subcommittee on Health, Senate Finance Committee, we examined into actions by HEW, its contractors, and two States to investigate suspected fraud or abuse in the Medicare and Medicaid programs.

Under Medicaid, we reported that limited reviews of Medicaid investigations in two States showed a wide variance in the emphasis on investigations.

We also reported that Medicare and Medicaid fraud and abuse investigations were not well coordinated. Medicare and the two States visited coordinated to some extent. However, Medicare and Medicaid officials generally did not. GAO recommended that HEW:

- Strengthen the monitoring of investigations so that complaints are not closed prematurely because of inadequate investigations.
- Establish statistical sampling procedures that will better detect fraudulent billing practices.
- Reduce the paperwork connected with investigating complaints by referring complaints directly to contractors rather than to the regional office.
- Discuss with the Department of Justice ways of obtaining more timely decisions on whether referred cases will be prosecuted and of assuring that criminal law related to Medicare is uniformly applied.
- Develop investigative priorities.
- Acquire personnel with the skills needed to investigate complex types of fraud and abuse.
- Delineate the responsibilities of the HEW organizations involved in Medicare-Medicaid investigations.

- Establish procedures for coordinating such work within HEW and between HEW and the States.
- Work with Missouri Medicaid officials to establish a more active program for investigating Medicaid fraud and abuse.
- Emphasize to top-level California Medicaid officials the importance of criminal prosecution as a deterrent to Medicaid fraud.

(HRD-77-19, May 23, 1977.)

#### Appropriations

HEW: Secretary, Salaries and Expense; Health Care Financing Administration, Public Assistance, Salaries and Expense; and Social Security Administration, Federal Hospital Insurance Fund (Medicare) and Salaries and Expenses.

#### Appropriation Committee issues

In approving budget requests for Medicare, Medicaid, and related administrative expense, the Committees should assure that progress is being made in fraud and abuse investigations.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH CARE FINANCING ADMINISTRATION

Problems in carrying out Medicaid  
recovery programs from third parties

GAO reported to the Secretary of Health, Education, and Welfare that States use a variety of procedures and approaches to identify, recover, and account for funds collected from liable third parties, such as insurance carriers that cover Medicaid recipients. Six States GAO reviewed used different methods of accounting for and reporting collections, and only one State had an internal system designed to identify and account for Medicaid cost avoided by requiring providers to bill liable third parties. In June 1976 HEW published guidelines that included a suggested format for reporting collections which would identify collections by providers and by the State Medicaid agency. However, this was only a suggested reporting format and most States have not adopted it.

HEW has estimated that \$1 billion per year could be saved by 1980 if States have an effective third-party recovery program. However, GAO believes that much of the data reported by States is meaningless and that HEW should require States to establish and follow a reporting system which would provide HEW and the States with uniform quantitative information. This data could be used to compare and evaluate the relative effectiveness of the various State third-party recovery programs. GAO recommended that HEW work with the States to develop such a reporting system. (HRD-77-73, May 2, 1977.)

Appropriations

HEW: Health Care Financing Administration (formerly Social and Rehabilitation Service); and Public Assistance-- Medical Assistance.

Appropriation Committee issues

For the Committees to assess the impact on Medicaid appropriations of HEW's initiatives in the area of third-party recovery programs, we believe it would be helpful for them to have information on actual recoveries and cost avoidances. This information will not be available unless HEW requires States to establish and use a uniform reporting system.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEALTH SERVICES ADMINISTRATION

Improvements needed in recording  
and reporting appropriation data  
at fiscal yearend

GAO reported to the Congress that, to force its own and Treasury's accounts into agreement as of June 30, 1974, the Health Services Administration made unsupported adjustments to the unexpended balances (i.e., the undisbursed portion) totaling \$16 million, of which \$2 million involved illegal fund transfers between appropriations. Also, as of June 30, 1975, unexpended balances on Treasury and Health Services books differed by \$190 million and Treasury records showed that the fiscal year 1973 Health Services Delivery appropriation was overexpended by \$47 million. The overexpenditure was eliminated by Health Services transferring funds from other accounts. However, \$18 million of the amount transferred could not be adequately supported, which raised the possibility that the Anti-Deficiency Act was violated.

HEW has recognized the seriousness of the accounting systems' weaknesses and advised the Office of Management and Budget that the systems could allow fraud and misuse of Federal funds. Also, HEW agreed with GAO's recommendations that Health Services would improve its accounting and reporting of appropriation data and that a determination would be made as to whether the Anti-Deficiency Act (31 U.S.C. 665) had been violated. (FGMSD-76-63, Feb. 11, 1977.)

Appropriations

HEW (agencywide).

Appropriation Committee issues

The Committees should determine the progress made in improving the Health Services Administration's accounting systems and the status of the investigation of the potential Anti-Deficiency Act violation.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

NATIONAL INSTITUTE ON ALCOHOL  
ABUSE AND ALCOHOLISM

Progress and problems in  
treating alcohol abusers

By the most recent estimates, alcohol abuse in the United States costs society about \$32 billion annually. Over the past years, the National Institute on Alcohol Abuse and Alcoholism (NIAAA) has spent about \$710 million for alcoholism programs.

The legislation which established NIAAA required that it develop and conduct comprehensive health, education, training, research, and planning programs for the prevention and treatment of alcohol abuse and alcoholism and for the rehabilitation of alcohol abusers and alcoholics. The Congress intended that NIAAA be the national focal point for coordinating Federal efforts to deal with the alcohol abuse problem.

GAO reported to the Congress that increased Federal leadership and improved Federal and State programs are essential if a cohesive, coordinated national program is to be fully developed. In addition GAO reported that planning for treatment programs needs improvement; more coordination is needed to produce a concerted national attack against alcohol abuse; increased use must be made of standards to assess program performance; more persons making contact with treatment projects must be admitted to treatment or action must be taken to see they are referred elsewhere; and continued NIAAA financial support for many projects is required because revenues from third-party sources have not materialized.

GAO made recommendations to HEW regarding improvements in:

- NIAAA's and the States' program planning and evaluation processes and funds allocation procedures;
- Coordination among Federal agencies;
- NIAAA's monitoring and evaluation system;

--Client intake and referral procedures at NIAAA treatment projects; and

--Efforts to increase reimbursements that alcohol abuse treatment projects get from public and private health insurers.

GAO recommended that the Congress consider giving NIAAA sufficient authority to

--establish mechanisms for coordination among Federal agencies and

--monitor agencies' alcoholism programs.

GAO also recommended that the Congress (1) clarify the purpose of the Supplemental Security Income (SSI) program with regard to whether or not alcoholics are required to undergo treatment as a condition for SSI benefits, (2) explore legislation requiring fuller coverage of alcohol treatment services delivered by programs meeting Joint Commission on Accreditation of Hospitals standards for alcoholism programs and certified counselors under Medicare and Medicaid, and (3) explore the need for legislation which would provide Federal funding for non-revenue-producing services. (HRD-76-163, Apr. 28, 1977.)

#### Appropriations

HEW: Alcohol, Drug Abuse, and Mental Health Administration.

#### Appropriation Committee issues

In approving budget requests for NIAAA, the Committees should consider efforts being made to correct deficiencies noted in this program, especially in the planning, coordination, and evaluation areas.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Assessment of the  
impact aid program

One purpose of the School Assistance in Federally Affected Areas program--impact aid--is to reduce fiscal inequalities caused by tax-exempt Federal lands and the local burden of providing free education to children whose parents are connected to the Federal Government. GAO reported over and under claims by local education agencies and identified several areas in which the Office of Education (OE) regulations and instructions for determining eligibility need to be clarified to more equitably accomplish this goal. HEW generally agreed with the conclusions and recommendations and planned responsive action.

GAO developed information on the economic impact of federally connected children by estimating the size of local tax increases which would be necessitated by withdrawal of impact aid funds. The results--based on 1973 data for 1,671 local agencies--showed, at the lower end, 48 percent of the districts would need less than a 5-percent tax increase and, at the upper extreme, 15 percent would require increases of 25 percent or more. GAO also analyzed the effects of several alternative eligibility and payment provisions for the program--again using 1973 data--and found that total impact aid entitlements could have been reduced between \$68 million and \$351 million. (HRD-76-116, Oct. 15, 1976.)

Appropriations

HEW: Education Division, Office of Education, School Assistance in Federally Affected Areas.

Appropriation Committee issues

The Congress should consider GAO's analysis of the potential economic impact of withdrawing funds and of the effects of alternative payment and eligibility provisions in making future decisions on program funding.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Collection efforts not keeping pace with  
growing number of defaulted student loans

GAO reported to the Secretary of Health, Education, and Welfare that by the end of fiscal year 1977, the Office of Education will have paid about \$436 million to lending institutions under the Federal component of the guaranteed student loan program because of defaults on student loans. Through that date, collections from students will total only about \$33.8 million. The difference of over \$400 million represents potential losses to the Government. Collectors cannot handle their present workloads, and the trend is toward even larger, less manageable workloads. Prompt actions are especially important for older cases on which collection through suit may soon be impractical because of the 6-year statute of limitations.

GAO recommended changes in policy and emphasis to improve collections through both voluntary payments and legal actions and to reduce collectors' workloads by providing for the systematic termination of collection action on cases with little or no collection potential. These recommendations included:

1. Increased regional participation in a program for direct referral of the defaulted loans to U.S. Attorneys.
2. More effective use of compromise settlements.
3. Improved techniques for collecting from former and current Federal employees.
4. Establishment of a system for monitoring regional office collection activity.

HEW generally agreed with our recommendations and commented that its collection resources have been woefully inadequate. HEW said, however, that computerization and anticipated collection assistance from a private business concern will gradually eliminate the backlog of uncollected defaults. GAO expressed concern that, although the contractor will undoubtedly lend additional resources to the collection effort, OE must still monitor contractor

performance and must process cases to final conclusions rather than returning them to inventory. (CD-77-1, Aug. 11, 1977.)

Appropriations

Student Loan Insurance Fund.

Appropriation Committee issues

Increased collections from an effective and efficient debt collection program will supplement the Student Loan Insurance Fund and reduce future Fund requirements.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Indian education in public schools  
needs congressional direction

The Indian Education Act of 1972 is intended to meet the special education needs of Indian children in the United States. GAO reported that legislative and regulatory definitions of eligibility criteria are too general and that "special educational needs" are not adequately defined. Local agencies were using different eligibility criteria and their needs assessments were inadequate. GAO also reported that funds are provided to local agencies based on the number of Indian children enrolled and that funds could be better distributed if the awards were based on the number of children with special needs.

GAO recommended that the Congress more clearly define eligibility criteria and what constitutes "special educational needs" and that it require funds to be awarded on the basis of the number of children with special educational needs, not enrollment. In addition, GAO recommended that the Secretary of HEW direct the Office of Education to establish guidelines for local agencies to use in determining and documenting the number of Indian children eligible for services and in providing more specific guidelines on needs assessment.

GAO reported that the program's success could not be determined because program goals and objectives had not been defined. GAO also pointed out weaknesses and made recommendations in other areas, such as grantee evaluations, parent involvement in projects and certain aspects to the Office of Education's program administration and monitoring.

HEW generally agreed with conclusions and recommendations in the report. HEW's actions should solve many of the problems discussed. (HRD-76-172, Mar. 14, 1977.)

Appropriations

Department of the Interior and HEW: Office of Education, Indian Education.

Appropriation Committee issues

If the Congress adopts GAO's recommendations to define eligibility criteria and special educational needs and to require that funding be based on the number of children with special educational needs, the number of eligible children and the distribution of funds would change for a more effective program.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Office of Education's Basic  
Grants Program can be improved

The Basic Educational Opportunity Grant Program has provided financial aid to needy students from low and middle income families. In many cases, the program has not met its legislative goal of being the foundation of financial aid for needy students and the Office of Education needs to improve program operations.

We found that the Office of Education has not established adequate program controls to assure the accuracy of applicant- and parent-supplied eligibility information. As a result, as much as \$24.3 million may have been awarded to ineligible students and as much as \$117.9 million could have been awarded without resolving conflicting information in student aid files. Because of problems in the program's information processing system, the Office could not provide needed technical assistance to participating institutions.

We made several recommendations to the Secretary of HEW to improve the program's operations (1) by providing a greater awareness of the program's unique features to students, (2) by providing improved technical assistance to schools and making more reviews, (3) by increasing and strengthening actions to verify applicant information and (4) by making greater use of available program information.

HEW agreed that improvements were needed but believed that many significant improvements had been made in areas covered in the report. (HRD-77-91, Sept. 21, 1977.)

Appropriations

HEW: Education Division, Office of Education, Higher Education.

Appropriation Committee issues

Because of weaknesses in program controls, students may be receiving millions of dollars in overawards.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Problems and needed improvements  
in evaluating education programs

The Congress and Federal agencies are showing increased interest in education program evaluation as a tool in making policy and program decisions. The cost of these evaluations is substantial and is increasing. In 1976 the Office of Education spent about \$10.5 million to evaluate selected programs. About \$42 million was spent at State and local education agency levels in 1974 for selected elementary and secondary education program evaluations. GAO reported on several problems in the conduct and use of evaluations, including inadequacies of standardized testing, lack of timeliness in reports to the Congress, and difficulties in aggregating comparable data from local and State evaluations. GAO also noted questions as to the usefulness of evaluation data to Federal, State, and local educators and decisionmakers. HEW generally concurred in these findings.

Evaluators agree that useful findings cannot be reached about a program's effectiveness unless program objectives are defined and measurable. GAO reported, however, that education program objectives have not been adequately defined. GAO noted that the General Education Provisions Act requires HEW to set forth in an annual evaluation report specific objectives, in qualitative and quantifiable terms, for all programs evaluated. HEW said that its authority and ability to comply with this measurement is limited. GAO recommended that congressional and agency officials discuss and reach agreement on objectives to be used in evaluations and on acceptable evaluation data and measures for each program to be evaluated. (HRD-76-165, Sept. 8, 1977.)

Appropriations

HEW: Education Division.

Appropriation Committee issues

Education program evaluations for which substantial funds are now spent by Federal, State, and local agencies,

cannot fully accomplish their intended purposes. One major obstacle is the lack of specific, measurable program objectives. HEW believes its authority and ability to define such objectives is limited.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF EDUCATION

Training educators for the handicapped:  
A need for Federal program redirection

GAO reported to the Congress that HEW needs to improve its programs for helping to prepare teachers for the handicapped. The majority of the handicapped spend most of their school day in regular classrooms, yet regular classroom teachers have not received training in the skills needed to effectively teach handicapped students.

Although educators view the need for training regular classroom teachers as essential to the effective education of the handicapped, HEW has directed relatively little effort toward this purpose. HEW's programs for preparation of teachers for the handicapped have been directed mainly toward stimulating growth in the capacity of colleges to prepare specialists for educating the handicapped and for financial support of college students entering the field of special education. However, the capacity of colleges to prepare such specialists has increased substantially and is at present adequate to fulfill the demand for them.

GAO recommended that the Secretary of HEW direct the Office of Education to place major emphasis on programs for training the Nation's regular classroom teachers to effectively deal with the handicapped, in cooperation with State and local education agencies and institutions of higher education.

HEW generally agreed with GAO's recommendation, but the amount of program funds OE plans to devote to training regular classroom educators to deal with the handicapped shows little change. (HRD-76-77, Sept. 28, 1976.)

Appropriations

HEW: Education Division, Office of Education,  
Education for the Handicapped.

Appropriation Committee issues

To improve the impact of HEW's teacher-preparation programs, the Committees should redirect amounts of funds from producing new special education teachers to training regular classroom teachers.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT SERVICES

Improvements needed in controls  
over vocational rehabilitation  
training services

Federal and State expenditures for services, such as training and physical and mental rehabilitation for the handicapped, amounted to \$468 million of the \$869 million spent on the vocational rehabilitation program for fiscal year 1975.

GAO reported to the Congress that many beneficial training services to help the handicapped obtain employment have been provided by the vocational rehabilitation program; however, a lack of control over the expenditure of funds has resulted in questionable program expenditures and instances where clients do not fully benefit from the training.

HEW generally agreed with GAO's recommendations and had taken or planned to take steps to implement them. (HRD-76-167, May 5, 1977.)

Appropriations

HEW: Administration for Handicapped Individuals, vocational rehabilitation.

Appropriation Committee issues

In approving budget requests for the vocational rehabilitation program, the Committees should obtain assurance that improvements are being made at the Federal and State levels in the fiscal and operational management of training services.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT SERVICES

Improvements needed in rehabilitating  
social security disability insurance  
beneficiaries

The Beneficiary Rehabilitation Program's primary purpose is to return the maximum number of disabled beneficiaries to work so that savings in avoided benefit payments and the added social security contributions from their earnings would equal or exceed the amounts paid for the rehabilitation services.

GAO reported to the Congress that the program has been marginally successful and that claims of savings were overstated. GAO also said that State vocational rehabilitation agencies were having problems complying with the program's guidelines and that HEW's implementation and evaluation had been inadequate.

HEW generally agreed with GAO's recommendations and had taken or planned to take actions to implement them. (MWD-76-66, May 13, 1976.)

Appropriation

The Social Security Disability Insurance program does not receive an appropriation.

Appropriation Committee issues

To support HEW's efforts to return the maximum number of disabled beneficiaries to gainful employment, the Congress should change the present fixed-percentage method of financing to a method which relates findings to the demonstrated program success in providing savings to the trust funds.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OFFICE OF HUMAN DEVELOPMENT SERVICES

Problems in administering cooperative agreements between the Indiana State rehabilitation agency and 33 school corporations

GAO reported to the Secretary of HEW that the cooperative agreements involving third-party funds between the Indiana rehabilitation agency and two school corporations investigated were not being administered according to Federal regulations and Rehabilitation Services Administration guidelines. GAO concluded that the cooperative agreements with the remaining 31 school corporations also may not be administered according to the regulations and guidelines. As a result, GAO questioned the validity of \$478,000 of Federal program expenditures made during fiscal year 1976 and Federal expenditures made during fiscal years 1974 and 1975 under similar agreements.

GAO discussed its findings with responsible HEW and Indiana State officials. These officials generally agreed with the findings. (HRD-77-20, Nov. 26, 1976.)

Appropriations

HEW: Administration for Handicapped Individuals, Vocational Rehabilitation.

Appropriation Committee issues

In approving budget requests for the vocational rehabilitation program, the committees should ensure that (1) any cooperative agreements involving third-party funds to be entered into in the future are in compliance with Federal regulations and appropriate guidelines and (2) Federal expenditures made in the past through improper cooperative agreements be recovered.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Need for fiscal incentives for States  
to reduce payment errors in Aid to  
Families with Dependent Children program

GAO reported to the Congress that HEW's attempt to administratively impose fiscal sanctions on the States to reduce erroneous payments to ineligible recipients of the Aid to Families with Dependent Children (AFDC) program and overpayments to eligible recipients above limits established by the Secretary was revoked in March 1977 as a result of adverse court decisions as to the tolerance levels established. Although error rates have been reduced since HEW modified the quality control program in 1973, nearly \$500 million in Federal funds is being misspent in the AFDC program every year. Some financial incentive is probably needed to assure that States continue to take appropriate action.

Because HEW encountered legal problems in attempting to administratively implement financial incentives, GAO believes there is a need for the Congress to determine, with HEW assistance, the control that would best provide the desirable financial incentive to States for reducing errors in the AFDC program and to enact appropriate legislation. (HRD-76-164, Aug. 1, 1977.)

Appropriations

HEW: Public Assistance--Maintenance Assistance (State aid).

Appropriation Committee issues

The Social Security Act should be amended to provide a legislative basis for taking fiscal disallowances for erroneous payments to reduce the cost of the AFDC program, using a payment error rate as the measure of State accomplishments on which to base any disallowance. In providing assistance to the Congress in establishing an appropriate error tolerance level, the Department should gather evidence which provides a reasonable basis for the States' ability to control errors.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Need to define allowable costs  
and seek payment from specific  
sources for foster care in  
Aid to Families with Dependent Children program

GAO reported to the Congress that HEW had not (1) changed existing regulations to clearly define the services to be provided by child care institutions that will be funded by the AFDC foster care program and which costs are reimbursable in States' determining the rates paid to such institutions for the care provided or (2) required the States to charge the costs of services to the most specific program, such as charging medical costs to Medicaid. The range and level of services provided apparently has expanded beyond its originally contemplated scope. Because these actions were not taken, adequate control or accountability for services purchased from foster care institutions was not provided and services provided sometimes overlap or parallel services provided by other Federal, State, or local programs. (HRD-77-40, Feb. 22, 1977.)

Appropriations

- HEW: Public Assistance--Maintenance Assistance (State aid).

Appropriation Committee issues

The Department must (1) specify the circumstances under which foster care may be provided and the scope of services to be included in the AFDC foster care program and (2) develop specific guidelines for the States to use in setting rates and for judging the reasonableness of foster care costs.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Need to improve administration  
of the Aid to Families with  
Dependent Children quality  
control program

GAO reported to the Congress that HEW had not (1) used valid statistical projections to estimate welfare savings in the Aid to Families with Dependent Children program resulting from States' reduction of errors under the quality control program, (2) correctly treated error reductions with little welfare savings, (3) considered the administrative costs associated with implementing corrective actions, or (4) followed up to make sure States conducted required cost effectiveness studies before starting corrective actions. Accordingly, savings reported from operation of the quality control program were overstated and detracted from the credibility of bona fide program accomplishments.

HEW agreed with GAO's recommendation for revising the basis for determining program accomplishments but planned to test only national error rates for statistical significance. Since quality control case samples are taken separately from each State, tests of significance should be performed for each State.

HEW said it had a study underway to examine the cost effectiveness of corrective actions but, until it is completed, plans to use the current method of calculating savings which does not consider the impact of error reductions (and attendant administrative costs to achieve these reductions) that do not directly result in savings. GAO believed such reported savings should be qualified to show that they do not necessarily represent that level of reduction in welfare costs.

Also, HEW contended that the sharp decline in error rates and erroneous payments indicates that corrective actions have been cost effective. The quality control program has had positive accomplishments, including States' directing greater attention to reducing the incidence of errors. Substantial data was being developed regarding the nature and extent of errors. GAO believed

the issues presented in the report raise serious questions about the relationship of error reduction and reduced program costs; examples were provided in the report of corrective action substantially affecting error reduction that had little direct impact on reduced cost. Efforts to determine the results of specific corrective actions should be made to identify those which can be most effective in reducing program costs and the extent that true savings can be achieved.

HEW said it was constantly striving to assist the States with identifying cost-effective corrective actions, including issuing publications to States describing proven cost-effective techniques for reducing errors and encouraging States to adapt these techniques to their own error problems. In many cases these publications discuss management techniques recently adopted, usually by one State, and do not provide evidence of cost effectiveness. Since each State independently operates its own welfare program, differing aspects of operation may result in no ready adaptability of another State's techniques. (HRD-76-164, Aug. 1, 1977.)

#### Appropriations

HEW: Public Assistance--Maintenance Assistance (State aid).

#### Appropriation Committee issues

1. HEW must make needed improvements in the quality control program to reduce the cost of welfare by timely reducing payment errors in the AFDC program through the adoption by the States of cost-effective error reduction techniques and then properly report the results.

2. Policy guidance is needed to avoid continued adverse effects on the Federal share of welfare costs of HEW not concentrating on identifying corrective actions that have proven effective in some States and providing assistance in implementing such actions in other States not as successful in reducing errors, particularly States with larger welfare caseloads which have generally had the greatest incidence of error.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Problems and progress in holding  
timelier hearings for  
disability claimants

Individuals whose claims for social security disability benefits are denied often wait many months before being provided a hearing before an administrative law judge on their appealed claims. The major obstacle to more timely hearings is the backlog of requests, which numbered about 89,769 as of June 1976. Because of this backlog, hearing requests cannot be acted on for several months. Other factors may encourage unnecessary appeals, adding to this backlog. Staffing problems have also contributed to hearing delays, as has the inefficient use of hearing personnel. GAO made a series of recommendations aimed at making the hearing process work more efficiently and limiting the number of claims appealed.

GAO recommended that the Secretary of HEW assure that the same disability criteria are applied by State agencies and judges and establish stricter criteria for Social Security district offices to follow in informally remanding cases to State agencies. (HRD-7C-173, Oct. 1, 1976.)

Appropriations

HEW: Social Security Administration: Bureau of Hearings and Appeals, Salary and Expenses; and Bureau of Disability Insurance, Salary and Expenses.

Appropriation Committee issues

In approving budget requests for salaries and expenses of the Social Security Administration's Bureau of Hearings and Appeals, and Bureau of Disability Insurance, the Committees should assure that progress is being made in limiting the number of appeals by having the same disability criteria applied at all levels and in limiting the workload of the State disability determination services (funded by the Federal Government) by limiting the number of cases remanded there by the judges.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION

Study of selected individuals denied  
title II social security disability benefits

One of the requirements of the title II disability program is that the claimant be unable to engage in substantial gainful activity.

Substantial gainful activity is considered to be work at or above a specified dollar amount and involves significant physical or mental duties, or a combination of both, and is productive. At the start of our review in 1973, we were concerned that the Social Security Administration (SSA) was using \$1,680 as an estimate of substantial gainful activity. We made several inquiries between July 1973 and May 1974 concerning why this level had been retained since 1968. Bureau of Disability Insurance officials agreed that this level should be increased, and in August 1974 the amount was raised to \$2,400.

The social security retirement test is automatically increased to reflect upward trends in the country's cost of living and average wages, but no such adjustments are made for the disability earnings test. If \$1,680 represented the minimum substantial wage in 1968, it would no longer represent that minimum several years later, considering the increases in wages.

Although SSA increased the substantial gainful activity level in 1974, it was a long time between increases. Safeguards should be built into the disability program to assure that determinations of both initial eligibility and continuing eligibility are made on the basis of currently applicable standards of substantial gainful activity. Automatic increases similar to those used for the retirement test could be used.

GAO recommended that the Secretary of HEW provide for automatic increases in the level of earnings representing substantial gainful activity, perhaps based on annual increases in U.S. average annual earnings. (MWD 76-82, Jan. 22, 1976.)

Appropriation

HEW: SSA, Federal Disability Insurance Trust Fund.

Appropriation Committee Issues

In approving budget requests for the administrative expenses of the disability program, the Committee should assure that determinations of both initial eligibility and continuing eligibility are made on the basis of currently applicable standards of substantial gainful activity.

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION AND  
HEALTH CARE FINANCIAL ADMINISTRATION

Supplemental Security Income  
overpayments to Medicaid nursing  
home residents can be reduced

When a Supplemental Security Income recipient enters a nursing home, his or her benefit payment standard is to be reduced to no more than \$25 per month if more than 50 percent of his or her care is being provided under the Medicaid program. The Social Security Administration relies on reports from recipients that they have entered a nursing home to effect this change in their benefit payment standard. GAO's study showed that recipients reported only 3 percent of admissions. This has resulted in about \$7.6 million in overpayments during 1975 in California and Florida alone.

GAO recommends that the Secretary of HEW (1) establish procedures requiring SSA district offices to provide forms to nursing homes for their use in reporting recipient admissions and to work with nursing homes to obtain timely reports, and (2) have the States establish procedures to require nursing homes to promptly report the admission of recipients to an SSA district office. (HRD-77-131, Aug. 23, 1977.)

Appropriations

HEW: SSA, SSI, Supplemental Security Income.

Appropriation Committee issues

In approving requests for SSI and Medicaid, the Committees should assure that steps are being taken to obtain prompt reports from nursing homes of recipient admissions as a means of limiting SSI overpayments.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Additional improvements needed in  
HUD's practices for developing work  
measurement standards

GAO reported to the Chairman, Subcomm. on HUI Independent Agencies, Senate Appropriations Committee, that the Department of Housing and Urban Development (HUD) has made progress in developing its work measurement system, but that improvements are needed in the Department's practices for establishing its work measurement standards to increase their reliability. GAO also concluded that integrating HUD's work measurement system with improved time, workload, and cost-reporting systems would allow the Department to better measure the efficiency of its operations and more fully realize the potential of its work measurement system.

GAO recommended that the Subcommittee direct the Secretary to present, with HUD's fiscal year 1979 budget submission, (1) a comprehensive plan for proceeding with its work measurement systems development and (2) a statement on the progress the Department has made in dealing with the issues presented in the GAO report. (FPCD-77-53, June 15, 1977.)

The Senate Appropriations Committee accepted GAO's recommendations and directed the Secretary to submit the plan and a statement of progress on GAO's recommendations with its fiscal year 1979 budget submission.

Appropriations

HUD, Salaries and Expenses.

Appropriation Committee issues

1. HUD needs to improve its practices for developing its work measurement standards.
2. HUD should integrate its work measurement system with improved time, workload, and cost-reporting systems.
3. HUD should submit a comprehensive plan for proceeding with its work measurement system's development to the Committee.
4. HUD should submit a statement to the Committee on the progress it has made in dealing with the recommendations presented in GAO's report.